ANNUAL REPORT

2009

TRUSTCO
Bank Corp NY

Trustco Continues to Expand... Recent Openings

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  Rensselaer County
- **HARTSDALE**
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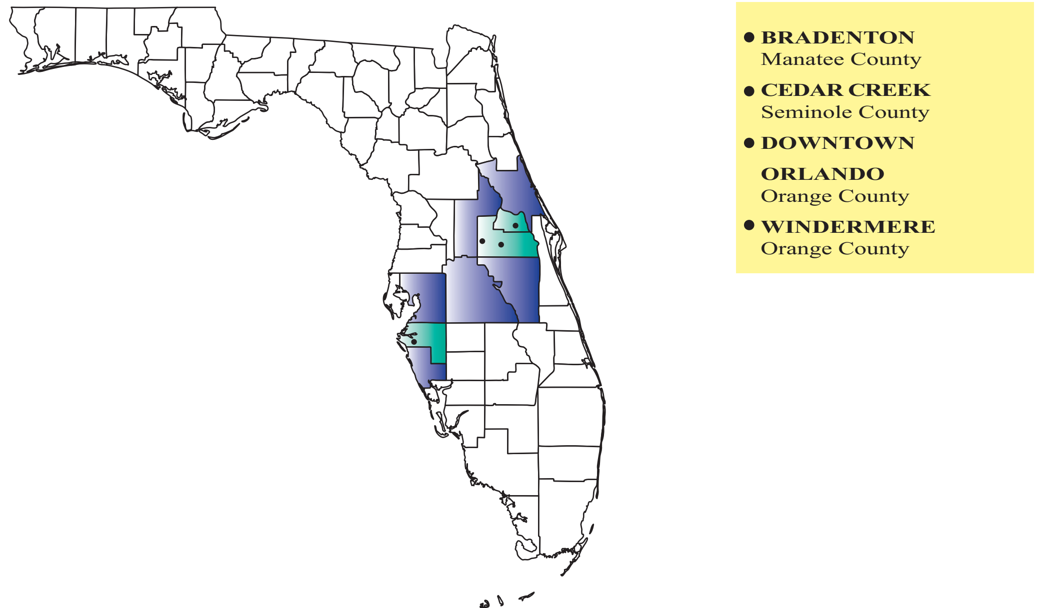
FLORIDA



TrustCo Bank Corp NY (the "Company," "TrustCo" or the "Bank") is a savings and loan holding company headquartered in Glenville, New York. The Company is the largest financial services company headquartered in the Capital Region of New York State and its principal subsidiary, Trustco Bank, operates 132 community banking offices and 134 Automatic Teller Machines throughout the Bank's market areas. The Company serves 5 states and 28 counties with a broad range of community banking services.

Financial Highlights

(dollars in thousands, except per share data)

	Years ended December 31,		
	2009	2008	Percent Change
Income:			
Net interest income (Taxable Equivalent)	**$ 114,029**	99,540	14.56%
Net Income	**28,120**	34,077	(17.48)
Per Share:			
Basic earnings	**0.368**	0.450	(18.22)
Diluted earnings	**0.368**	0.450	(18.22)
Tangible book value	**3.20**	3.10	3.23
Average Balances:			
Assets	**3,555,981**	3,421,914	3.92
Loans, net	**2,203,683**	2,023,548	8.90
Deposits	**3,193,115**	3,064,585	4.19
Shareholders' equity	**239,842**	238,700	0.48
Financial Ratios:			
Return on average assets	**0.79%**	1.00	(21.00)
Return on average equity	**11.72**	14.28	(17.93)
Consolidated tier 1 capital to:			
Total average assets (leverage)	**6.71**	6.77	(0.89)
Risk-adjusted assets	**12.04**	12.40	(2.90)
Total capital to risk-adjusted assets	**13.30**	13.66	(2.64)
Net loans charged off to average loans	**0.45**	0.13	246.15
Allowance for loan losses to nonperforming loans	**0.82x**	1.07	(23.36)
Efficiency ratio	**55.18%**	51.37	7.42
Dividend Payout ratio	**80.90**	97.85	(17.32)

Per Share information of common stock

	Basic Earnings	Diluted Earnings	Cash Dividend	Tangible Book Value	Range of Stock Price High	Range of Stock Price Low
2009						
First quarter	**$0.083**	**0.083**	**0.1100**	**3.11**	**9.71**	**4.85**
Second quarter	**0.070**	**0.070**	**0.0625**	**3.11**	**7.06**	**5.42**
Third quarter	**0.103**	**0.103**	**0.0625**	**3.19**	**6.66**	**5.54**
Fourth quarter	**0.111**	**0.111**	**0.0625**	**3.20**	**6.51**	**5.63**
2008						
First quarter	0.125	0.125	0.1100	3.21	10.31	8.03
Second quarter	0.112	0.112	0.1100	3.16	9.39	7.42
Third quarter	0.119	0.119	0.1100	3.17	13.25	7.03
Fourth quarter	0.094	0.094	0.1100	3.10	12.22	8.92

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TrustCo Mission Statement:

TrustCo will be the low cost provider of high quality services to our customers in the communities we serve and return to our owners an above average return on their investment.

President's Message

Dear Fellow Shareholders:

As we told you last year what is old is suddenly new again. That statement continued to hold true through 2009. TrustCo's history of conservative lending and investing is becoming the blue print for the banking industry. Our conservative philosophies have set us apart from our peers. During 2009 TrustCo received many national recognitions from various news and rating organizations:

- Top 25 Banks Nationally — *Bank Director Magazine, February 2009*
- Top 10 Best Banks in the Country — *ABA Journal, May 2009*
- Top 15 Banks Nationally (5th year in a row) — *SNL Thrift Investor, May 2009*
- Top 100 in Audit Integrity (out of 8,000 publicly traded companies covered) — *June 2009*
- 4th Best Bank in the Country — *US Banker, August 2009*
- Robert T. Cushing, Executive Vice President and Chief Financial Officer awarded CFO of the Year — *Capital Region Business Review, October 2009*

Most recently, *Bank Director Magazine* again ranked us as one of the Top Banks in the Country in the February, 2010 issue.

We are proud of this third-party recognition, however, we are ever mindful of the greater importance of continued profitability, financial strength and growth.

We told you that our earnings would improve in the second half of the year. This in fact did happen and in the fourth quarter of 2009 we reported net income was up about 19% compared to the 4th quarter of 2008. Our interest margin continued to show improvement, increasing to 3.51% during the 4th quarter of 2009 versus 2.96% for the fourth quarter of 2008. This 19% increase in margin should contribute to fueling continued profitability into 2010. The entire year was impacted by expenses, especially our FDIC insurance premium increasing from $454 thousand to $6.5 million.

We saw substantial growth in our loan portfolio over the past year. Average loans grew 8.90% or $180 million in 2009. We are proud to report that our residential mortgage portfolio reached $2 billion in January of 2010. Just over five short years ago mortgage loans reached the $1 billion milestone. This growth was not achieved in a vacuum but rather with the hard work and dedication of our most important asset, our employees. We are not immune to the industry delinquency issues, but ours are manageable and well below national averages.

We are pleased to report growth in our average deposits of 4.19% or $129 million for 2009. The growth in deposits and loans is spread throughout all the markets we currently serve.

We have often discussed our philosophy of returning excess capital to our shareholders while maintaining sufficient levels to meet the regulatory definition of "well capitalized." In 2009 TrustCo paid 80.90% of our net income to shareholders in the form of cash dividends. During 2010 it is the Board of Directors intent to continue payouts to our shareholders of excess capital that our Company generates. We believe our dividend appears stable and sound.

Share prices seem to have recovered from the recent lows. Hopefully this trend will continue. Although financial company stocks are still not considered to be broadly favored at this time, we have kept our Company balance sheet clean, continued to pay a healthy dividend, and positioned it for the future.

President's Message *(continued)*

Our branch expansion program has been successfully completed with only two offices still to open. This will bring our total to 134 branches spread out over five states. When we started this expansion we had fifty-five locations all in the Capital Region of New York. We are pleased with the results thus far but are mindful the real work continues. Growing these offices and making them all profitable is our biggest priority. We will probably never have a year without opening a branch but the pace will slow dramatically.

There was one senior staff change during 2009. Eric Schreck was promoted from Administrative Vice President to Senior Vice President/Florida Regional President. Eric has been with Trustco for over 20 years and brings a vast amount of experience to our Florida operation. We currently have 42 offices in Florida which gives us an exceptional growth platform for years to come.

While the Florida economy certainly has experienced some trouble, we urge you to keep in mind that Florida was a long term strategy, with expected ups and downs. The branches in Florida are still relatively new representing a small percentage of our total business. We believe this will be a good long term investment and a valuable piece of our future growth and profitability.

Our Trust Department staff currently manages assets in excess of $762 million. Their experience and expertise has been a real benefit, especially over the last several years, for the many customers they serve. They welcome a meeting with any TrustCo shareholder regarding your financial or estate planning needs.

We note with sorrow the passing of William H. Milton III and Daniel J. Rourke, M.D. both Honorary Directors of TrustCo Bank Corp NY and Trustco Bank. These fine gentlemen were tremendous supporters of our bank as well as many other organizations, and will be missed.

Our community needs have expanded, and Trustco has responded appropriately. Our staff involvement with hundreds of not-for-profit agencies throughout our market area, coupled with financial support from Trustco, has remained a priority.

We had a good 2009. In a time of financial crisis we have remained very profitable, well capitalized and liquid. We approach 2010 with great optimism. With your support, we have structured a company ready for the future. We are sure the combination of management, products, financial strength and the enthusiastic commitment of the Board of Directors will bring us continued success in the years ahead.

Sincerely,

Robert J. McCormick
Chairman, President
and Chief Executive Officer
TrustCo Bank Corp NY

Management's Discussion and Analysis of Financial Condition and Results of Operations

The financial review which follows will focus on the factors affecting the financial condition and results of operations of TrustCo Bank Corp NY (the "Company", or "TrustCo"), during 2009 and, in summary form, the two preceding years. Net interest income and net interest margin are presented in this discussion on a taxable equivalent basis. Balances discussed are daily averages unless otherwise described. The consolidated financial statements and related notes and the quarterly reports to shareholders for 2009 should be read in conjunction with this review. Reclassifications are made where necessary to conform with the current year's presentation.

2009 presented a mixed environment, with the early part of the year a continuation of the market and economic turmoil that prevailed in 2008, followed by stabilized or improving conditions in many financial markets later in the year despite continued challenges in the underlying economy of the United States and many other nations. The dramatic declines in market values for a wide variety of asset classes seen in 2008 did not occur in 2009, and some asset classes, including equities, showed significant gains. However, fallout from the market disruptions and economic recession continued to cause failures of a relatively large number of banks and other financial institutions. Although by some measures the recession may have ended late in 2009, significant economic problems persist, particularly in terms of unemployment levels and real estate values. In a broader sense, the unprecedented intervention by governments in markets and attempts to stimulate the economy have led to very large fiscal deficits for the United States and other nations, which will have long term consequences. The sharp easing of monetary policy during 2008 and some of the market interventions have yet to be unwound. Finally, Congress continues to look at regulatory changes that could have an impact on the banking industry.

TrustCo's long-term focus on traditional banking services has enabled the Company to avoid significant impact from asset quality problems and the Company's strong liquidity and solid capital positions have allowed the Company to continue to conduct business in a manner consistent with past practice. TrustCo has not engaged in the types of high risk loans and investments that have led to the widely reported problems in the industry. A number of major competitors of the Company have been severely impacted by these issues. While we continue to adhere to prudent underwriting standards, as a lender we may be adversely impacted by general economic weaknesses and, in particular, a sharp downturn in the housing market nationally.

Overview

TrustCo recorded net income of $28.1 million or $0.368 of diluted earnings per share for the year ended December 31, 2009, compared to $34.1 million or $0.450 of diluted earnings per share for the year ended December 31, 2008. This represents a decrease of 17.5% in net income between 2008 and 2009.

During 2009, the following had a significant effect on net income:

- an increase of $14.5 million in taxable equivalent net interest income compared to 2008, resulting from an increase in the average balance of interest earning assets of $130.1 million, an increase in interest bearing liabilities of $131.7 million and an increase of 29 basis points ("bp") in the net interest margin,
- an increase in the provision for loan losses from $4.2 million in 2008 to $11.3 million in 2009,
- the recognition of net gains on securities transactions of $1.8 million in 2009 compared to net securities gains of $450 thousand recorded in 2008,
- the recognition of net trading losses of $350 thousand in 2009 compared to net trading gains of $155 thousand in 2008, and
- an increase of $15.8 million in total noninterest expense from $60.8 million in 2008 to $76.6 million in 2009, including a $6.0 million increase in the level of FDIC deposit insurance assessments.

TrustCo performed well in comparison to its peers with respect to a number of key performance ratios during 2009 and 2008, including:

- return on average equity of 11.72% for 2009 and 14.28% for 2008, compared to 2.07% in 2009 and 6.00% in 2008 for a peer group comprised of all publicly traded banks and thrifts tracked by SNL Financial with assets of $2 to $10 billion,
- return on average assets of 0.79% for 2009 and 1.00% for 2008, compared to the peer group levels of 0.28% in 2009 and 0.59% in 2008, and
- an efficiency ratio of 55.18% for 2009 and 51.37% for 2008, compared to the peer group levels of 62.80% in 2009 and 60.34% in 2008.

During 2009, TrustCo's results were positively affected, on an overall basis, by the interest rate environment. The lower rate environment prevailing throughout 2009, coupled with slightly diminished competition, allowed the Company to reduce rates paid on its deposit products, particularly time deposits. This resulted in a lower cost of funds for the Company, which more than offset diminished yields in its securities portfolios and on its federal funds and other short term investments. The Company has traditionally maintained a high liquidity position, and taken a conservative

stance in its investment portfolio through the use of relatively short term securities and securities with call provisions. The lower rate environment that prevailed during the year resulted in maturing and called securities being reinvested at lower yields. The Federal Reserve Bank's ("FRB") significant easing during 2008 and other government attempts to restrain interest rates, along with the weakened economy, were key drivers of the rate environment during 2009. The 2008 easing included a sharp reduction in the Federal Funds rate, which began 2008 at 4.25% and ended the year at a target range of between 0.00% to 0.25%. That target range was in place throughout 2009 and continues to be in place at this time. Although government actions designed to constrain longer term rates have continued, longer term rates generally trended up during 2009, resulting in a more positively sloped yield curve. The 10 year treasury yield, for example, increased from 2.25% at December 31, 2008 to 3.85% at December 31, 2009. A more positive slope in the yield curve is generally beneficial for the Company's earnings derived from its core mix of loans and deposits. Although the Company's deposit funding costs declined and competitive conditions improved somewhat, deposit pricing remains relatively competitive.

The increase in the provision for loan losses from $4.2 million in 2008 to $11.3 million in 2009 contributed to the decline in net income. The increasing provision reflects the increase in the size of the Company's loan portfolio, changing economic conditions and an increase in nonperforming assets. While the provision increased, net charge-offs also increased, from $2.7 million in 2008 to $9.9 million in 2009.

TrustCo continued to open new branch locations, although its major expansion program was substantially complete by the end of 2009. During 2009 seven new branches were added to the franchise, bringing the total to 131 at year-end. The new branch locations continue the plan established several years ago to expand the franchise to areas experiencing economic growth, specifically in central Florida and the downstate New York region. Most of the new branches opened during 2009 are located in these markets. The new branches have the same products and features found at other TrustCo locations. With a combination of competitive rates, excellent service and convenient locations, management believes that the new branches will attract deposit and loan customers and be a welcome addition to these communities. The branches opened since the expansion program began, including those opened in 2009, have continued to add to the Company's customer base. As expected, some branches have grown more rapidly than others. Typically, new bank branches continue to grow for years after being opened. The expansion program has contributed significantly to the growth of both deposits and loans in recent years, as well as to non-interest income and non-interest expense, which increased by $15.8 million from 2008 to 2009. The higher costs are offset by net interest income earned on core loans and deposits generated by these branches, as well as associated non-interest income. As noted, the branch expansion program is substantially complete, although the Company typically opens a few branches each year as opportunities arise. The completion of the major expansion is expected to reduce the rate of growth in non-interest expenses. Revenue growth is expected to continue, as these branches typically add new customers and increase penetration with existing customers for a number of years after coming online.

TrustCo's operations focus on providing high quality service to the communities served by its branch-banking network. The financial results for the Company are influenced by economic events that affect those communities, as well as national economic trends, primarily interest rates, affecting the entire banking industry.

Overall, 2009 was marked by growth in the two key drivers of long-term performance, deposits and loans. Deposits ended 2009 at $3.31 billion, an increase of $168.9 million or 5.4% from the prior year and the loan portfolio grew to a total of $2.28 billion, an increase of $118.2 million or 5.5% over the 2008 year end balance. The increase in deposits and loans reflect the success the Company has had in attracting new customers to the Bank, both in new branch locations as well as in its established offices. Management believes that TrustCo's success is predicated on providing core banking services to a wider number of customers. Growing the customer base should contribute to continued growth of loans and deposits, as well as net interest income and non-interest income.

Asset/Liability Management

In managing its balance sheet, TrustCo utilizes funding and capital sources within sound credit, investment, interest rate, and liquidity risk guidelines established by management and approved by the Board of Directors. Loans and securities (including Federal Funds sold and other short term investments) are the Company's primary earning assets. Average interest earning assets were 97.6% of average total assets for both 2009 and 2008.

TrustCo, through its management of liabilities, attempts to provide stable and flexible sources of funding within established liquidity and interest rate risk guidelines. This is accomplished through core deposit banking products offered within the markets served by the Company. TrustCo does not actively seek to attract out-of-area deposits or so-called "hot money"; rather the Company focuses on core relationships with both depositors and borrowers.

TrustCo's objectives in managing its balance sheet are to limit the sensitivity of net interest income to actual or potential changes in interest rates and to enhance profitability through strategies that should provide sufficient reward for understood and controlled risk. The Company is deliberate in its effort to maintain adequate liquidity under prevailing and projected economic conditions and to maintain an efficient and appropriate mix of core deposit relationships.

The Company relies on traditional banking investment instruments and its large base of core deposits to help in asset/liability management.

TrustCo does not make subprime loans or purchase investments collateralized by subprime loans. A loan may be considered subprime for a number of reasons, but effectively subprime loans are loans where the certainty of repayment of principal and interest is lower than for a traditional prime loan due to the structure of the loan itself, the credit worthiness of the borrower, the underwriting standards of the lender or some combination of these. For instance, adjustable loans underwritten at initial low "teaser" rates instead of the fully indexed rate, loans with 100% loan to values and loans to borrowers with poor payment history would generally be classified as subprime. TrustCo underwrites its loan originations in a traditional manner, focusing on key factors that have proven to result in good credit decisions, rather than relying on automated systems or basing decisions primarily on one factor, such as a borrower's credit score.

Interest Rates

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

Interest rates have a significant impact on the operations and financial results of all financial services companies. One of the most important interest rates used to control national economic policy is the "Federal Funds" rate. This is the interest rate utilized within the banking system for overnight borrowings for institutions with the highest credit rating. As noted, during 2008 the Federal Funds rate decreased from 4.25% at the beginning of the year to a target range of 0.00% to 0.25% by year end, and has remained at that level since.

As noted previously, the yield on longer term financial instruments, including the 10 year Treasury bond rate generally trended up in 2009. Despite the Federal Funds rate remaining near zero, the yield on the 10 year Treasury increased 160 basis points, from 2.25% to 3.85%. The rate on the 10 year treasury bond and other long-term interest rates has a significant influence on the rates for new residential real estate loans. The FRB is also attempting to influence rates on mortgage loans by other means, including direct intervention in the mortgage-backed securities market, by purchasing these securities in an attempt to raise prices and reduce yields. These changes in interest rates have an effect on the Company relative to the interest income on loans, securities, and Federal Funds sold and other short term instruments as well as on interest expense on deposits and borrowings. Residential real estate loans and longer-term investments are most affected by the changes in longer term market interest rates such as the 10 year treasury. The Federal Funds sold portfolio and other short term investments are affected primarily by changes in the Federal Funds target rate. Deposit interest rates are most affected by short term market interest rates. Also, changes in interest rates have an effect on the recorded balance of the securities available for sale portfolio, which are recorded at fair value. Generally, as interest rates increase the fair value of the securities will decrease. Interest rates on new residential real estate loan originations are also influenced by the rates established by secondary market participants such as Freddie Mac and Fannie Mae. Because TrustCo is a portfolio lender and does not generally sell loans into the secondary market, the Company establishes rates that management determines are appropriate in light of the long-term nature of residential real estate loans while remaining competitive with the secondary market rates.

The net effect of these interest rate changes is that the yields earned on both short term investments and longer term investments have declined since mid-year 2009, while deposit costs, as noted, declined through most of the year.

Earning Assets

Average earning assets during 2009 were $3.47 billion, which was an increase of $130.1 million from the prior year. This increase was the result of growth in the average balance of net loans by $180.1 million, a $398.2 million increase in held-to-maturity securities, partly offset by a $21.3 million decrease in securities available for sale, a $178.3 million decrease in Federal Funds sold and other short-term investments and a decrease of $248.5 million of trading securities between year-end 2008 and 2009. The increase in the loan portfolio is primarily the result of an increase in real estate loans. This increase in real estate loans is a result of aggressive sales of this product throughout the TrustCo branch network, an effective marketing campaign, competitive rates and closing costs and changes in competitive conditions as a result of the market disruptions that occurred during the year.

Total average assets were $3.56 billion for 2009 and $3.42 billion for 2008.

The table "Mix of Average Earning Assets" shows how the mix of the earning assets has changed over the last three years. While the growth in earning assets is critical to improved profitability, changes in the mix also have a significant impact on income levels, as discussed below.

MIX OF AVERAGE EARNING ASSETS

(dollars in Thousands)

						Components of Total Earning Assets		
	2009	2008	2007	**2009 vs. 2008**	2008 vs. 2007	**2009**	2008	2007
Loans, net	**$2,203,683**	2,023,548	1,852,310	**180,135**	171,238	**63.5%**	60.6	57.7
Trading securities:								
U.S. government sponsored enterprises	**13,783**	259,081	428,389	**(245,298)**	(169,308)	**0.4**	7.8	13.3
State and political subdivisions	**786**	4,018	—	**(3,232)**	4,018	**—**	0.1	—
Total trading securities	**14,569**	263,099	428,389	**(248,530)**	(165,290)	**0.4**	7.9	13.3
Securities available for sale:								
U.S. Treasuries and agencies	**667**	1,761	227	**(1,094)**	1,534	**—**	—	—
U.S. government sponsored enterprises	**289,658**	287,908	247,192	**1,750**	40,716	**8.3**	8.6	7.7
State and political subdivisions	**98,875**	113,014	127,359	**(14,139)**	(14,345)	**2.8**	3.4	4.0
Mortgage-backed securities and collateralized mortgage obligations	**128,690**	147,758	161,839	**(19,068)**	(14,081)	**3.7**	4.4	5.0
Other	**21,132**	9,918	12,660	**11,214**	(2,742)	**0.6**	0.3	0.4
Total securities available for sale	**539,022**	560,359	549,277	**(21,337)**	11,082	**15.5**	16.8	17.1
Held-to-maturity securities:								
U.S. government sponsored enterprises	**269,832**	77,484	9,096	**192,348**	68,388	**7.8**	2.3	0.3
Mortgage-backed securities	**162,527**	—	—	**162,527**	—	**4.7**	—	—
Corporate bonds	**70,247**	26,899	—	**43,348**	26,899	**2.0**	0.8	—
Total held-to-maturity securities	**502,606**	104,383	9,096	**398,223**	95,287	**14.5**	3.1	0.3
Federal funds sold and other short-term investments	**209,881**	388,230	372,965	**(178,349)**	15,265	**6.0**	11.6	11.6
Total earning assets	**$3,469,761**	3,339,619	3,212,037	**130,142**	127,582	**100.0%**	100.0	100.0

The average balances of securities available for sale are presented using amortized cost for these securities.

Loans

Average net loans increased $180.1 million during 2009 to $2.20 billion. Interest income on the loan portfolio also increased to $125.2 million in 2009 from $123.2 million in 2008. The average yield declined 41 basis points to 5.68% in 2009 compared to 2008.

LOAN PORTFOLIO

(dollars in thousands)

	As of December 31,					
	2009		2008		2007	
	Amount	Percent	Amount	Percent	Amount	Percent
Commercial	**$ 275,280**	**12.1%**	$ 285,785	13.2%	$ 252,189	13.0%
Real estate – construction	**16,162**	**0.7**	24,784	1.1	37,842	2.0
Real estate – mortgage	**1,707,951**	**74.8**	1,596,054	73.8	1,409,448	72.8
Home equity lines of credit	**277,306**	**12.2**	250,849	11.6	229,570	11.9
Installment loans	**4,837**	**0.2**	5,866	0.3	5,865	0.3
Total loans	**2,281,536**	**100.0%**	2,163,338	100.0%	1,934,914	100.0%
Less: Allowance for loan losses	**37,591**		36,149		34,651	
Net loans (1)	**$2,243,945**		$2,127,189		$1,900,263	

	Average Balances									
	2009		2008		2007		2006		2005	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial	**$ 281,254**	**12.8%**	$ 267,047	13.2%	$ 253,506	13.7%	$ 221,527	13.7%	$ 192,378	14.4%
Real estate – construction	**16,121**	**0.7**	31,650	1.6	29,692	1.6	21,784	1.4	18,893	1.4
Real estate – mortgage	**1,636,833**	**74.3**	1,486,529	73.4	1,327,461	71.7	1,144,378	71.1	922,875	69.1
Home equity lines of credit	**264,754**	**12.0**	232,927	11.5	235,904	12.7	218,297	13.5	192,819	14.4
Installment loans	**4,721**	**0.2**	5,395	0.3	5,747	0.3	5,369	0.3	9,934	0.7
Total loans	**2,203,683**	**100.0%**	2,023,548	100.0%	1,852,310	100.0%	1,611,355	100.0%	1,336,899	100.0%
Less: Allowance for loan losses	**36,521**		34,833		34,939		35,538		47,653	
Net loans (1)	**$2,167,162**		$1,988,715		$1,817,371		$1,575,817		$1,289,246	

(1) Presented net of deferred direct loan origination fees and costs.

Through marketing, pricing and a customer-friendly service delivery network, TrustCo has attempted to distinguish itself from other mortgage lenders. The uniqueness of the loan products was highlighted by TrustCo in an effort to differentiate them from those of other lenders. Specifically, low closing costs, no escrow or private mortgage insurance and quick loan decisions were identified and marketed. The fact that the Company holds mortgages in its loan portfolio rather than selling them into secondary markets was also highlighted. The average balance of residential real estate loans was $1.49 billion in 2008 and $1.64 billion in 2009. Income on real estate loans increased to $97.9 million in 2009 from $91.7 million in 2008. The yield on the portfolio decreased from 6.14% for 2008 to 5.94% in 2009 due to changes in retail rates in the marketplace. Residential real estate loans at December 31, 2009 were $1.71 billion compared to $1.60 billion at year end 2008, an increase of $111.9 million. The majority of TrustCo's real estate loans are secured by properties within the Bank's market area.

Average commercial loans, including the commercial loan portion of the real estate construction portfolio, of $287.7 million in 2009 decreased by $3.4 million from $291.1 million in 2008. The average yield on the commercial loan portfolio decreased to 5.94% for 2009 from 6.51% in 2008 as a result of declining market rates. This resulted in interest income on commercial loans of $17.1 million in 2009 and $18.9 million in 2008.

Management's Discussion and Analysis *(continued)*

TrustCo strives to maintain strong asset quality in all segments of its loan portfolio, especially commercial loans. Competition for commercial loans continues to be intense in the Bank's market regions although the dislocations of the last two years has resulted in some competitors exiting the business or scaling back their efforts. The Bank competes with large money center and regional banks as well as with smaller locally based banks and thrifts.

TrustCo's commercial lending activities are focused on balancing the Company's commitment to meeting the credit needs of businesses in its market areas with the necessity of managing its credit risk. In accordance with these goals, the Company has consistently emphasized the origination of loans within its market area. The portfolio contains no foreign loans, nor does it contain any significant concentrations of credit to any single borrower or industry. The Capital Region commercial loan portfolio reflects the diversity of businesses found in the market area, including light manufacturing, retail, service, and real estate related business. Commercial loans made in the downstate New York market area and in the central Florida market area also reflect the businesses in those areas, with a focus on real estate. Market conditions in the central Florida market area remained difficult in 2009. While that has had an impact on all lenders in the area, the impact on TrustCo has been mitigated by the limited size of the Company's portfolio in that market and by adherence to strong underwriting criteria.

TrustCo has a strong position in the home equity credit line product in its Capital Region market area. TrustCo was one of the first financial institutions in the area to market and originate this product, and, management believes, has developed significant expertise with respect to its risks and rewards. During 2009, the average balance of home equity credit lines was $264.8 million, an increase from $232.9 million in 2008. The home equity credit line product has developed into a significant business line for most financial services companies. Trustco Bank competes with both regional and national concerns for these lines of credit and faces stiff competition with respect to interest rates, closing costs, and customer service for these loans. TrustCo continuously reviews changes made by competitors with respect to the home equity credit line product and adjusts its offerings to remain competitive. The average yield decreased to 3.63% for 2009 from 5.07% in 2008. The decline in yield is primarily related to the decline in the prime rate, to which these lines of credit are indexed. The prime rate remained at 3.25% throughout 2009, after having fallen gradually from 7.25% at the beginning of 2008 to the 3.25% level by December 16, 2008. In addition, newly originated lines typically provide for a competitive initial rate. This resulted in interest income on home equity credit lines of $9.6 million in 2009, compared to $11.8 million in 2008.

The average balance of net installment loans decreased to $4.7 million in 2009 from $5.4 million in 2008. The yield on installment loans decreased nominally to 14.76% in 2009 from 14.82% in 2008, resulting in interest income of $697 thousand for 2009 and $800 thousand for 2008.

MATURITIES AND SENSITIVITIES OF LOANS TO CHANGE IN INTEREST RATES

(dollars in thousands)

	December 31, 2009			
	In 1 Year or Less	After 1 Year But Within 5 Years	After 5 Years	Total
Commercial	$ 94,458	98,901	81,921	275,280
Real estate construction	16,162	—	—	16,162
Total	110,620	98,901	81,921	291,442
Predetermined rates	51,208	98,901	81,921	232,030
Floating rates	59,412	—	—	59,412
Total	$110,620	98,901	81,921	291,442

Securities

INVESTMENT SECURITIES

(dollars in thousands)

	As of December 31,					
	2009		2008		2007	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Trading securities: [1]						
U.S. government sponsored enterprises	$ **—**	**—**	115,273	115,273	465,151	465,151
State and political subdivisions	**—**	**—**	1,053	1,053	—	—
Total trading securities	**—**	**—**	116,326	116,326	465,151	465,151
Securities available for sale:						
U.S. government sponsored enterprises	**528,665**	**523,483**	424,514	426,078	289,035	289,690
State and political subdivisions	**90,664**	**93,215**	102,587	105,137	125,219	129,271
Mortgage backed securities and collateralized mortgage obligations	**104,760**	**104,901**	141,579	137,918	154,337	148,858
Corporate bonds	**81,989**	**81,445**	—	—	—	—
Other	**650**	**650**	650	650	650	648
Total debt securities available for sale	**806,728**	**803,694**	669,330	669,783	569,241	568,467
Equity securities	**6,632**	**6,671**	6,178	6,219	10,909	10,425
Total securities available for sale	**813,360**	**810,365**	675,508	676,002	580,150	578,892
Held to maturity securities:						
U.S. government sponsored enterprises	**99,251**	**99,179**	214,851	215,776	15,000	15,175
Mortgage backed securities	**196,379**	**198,600**	—	—	—	—
Corporate bonds	**79,241**	**81,783**	49,838	49,365	—	—
Total held to maturity securities	**374,871**	**379,562**	264,689	265,141	15,000	15,175
Total investment securities	**$1,188,231**	**1,189,927**	1,056,523	1,057,469	1,060,301	1,059,218

(1) Amortized cost equals fair value.

Securities available for sale: The portfolio of securities available for sale is designed to provide a stable source of interest income and liquidity. The portfolio is also managed by the Company to take advantage of changes in interest rates. The securities available for sale portfolio is managed under a policy detailing the types, duration, and interest rates acceptable in the portfolio. Mortgage backed securities and collateralized mortgage obligations held in the portfolio are primarily pass-throughs issued by United States Government agencies or sponsored enterprises. The Company also has $9.9 million in mortgage backed securities and collateralized mortgage obligations issued by other financial institutions.

The designation of "available for sale" is made at the time of purchase, based upon management's intent and ability to hold the securities for an indefinite period of time. These securities are available for sale in response to changes in market interest rates, related changes in prepayment risk, needs for liquidity, or changes in the availability of and yield on alternative investments. At December 31, 2009 some securities in this portfolio had fair values that were less than the amortized cost due to changes in interest rates and market conditions and not related to the credit condition of the issuers. At December 31, 2009, the Company has the intent and ability to hold these securities until market recovery or until maturity, and it is not likely that the Company will be required to sell these securities before market recovery. Accordingly, at December 31, 2009 the Company does not consider any of the unrealized losses to be other than temporary.

At December 31, 2009, securities available for sale amounted to $810.4 million at fair value, compared to $676.0 million at year end 2008. For 2009, the average balance of securities available for sale was $539.0 million with an average yield of 3.80%, compared to an average balance in 2008 of $560.4 million with an average yield of 5.08%. The taxable equivalent income earned on the securities portfolio in 2009 was $21.2 million, compared to $28.4 million earned in 2008.

Securities available for sale are recorded at their fair value, with any unrealized gains or losses, net of taxes, recognized as a component of shareholders' equity. Average balances of securities available for sale are stated at amortized cost. At December 31, 2009 and 2008, the fair value of TrustCo's portfolio of securities

available for sale carried net unrealized gains of approximately $5.2 million and net unrealized losses of approximately $8.2 million, respectively.

Trading Securities: At December 31, 2009 the trading securities portfolio had been reduced to zero as a result of maturities and calls. For 2009, the average balance of trading securities was $14.6 million with an average yield of 3.02%, compared to an average balance of $263.1 million at an average yield of 3.61% for 2008. The taxable equivalent income earned on the trading securities portfolio in 2009 was $440 thousand, compared to $9.5 million in 2008. The decline in the average yield reflects the change in market interest rates while the decline in interest income reflects both the changing rate environment and the lower average balance. Trading securities are recorded at their fair value with the current period change in fair value recorded as a net gain or loss on the consolidated statement of income.

Held to Maturity Securities: At December 31, 2009 the Company held $374.9 million of held to maturity securities, compared to $264.7 million at December 31, 2008. For 2009, the average balance of held to maturity securities was $502.6 million, compared to $104.4 million in 2008. The average yield on held to maturity securities declined from 3.50% in 2008 to 2.87% in 2009. Interest income on held to maturity securities increased from $3.7 million in 2008 to $14.4 million in 2009, reflecting the growth in average balances, which more than offset lower yields due to the change in market rates. Held to maturity securities are recorded at amortized cost. The fair value of these securities as of December 31, 2009 was $379.6 million.

The designation of "held to maturity" is made at the time of purchase, based upon management's intent and ability to hold the securities until final maturity. At December 31, 2009, the Company has the intent and ability to hold these securities until maturity. At December 31, 2009 some securities in this portfolio had fair values that were less than the amortized cost due to changes in interest rates and market conditions and not related to the credit condition of the issuers. Accordingly, at December 31, 2009 the Company does not consider any of the unrealized losses to be other than temporary.

Securities Gains & Losses: During 2009, TrustCo recognized approximately $1.8 million of net gains from securities transactions, compared to net gains of $450 thousand in 2008. In addition, the Company recognized a net trading loss of $350 thousand in 2009, compared to a net trading gain of $155 thousand in 2008.

TrustCo has not invested in any exotic investment products such as interest rate swaps, forward placement contracts, or other instruments commonly referred to as derivatives. In addition, the Company has not invested in securities backed by subprime mortgages or in collateralized debt obligations (CDOs). By actively managing a portfolio of high quality securities, TrustCo can meet the objectives of asset/liability management and liquidity, while at the same time producing a reasonably predictable earnings stream.

The following table represents debt securities portfolios distributed by maturity.

SECURITIES PORTFOLIO MATURITY DISTRIBUTION AND YIELD

(dollars in thousands)

As of December 31, 2009 — Maturing:

	Within 1 Year	After 1 But Within 5 Years	After 5 But Within 10 Years	After 10 Years	Total
Securities available for sale:					
U.S. government sponsored enterprises					
Amortized cost	$ 1,301	188,478	338,886	—	528,665
Fair Value	1,302	188,423	333,758	—	523,483
Weighted average yield	0.91%	2.25	3.24	—	2.88
State and political subdivisions					
Amortized cost	$17,162	15,387	4,578	53,537	90,664
Fair Value	17,385	15,977	4,701	55,152	93,215
Weighted average yield	3.22%	3.58	5.02	4.82	4.31
Mortgage-backed securities and collateralized mortgage obligations					
Amortized cost	$16,451	55,246	29,391	3,672	104,760
Fair Value	16,784	56,045	28,327	3,745	104,901
Weighted average yield	4.77%	4.80	4.52	5.63	4.75
Corporate bonds					
Amortized cost	$ 514	8,838	72,637	—	81,989
Fair Value	511	8,844	72,090	—	81,445
Weighted average yield	2.82%	4.02	5.12	—	4.99
Other					
Amortized cost	—	650	—	—	650
Fair Value	—	650	—	—	650
Weighted average yield	—%	2.92	—	—	2.92
Total securities available for sale					
Amortized cost	$35,428	268,599	445,492	57,209	806,728
Fair Value	35,982	269,939	438,876	58,897	803,694
Weighted average yield	3.85%	2.91	2.98	4.87	3.50
Held to maturity securities:					
U.S. government sponsored enterprises					
Amortized cost	$ —	79,129	20,122	—	99,251
Fair Value	—	79,149	20,030	—	99,179
Weighted average yield	—%	2.17	3.71	—	2.48
Mortgage-backed securities					
Amortized cost	$ —	186,396	9,983	—	196,379
Fair Value	—	188,811	9,789	—	198,600
Weighted average yield	—%	4.31	3.99	—	4.29
Corporate bonds					
Amortized cost	$ 9,996	59,361	9,884	—	79,241
Fair Value	10,024	61,340	10,419	—	81,783
Weighted average yield	4.25%	4.37	6.19	—	4.58
Total held to maturity securities					
Amortized cost	$ 9,996	324,886	39,989	—	374,871
Fair Value	10,024	329,300	40,238	—	379,562
Weighted average yield	4.25%	3.80	4.39	—	3.87

Weighted average yields have not been adjusted for any tax-equivalent factor.

Maturity and call dates of securities: Many of the securities in the investment portfolio have a call date in addition to the stated maturity date. Call dates allow the issuer to redeem the bonds prior to maturity at specified dates and at predetermined prices. Normally, securities are redeemed at the call date when the issuer can reissue the security at a lower interest rate. Therefore, for cash flow, liquidity and interest rate management purposes, it is important to monitor both maturity dates and call dates. The tables labeled “Securities Portfolio Maturity and Call Date Distribution,” show the distribution, based on both final maturity and call date of each security, broken out by the available for sale and held to maturity portfolios as of December 31, 2009.

Mortgage-backed securities and collateralized mortgage obligations are reported using an estimate of average life. Actual maturities may differ from contractual maturities because of securities' prepayments and the right of certain issuers to call or prepay their obligations without penalty. The table "Securities Portfolio Maturity Distribution and Yield," shows the distribution of maturities for the total investment portfolio on a combined basis, based on final maturity, as well as the average yields on each type/maturity grouping.

SECURITIES PORTFOLIO MATURITY AND CALL DATE DISTRIBUTION

Debt securities available for sale:

(dollars in thousands)

	As of December 31, 2009			
	Based on Final Maturity		Based on Call Date	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	**$ 35,428**	**35,982**	**552,850**	**548,062**
1 to 5 years	**268,599**	**269,939**	**142,733**	**145,863**
5 to 10 years	**445,492**	**438,876**	**103,954**	**102,391**
After 10 years	**57,209**	**58,897**	**7,191**	**7,378**
Total debt securities available for sale	**$806,728**	**803,694**	**806,728**	**803,694**

Held to maturity securities:

(dollars in thousands)

	As of December 31, 2009			
	Based on Final Maturity		Based on Call Date	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	**$ 9,996**	**10,024**	**109,247**	**109,202**
1 to 5 years	**324,886**	**329,300**	**245,757**	**250,152**
5 to 10 years	**39,989**	**40,238**	**19,867**	**20,208**
Total held to maturity securities	**$374,871**	**379,562**	**374,871**	**379,562**

Federal Funds Sold and Other Short-term Investments

During 2009, the average balance of Federal Funds sold and other short-term investments was $209.9 million, a decrease from $388.2 million in 2008. The average rate earned on these assets was 1.04% in 2009 and 2.26% in 2008. The decline in average rate reflects the reduction in the Federal Funds target rate. TrustCo utilizes this category of earning assets as a means of maintaining strong liquidity.

As noted, the target Federal Funds target rate set by the Federal Open Market Committee (FOMC) did not change during 2009. The Federal Funds sold and other short-term investments portfolio is significantly affected by changes in the target Federal Funds rate as are virtually all interest sensitive instruments.

The year end balance of Federal Funds sold and other short term investments was $100.6 million for 2009 compared to $207.7 million for year end 2008. Given the extremely low rate on Federal Funds and increased market uncertainties, some of the Company's liquidity was shifted into very short term high quality securities and bank deposits. Management will continue to evaluate the overall level of the Federal Funds sold and other short term investments portfolio for 2010 and will make appropriate adjustments based upon market opportunities and interest rates.

Funding Sources

TrustCo utilizes various traditional sources of funds to support its asset portfolio. The table, "Mix of Average Sources of Funding," presents the various categories of funds used and the corresponding average balances for each of the last three years.

Deposits: Average total deposits (including time deposits greater than $100 thousand) were $3.19 billion in 2009, compared to $3.06 billion in 2008, an increase of $128.5 million. Each deposit category of deposits increased except for time deposits under $100,000. Increases included: time deposits over $100,000 of $51.3 million, IBC deposits up $62.7 million, savings up $29.1 million money market up $19.6 million and demand up $3.4 million, partly offset by a decline of $37.5 million in time deposits under $100 thousand. Changes in balances by type of deposit primarily reflect shifts in consumer demand and not any specific changes in pricing strategy. The increase in deposits reflects the impact of new branches opened over the last several years, and the continuing focus at TrustCo on providing core banking services better, faster and cheaper than its competitors.

AVERAGE BALANCES, YIELDS AND NET INTEREST MARGINS

(dollars in thousands)

	2009			2008			2007		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
Assets									
Loans, net	**$2,203,683**	**125,232**	**5.68%**	2,023,548	123,226	6.09%	1,852,310	120,491	6.50%
Trading securities:									
U.S. government sponsored enterprises	**13,783**	**405**	**2.94**	259,081	9,377	3.62	428,389	22,432	5.24
State and political subdivisions	**786**	**35**	**4.42**	4,018	123	3.06	—	—	—
Total trading securities	**14,569**	**440**	**3.02**	263,099	9,500	3.61	428,389	22,432	5.24
Securities available for sale:									
U.S. treasuries and agencies	**667**	**13**	**1.90**	1,761	36	2.06	227	11	4.72
U.S. government sponsored enterprises	**289,658**	**7,812**	**2.70**	287,908	13,461	4.68	247,192	13,172	5.33
State and political subdivisions	**98,875**	**6,350**	**6.42**	113,014	7,559	6.69	127,359	8,669	6.81
Mortgage backed securities and collateralized mortgage obligations	**128,690**	**5,976**	**4.64**	147,758	6,886	4.66	161,839	7,553	4.67
Other	**21,132**	**1,039**	**1.67**	9,918	503	5.08	12,660	753	5.95
Total securities available for sale	**539,022**	**21,190**	**3.80**	560,359	28,445	5.08	549,277	30,158	5.49
Held to maturity securities:									
U.S. government sponsored enterprises	**269,832**	**6,468**	**2.40**	77,484	2,402	3.10	9,096	542	5.96
Mortgage backed securities	**162,527**	**4,815**	**2.96**	—	—	—	—	—	—
Corporate bonds	**70,247**	**3,147**	**4.48**	26,899	1,253	4.66	—	—	—
Total held to maturity securities	**502,606**	**14,430**	**2.87**	104,383	3,655	3.50	9,096	542	5.96
Federal funds sold and other short-term investments	**209,881**	**2,188**	**1.04**	388,230	8,770	2.26	372,965	18,865	5.06
Total interest earning assets	**3,469,761**	**163,480**	**4.69%**	3,339,619	173,596	5.20	3,212,037	192,488	5.99%
Allowance for loan losses	**(36,521)**			(34,833)			(34,939)		
Cash and noninterest earning assets	**122,741**			117,128			120,783		
Total assets	**$3,555,981**			3,421,914			3,297,881		
Liabilities and shareholders' equity									
Interest bearing deposits:									
Interest bearing checking accounts	**$ 364,638**	**695**	**0.19**	301,976	744	0.25	281,276	857	0.30
Savings	**641,377**	**3,068**	**0.48**	612,247	4,018	0.66	639,915	8,979	1.40
Time deposits and money markets	**1,926,273**	**43,979**	**2.28**	1,892,910	67,322	3.56	1,770,748	79,425	4.49
Total interest bearing deposits	**2,932,288**	**47,742**	**1.63**	2,807,133	72,084	2.57	2,691,939	89,261	3.32
Short-term borrowings	**104,033**	**1,709**	**1.63**	97,472	1,971	2.02	95,101	3,721	3.91
Long-term debt	**—**	**—**	**—**	12	1	5.22	42	2	5.22
Total interest bearing liabilities	**3,036,321**	**49,451**	**1.63%**	2,904,617	74,056	2.55%	2,787,082	92,984	3.34%
Demand deposits	**260,827**			257,452			253,703		
Other liabilities	**18,991**			21,145			23,938		
Shareholders' equity	**239,842**			238,700			233,158		
Total liabilities and shareholders' equity	**$3,555,981**			3,421,914			3,297,881		
Net interest income		**114,029**			99,540			99,504	
Taxable equivalent adjustment		**(2,120)**			(2,677)			(3,070)	
Net interest income		**111,909**			96,863			96,434	
Net interest spread			**3.06%**			2.65%			2.65%
Net interest margin (net interest income to total interest earnings assets)			**3.27**			2.98			3.10

Portions of income earned on certain commercial loans, U.S. government obligations, obligations of states and political subdivisions, and equity securities are exempt from federal and/or state taxation. Appropriate adjustments have been made to reflect the equivalent amount of taxable income that would have been necessary to generate an equal amount of after tax income. Federal and New York State tax rates used to calculate income on a tax equivalent basis were 35.0% and 7.5% for 2009, 2008, and 2007. The average balances of securities available for sale and held to maturity were calculated using amortized costs. Included in the average balance of shareholders' equity is $2.1 million, $(1.5) million, and $(757) thousand in 2009, 2008, and 2007, respectively, net of unrealized (depreciation) appreciation, net of tax, in the available for sale securities portfolio. The gross amounts of the net unrealized (depreciation) appreciation has been included in cash and noninterest earning assets. Nonaccrual loans are included in average loans.

The overall cost of interest bearing deposits was 1.63% in 2009 compared to 2.57% in 2008. The increase in the average balance of interest bearing deposits, coupled with a 94 basis point decrease in the average cost, resulted in a decrease of approximately $24.3 million in interest expense on deposits to $47.7 million in 2009.

The Company strives to maintain competitive rates on deposit accounts and to attract customers through a combination of competitive interest rates, quality customer service, and convenient banking locations. In this fashion, management believes, TrustCo is able to attract deposit customers looking for a long-term banking relationship and to cross sell banking services utilizing the deposit account relationship as the starting point.

MIX OF AVERAGE SOURCES OF FUNDING

(dollars in thousands)

						Components of Total Funding		
	2009	2008	2007	**2009 vs. 2008**	2008 vs. 2007	**2009**	2008	2007
Demand deposits	**$ 260,827**	257,452	253,703	**3,375**	3,749	**7.9%**	8.1	8.3
Retail deposits								
Savings	**641,377**	612,247	639,915	**29,130**	(27,668)	**19.5**	19.4	21.0
Time deposits under $100 thousand	**1,118,811**	1,156,355	1,066,809	**(37,544)**	89,546	**33.8**	36.6	35.1
Interest bearing checking accounts	**364,638**	301,976	281,276	**62,662**	20,700	**11.1**	9.5	9.3
Money market deposits	**330,111**	310,468	340,001	**19,643**	(29,533)	**10.0**	9.8	11.2
Total retail deposits	**2,454,937**	2,381,046	2,328,001	**73,891**	53,045	**74.4**	75.3	76.6
Total core deposits	**2,715,764**	2,638,498	2,581,704	**77,266**	56,794	**82.3**	83.4	84.9
Time deposits over $100 thousand	**477,351**	426,087	363,938	**51,264**	62,149	**14.5**	13.5	12.0
Short-term borrowings	**104,033**	97,472	95,101	**6,561**	2,371	**3.2**	3.1	3.1
Long-term debt	**—**	12	42	**(12)**	(30)	**—**	—	—
Total purchased liabilities	**581,384**	523,571	459,081	**57,813**	64,490	**17.7**	16.6	15.1
Total sources of funding	**$3,297,148**	3,162,069	3,040,785	**135,079**	121,284	**100.0%**	100.0	100.0

Other funding sources: The Company had $104.0 million of average short-term borrowings outstanding during 2009 compared to $97.5 million in 2008. The average cost of short-term borrowings was 1.63% in 2009 and 2.02% in 2008. This resulted in interest expense of approximately $1.7 million in 2009 and $2.0 million in 2008.

AVERAGE DEPOSITS BY TYPE OF DEPOSITOR

(dollars in thousands)

	Years Ended December 31,				
	2009	2008	2007	2006	2005
Individuals, Partnerships and corporations	**$3,175,136**	3,047,460	2,930,448	2,609,596	2,485,922
U.S. Government	**2**	9	14	19	72
States and political subdivisions	**1,036**	1,618	1,542	4,585	4,875
Other (certified and official checks, etc.)	**16,941**	15,498	13,638	14,138	15,098
Total average deposits by type of depositor	**$3,193,115**	3,064,585	2,945,642	2,628,338	2,505,967

MATURITY OF TIME DEPOSITS OVER $100 THOUSAND

(dollars in thousands)	As of December 31, 2009
Under 3 months	**$225,689**
3 to 6 months	**61,144**
6 to 12 months	**173,255**
Over 12 months	**26,102**
Total	**$486,190**

VOLUME AND YIELD ANALYSIS

(dollars in thousands)	**2009 vs. 2008**			2008 vs. 2007		
	Increase (Decrease)	Due to Volume	Due to Rate	Increase (Decrease)	Due to Volume	Due to Rate
Interest income (TE):						
Federal funds sold and other short-term investments	**$ (6,582)**	**(3,026)**	**(3,556)**	(10,095)	743	(10,838)
Trading securities (taxable)	**(9,060)**	**(7,614)**	**(1,446)**	(12,932)	(7,264)	(5,668)
Securities available for sale:						
Taxable	**(6,046)**	**(59)**	**(5,987)**	(603)	1,247	(1,850)
Tax-exempt	**(1,209)**	**(914)**	**(295)**	(1,110)	(960)	(150)
Total securities available for sale	**(7,255)**	**(973)**	**(6,282)**	(1,713)	287	(2,000)
Held to maturity securities (taxable)	**10,775**	**11,480**	**(705)**	3,113	2,864	249
Loans, net	**2,006**	**10,359**	**(8,353)**	2,735	10,546	(7,811)
Total interest income	**(10,116)**	**10,226**	**(20,342)**	(18,892)	7,176	(26,068)
Interest expense:						
Interest bearing checking accounts	**(49)**	**145**	**(194)**	(113)	52	(165)
Savings	**(950)**	**186**	**(1,136)**	(4,961)	(375)	(4,586)
Time deposits and money markets	**(23,343)**	**870**	**(24,213)**	(12,103)	5,497	(17,600)
Short-term borrowings	**(262)**	**129**	**(391)**	(1,750)	90	(1,840)
Long-term debt	**(1)**	**(1)**	**—**	(1)	(1)	—
Total interest expense	**(24,605)**	**1,329**	**(25,934)**	(18,928)	5,263	(24,191)
Net interest income (TE)	**$ 14,489**	**8,897**	**5,592**	36	1,913	(1,877)

Capital Resources

Consistent with its long-term goal of operating a sound and profitable financial organization, TrustCo strives to maintain strong capital ratios and to qualify as a well capitalized bank in accordance with federal regulatory requirements. Historically, most of the Company's capital requirements have been provided through retained earnings generated. New issues of equity securities have not been required to support the Company's growth.

A basic element of TrustCo's operating philosophy is that the Company will not retain excess capital. Capital generated by the Company that is in excess of the levels considered by management to be necessary for the safe and sound operation of the Company has been distributed to the shareholders in the form of cash dividends. Consequently, the capital ratios that are maintained are adequate, in the view of management, but not excessive. This philosophy has led to a dividend payout ratio of 80.9% of net income in 2009 and 97.9% of net income in 2008. The per share dividend paid in 2009 was $0.298 compared to dividends per share of $0.44 in 2008.

TrustCo's Tier 1 capital was 12.04% of risk-adjusted assets at December 31, 2009, and 12.40% of risk-adjusted assets at December 31, 2008. Tier 1 capital to average assets at December 31, 2009 was 6.71%, as compared to 6.77% at year end 2008.

At December 31, 2009 and 2008, Trustco Bank met its regulator's definition of a well capitalized institution.

Risk Management

The responsibility for balance sheet risk management oversight is the function of the Asset Allocation Committee. The Committee meets monthly and includes the executive officers of the Company as well as other department managers as appropriate. The meetings include a review of balance sheet structure, formulation of strategy in light of anticipated economic conditions, and comparison to established guidelines to control exposures to various types of risk.

Credit Risk

Credit risk is managed through a network of loan officer authorities, review committees, loan policies, and oversight from the senior executives of the Company. Management follows a policy of continually identifying, analyzing, and evaluating the credit risk inherent in the loan portfolio. As a result of management's ongoing reviews of the loan portfolio, loans are placed in nonaccrual status, either due to the delinquent status of the principal and/or interest payments, or based on a judgment by management that, although payment of principal and/or interest is current, such action is prudent. Thereafter, no interest is taken into income unless received in cash or until such time as the borrower demonstrates a sustained ability to make scheduled payments of interest and principal.

Management's Discussion and Analysis *(continued)*

Management has also developed policies and procedures to monitor the credit risk in relation to the Federal Funds sold portfolio. TrustCo monitors the credit rating and capital levels of the third party banks that they sell Federal Funds to.

Nonperforming Assets

Nonperforming assets include loans in nonaccrual status, loans that have been treated as troubled debt restructurings, loans past due three payments or more and still accruing interest, and foreclosed real estate properties.

Nonperforming assets at year end 2009 and 2008 totaled $55.1 million and $35.7 million respectively. Nonperforming loans as a percentage of the total loan portfolio were 2.02% in 2009 and 1.57% in 2008.

Included in nonperforming loans at year end 2009 were $45.6 million of loans in nonaccrual status as compared to $32.7 million at year end 2008. There were no loans past due three payments or more and still accruing interest at year end 2009 and $594 thousand at year end 2008. Restructured loans at year-end 2009 were $400 thousand, compared to $598 thousand at year-end 2008. The increase in nonperforming loans from 2008 to 2009 primarily reflects softening economic conditions. Adherence to sound underwriting standards, vigorous loan collection efforts and timely charge-offs have all been cornerstones of the operating philosophy of TrustCo.

At December 31, 2009, nonperforming loans include a mix of commercial and residential loans. Of total nonperforming loans of $46.0 million, $34.3 million were residential real estate loans and $11.7 million were commercial mortgages and loans. It is the Company's policy to classify loans as nonperforming if three payments have been missed. Economic conditions have deteriorated nationally over the last year. The majority of the Company's loan portfolio continues to come from its historical market area in Upstate New York. This region has been affected by the economic downturn and turmoil in the financial markets, but to a much lesser degree than markets that previously enjoyed more robust growth and more rapid escalation in housing prices. The Company's Downstate New York and Florida market areas have seen somewhat more of an impact, however traditionally strong underwriting and the avoidance of specific problem areas, such as exotic loan types have helped the Company avoid the level of problems some other institutions have experienced. The Company's abundance of caution in its approach to lending has contributed to its relatively solid credit quality and reserve position.

Ongoing portfolio management is intended to result in early identification and disengagement from deteriorating credits. TrustCo has a diversified loan portfolio that includes a significant balance of residential mortgage loans to borrowers in the Capital Region of New York and avoids concentrations to any one borrower or any single industry.

There are inherent risks associated with lending, however based on its review of the loan portfolio, management is aware of no other loans in the portfolio that pose significant risk of the eventual non-collection of principal and interest. As of December 31, 2009, there were no other loans classified for regulatory purposes that management reasonably expects will materially impact future operating results, liquidity, or capital resources. TrustCo has no advances to

NONPERFORMING ASSETS
(dollars in thousands)

	As of December 31,				
	2009	2008	2007	2006	2005
Loans in nonaccrual status	**$45,632**	32,700	12,065	5,713	1,662
Loans contractually past due 3 payments or more and still accruing interest	**—**	594	19	211	35
Restructured loans	**400**	598	640	1,189	1,518
Total nonperforming loans	**46,032**	33,892	12,724	7,113	3,215
Foreclosed real estate	**9,019**	1,832	293	92	23
Total nonperforming assets	**$55,051**	35,724	13,017	7,205	3,238
Allowance for loan losses	**$37,591**	36,149	34,651	35,616	45,377
Allowance coverage of nonperforming loans	**0.82x**	1.07	2.72	5.01	14.11
Nonperforming loans as a % of total loans	**2.02%**	1.57	0.66	0.40	0.22
Nonperforming assets as a % of total assets	**1.50**	1.02	0.39	0.23	0.11

borrowers or projects located outside the United States. The Bank makes loans to executive officers, directors and to associates of such persons. These loans are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions. These loans do not involve more than normal risk of collectibility or present other unfavorable features.

TrustCo has identified nonaccrual commercial and commercial real estate loans, as well as all loans restructured under a troubled debt restructuring, as impaired loans.

There were $11.7 million of nonaccrual commercial mortgages and loans classified as impaired as of December 31, 2009 and $9.8 as of December 31, 2008. At year end 2009 and 2008, there were $400 thousand and $598 thousand, respectively, of impaired retail loans. The average balances of all impaired loans were $12.8 million during 2009, $5.8 million in 2008 and $1.3 million in 2007.

As a result of previous loan charge offs and/or the sufficiency of collateral related to the impaired loans at December 31, 2009, there was no allowance for loan losses allocated to these loans. The Company recognized approximately $111 thousand of interest income on these loans in 2009, $265 thousand in 2008 and $154 thousand in 2007.

At year end 2009 there was $9.0 million of foreclosed real estate as compared to $1.8 million in 2008. The increase is consistent with the increase in non-performing loans, a portion of which ultimately are foreclosed upon.

Allowance for Loan Losses

The allowance for loan losses is available to absorb losses on loans that management determines are uncollectible. The balance of the allowance is maintained at a level that is, in management's judgment, representative of probable incurred losses related to the loan portfolio's inherent risk.

In deciding on the adequacy of the allowance for loan losses, management reviews past due information, historical charge-off and recovery data, and nonperforming loan activity. Also, there are a number of other factors that are taken into consideration, including:

- the magnitude, nature and trends of recent loan charge-offs and recoveries,
- the growth in the loan portfolio and the implication that it has in relation to the economic climate in the Bank's market territories, and
- the economic environment in the Upstate New York territory (the Company's largest geographical area) over the last several years, as well as in the Company's other market areas.

Management continues to monitor these trends in determining future provisions for loan losses in relation to loan charge offs, recoveries, the level and trends of nonperforming loans and overall economic conditions in the Company's market territories.

The table, "Summary of Loan Loss Experience", includes an analysis of the changes to the allowance for the past five years. Loans charged off in 2009 and 2008 were $11.0 million and $4.9 million, respectively. The increase in charge-offs came in both the residential and commercial segments of the portfolio, with the former increasing by $4.8 million and the latter by $1.5 million from 2008 to 2009. The increased charge-offs on both segments reflected economic and market changes. A large percentage of the net charge-offs were associated with properties in the Florida region, which is consistent with the decline in real estate values in that area. During 2009, 82% of charge-offs were on residential real estate loans, 17% were on commercial loans and 1% were on installment loans, compared to a mix of 7% commercial, 87% real estate and 6% installment in 2008. Recoveries were $1.1 million in 2009 and $2.2 million in 2008. The Company recorded a $11.3 million provision for loan losses in 2009 compared to $4.2 million in 2008. The increase in the provision for loan losses in 2009 was primarily related to the increase in net charge-offs, continued growth in the total loan portfolio, higher nonperforming loan levels and general weakness in the overall economy.

The allowance for loan losses increased from $36.1 million at December 31, 2008, or 1.67% of total loans at that date, to $37.6 million at December 31, 2009, or 1.65% of total loans at that date.

In 2009, the Company experienced another year of significant loan growth, originated using the Bank's sound underwriting decision making. The $118.2 million of growth in the Company's gross loan portfolio from December 31, 2008 to December 31, 2009 was primarily in the New York area. Newly originated loans generally require a lower level of allowance for loan losses.

Management believes that the allowance for loan losses is adequate at December 31, 2009 and 2008. The reduction in the level of allowance for loan losses relative to total loans at December 31, 2009, as compared to 2008, is due to the growth in the portfolio, primarily in the New York markets, continued strong credit attributes in the New York markets, offset to a degree by the general economic conditions throughout the Company's market areas.

Should the current general nationwide recession and real estate value declines continue or worsen, or if the recession and real estate values decline more significantly in the Bank's market areas, the level of problem loans may increase, as will the level of the provision for loan losses.

SUMMARY OF LOAN LOSS EXPERIENCE

(dollars in thousands)	**2009**	2008	2007	2006	2005
Amount of loans outstanding at end of year (less unearned income)	**$2,281,536**	2,163,338	1,934,914	1,762,514	1,470,719
Average loans outstanding during year (less average unearned income)	**2,203,683**	2,023,548	1,852,310	1,611,355	1,336,899
Balance of allowance at beginning of year	**36,149**	34,651	35,616	45,377	49,384
Adjustment upon adoption of Staff Accounting Bulletin No. 108	**—**	—	—	(7,600)	—
Loans charged off:					
Commercial	**1,850**	339	2,465	19	656
Real estate	**8,997**	4,226	2,454	1,863	1,561
Installment	**166**	313	787	235	247
Total	**11,013**	4,878	5,706	2,117	2,464
Recoveries of loans previously charged off:					
Commercial	**259**	541	77	599	440
Real estate	**831**	1,518	2,056	2,767	4,121
Installment	**55**	117	108	165	156
Total	**1,145**	2,176	2,241	3,531	4,717
Net loans charged off (recovered)	**9,868**	2,702	3,465	(1,414)	(2,253)
Provision (credit) for loan losses	**11,310**	4,200	2,500	(3,575)	(6,260)
Balance of allowance at end of year	**$ 37,591**	36,149	34,651	35,616	45,377
Net charge offs (recoveries) as a percent of average loans outstanding during year (less average unearned income)	**0.45 %**	0.13	0.19	(0.09)	(0.17)
Allowance as a percent of loans outstanding at end of year	**1.65**	1.67	1.79	2.02	3.09

Market Risk

The Company's principal exposure to market risk is with respect to interest rate risk. Interest rate risk is the potential for economic loss due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current market value.

Quantitative and Qualitative Disclosure about Market Risk

TrustCo realizes income principally from the difference or spread between the interest earned on loans, investments and other interest-earning assets and the interest paid on deposits and borrowings. Loan volume and yield, as well as the volume of and rates on investments, deposits and borrowings are affected by market interest rates. Additionally, because of the terms and conditions of many of the loan documents and deposit accounts, a change in interest rates could also affect the projected maturities of the loan portfolio and/or the deposit base. Accordingly, TrustCo considers interest rate risk to be a market risk for the Company.

Interest rate risk management focuses on evaluating the levels of net interest income and the fair value of capital in varying interest rate cycles within Board-approved policy limits. Interest rate risk management also must take into consideration, among other factors, the Company's overall credit, operating income, operating cost, and capital profile. The Asset Allocation Committee, which includes all members of executive management and reports quarterly to the Board of Directors, monitors and manages interest rate risk to maintain an acceptable level of potential change in the fair value of capital as a result of changes in market interest rates.

The Company uses an internal model as the primary tool to identify, quantify and project changes in interest rates and the impact on the balance sheet. The model utilizes assumptions with respect to cash flows and

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

Using this internal model, the fair values of capital projections as of December 31, 2009 are referenced below. The base case scenario shows the present estimate of the fair value of capital assuming no change in the operating environment or operating strategies and no change in interest rates from those existing in the marketplace as of December 31, 2009. The table indicates the impact on the fair value of capital assuming interest rates were to instantaneously increase by 100 bp, 200 bp and 300 bp or to decrease by 100 bp.

As of December 31, 2009	Estimated Percentage of Fair value of Capital to Fair value of Assets
+300 BP	**12.10%**
+200 BP	**13.30**
+100 BP	**14.72**
Current rates	**15.65**
-100 BP	**14.84**

At December 31, 2009 the Company's book value of capital (excluding the impact of accumulated other comprehensive income) to assets was 6.71%.

The fair value of capital is calculated as the fair value of assets less the fair value of liabilities in the interest ratio scenario presented. The fair value of capital in the current rate environment is 15.65% of the fair value of assets whereas the current book value of capital to assets is 6.71% at December 31, 2009, as noted. The significant difference between these two capital ratios reflects the impact that a fair value calculation can have on the capital ratios of a company. The fair value of capital calculations take into consideration the fair value of deposits, including those deposits considered core deposits, along with the fair value of assets such as the loan portfolio.

A secondary method to identify and manage the interest rate risk profile is the static gap analysis.

Interest sensitivity gap analysis measures the difference between the assets and liabilities repricing or maturing within specific time periods. An asset-sensitive position indicates that there are more rate-sensitive assets than rate-sensitive liabilities repricing or maturing within specific time periods, which would generally imply a favorable impact on net interest income in periods of rising interest rates and a negative impact in periods of falling rates. A liability-sensitive position would generally imply a negative impact on net interest income in periods of rising rates and a positive impact in periods of falling rates.

Static gap analysis has limitations because it cannot measure precisely the effect of interest rate movements, and competitive pressures on the repricing and maturity characteristics of interest-earning assets and interest-bearing liabilities. In addition, a significant portion of the interest sensitive assets are fixed rate securities with relatively long lives whereas the interest-bearing liabilities are not subject to these same limitations. As a result, certain assets and liabilities may in fact reprice at different times and at different volumes than the static gap analysis would indicate.

The Company recognizes the relatively long-term nature of the fixed rate residential loan portfolio. To fund those long-term assets, the Company cultivates long-term deposit relationships (often called core deposits). These core deposit relationships tend to be longer term in nature and not as susceptible to changes in interest rates. Core deposit balances allow the Company to take on certain interest rate risk with respect to the asset side of the balance sheet.

The table "Interest Rate Sensitivity" presents an analysis of the interest-sensitivity gap position at December 31, 2009. All interest-earning assets and interest-bearing liabilities are shown based upon their contractual maturity or repricing date adjusted for forecasted prepayment rates. Asset prepayment and liability repricing periods are selected after considering the current rate environment, industry prepayment and data specific to the Company. The interest rate sensitivity table indicates that on a cumulative basis, TrustCo is liability sensitive for periods through 5 years and asset sensitive in the period over 5 years. The effect of being liability sensitive is that declining interest rates should result in liabilities repricing to lower levels faster than assets repricing to lower levels, thus increasing net interest income. Conversely, should interest rates rise, the Company's interest bearing liabilities would reprice up faster than assets, resulting in lower net interest income.

INTEREST RATE SENSITIVITY

(dollars in thousands)

	At December 31, 2009					
	Repricing in:					
	0-90 days	91-365 days	1-5 years	over 5 years	Rate Insensitive	Total
Total assets	$ 578,175	382,812	1,508,397	1,091,661	118,852	3,679,897
Cumulative total assets	$ 578,175	960,987	2,469,384	3,561,045	3,679,897	
Total liabilities and shareholders' equity	$ 863,836	955,059	1,099,515	494,478	267,009	3,679,897
Cumulative total liabilities and shareholders' equity	$ 863,836	1,818,895	2,918,410	3,412,888	3,679,897	
Cumulative interest sensitivity gap	$(285,661)	(857,908)	(449,026)	148,157		
Cumulative gap as a % of interest earning assets for the period	(49.4%)	(89.3%)	(18.2%)	4.2%		
Cumulative interest sensitive assets to liabilities	66.9%	52.8%	84.6%	104.3%		

In practice, the optionality imbedded in many of the Company's assets and liabilities, along with other limitations such as differing timing between changes in rates on varying assets and liabilities limits the effectiveness of gap analysis, thus the table should be viewed as a rough framework in the evaluation of interest rate risk. Management takes these factors, and others, into consideration when reviewing the Bank's gap position and establishing its asset/liability strategy.

Liquidity Risk

TrustCo seeks to obtain favorable funding sources and to maintain prudent levels of liquid assets in order to satisfy various liquidity demands. In addition to serving as a funding source for maturing obligations, liquidity provides flexibility in responding to customer initiated needs. Many factors affect the ability to meet liquidity needs, including changes in the markets served by the Bank's network of branches, the mix of assets and liabilities, and general economic conditions.

The Company actively manages its liquidity position through target ratios established under its Asset/ Liability Management policies. Continual monitoring of these ratios, both historically and through forecasts under multiple interest rate scenarios, allows TrustCo to employ strategies necessary to maintain adequate liquidity levels. Management has also developed various liquidity alternatives should abnormal situations develop.

The Company achieves its liability-based liquidity objectives in a variety of ways. Liabilities can be classified into three categories for the purposes of managing liability-based liquidity: core deposits, purchased money, and capital market funds. TrustCo seeks deposits that are dependable and predictable and that are based as much on the level and quality of service as they are on interest rate. Average core deposits (total deposits less time deposits greater than $100 thousand) amounted to $2.72 billion in 2009 and $2.64 billion in 2008. Average balances of core deposits are detailed in the table "Mix of Average Sources of Funding."

In addition to core deposits, another source of liability-based funding available to TrustCo is purchased money, which consists of long-term and short-term borrowings, Federal Funds purchased, securities sold under repurchase agreements, and time deposits greater than $100 thousand. The average balances of these purchased liabilities are detailed in the table "Mix of Average Sources of Funding." During 2009, the average balance of purchased liabilities was $581.4 million, compared with $523.6 million in 2008.

TrustCo also has a $200 million line of credit available with the Federal Home Loan Bank of New York.

The Company's overall liquidity position is favorable compared to its peers. A simple liquidity proxy often used in the industry is the ratio of loans to deposits, with a lower number representing a more liquid institution. At December 31, 2009, TrustCo's loan to deposit ratio was 69.03%, up nominally from 68.98% at December 31, 2008, while the median peer group ratios were 90.45% and 98.96%, respectively.

Off-Balance Sheet Risk

Commitments to extend credit: The Bank makes contractual commitments to extend credit, and extends lines of credit which are subject to the Bank's credit approval and monitoring procedures. At December 31, 2009 and 2008, commitments to extend credit in the form of loans, including unused lines of credit, amounted to $358.5 million and $337.8 million,

respectively. In management's opinion, there are no material commitments to extend credit that represent unusual risk.

The Company has issued conditional commitments in the form of standby letters of credit to guarantee payment on behalf of a customer and guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under standby letters of credit totaled approximately $7.5 million and $4.4 million at December 31, 2009 and 2008, respectively, and represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of 12 months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios are generally consistent with loan-to-value requirements for other commercial loans secured by similar types of collateral. The fair value of the Company's standby letters of credit at December 31, 2009 and 2008 was insignificant.

Other off-balance sheet risk: TrustCo does not engage in activities involving interest rate swaps, forward placement contracts, or any other instruments commonly referred to as "derivatives". Management believes these instruments pose a high degree of risk, and that investing in them is unnecessary. TrustCo has no off-balance sheet partnerships, joint ventures, or other risk sharing entities.

Noninterest Income and Expense

Noninterest income: Noninterest income is a relatively significant source of revenue for the Company and an important factor in overall results. Total noninterest income was $19.3 million in 2009, $18.4 million in 2008 and $17.8 million in 2007. Included in the 2009 results are $1.8 million of net securities gains compared with net gains of $450 thousand in 2008 and $217 thousand in 2007. Net trading losses of $350 thousand were recorded in 2009, compared to gains of $155 thousand in 2008 and $891 thousand in 2007. Excluding securities and trading gains and losses, noninterest income was $17.8 million in 2009, $17.8 million in 2008 and $16.7 million in 2007.

The Trust Department contributes a large recurring portion of noninterest income through fees generated by providing fiduciary and investment management services. Income from these fiduciary activities totalled $5.1 million in 2009, $5.5 million in 2008, and $5.7 million in 2007. Trust fees are generally calculated as a percentage of the assets under management by the Trust Department. Assets under management by the Trust Department are not included on the Company's consolidated financial statements because the Trust Department holds these assets in a fiduciary capacity. At December 31, 2009, 2008 and 2007, assets under management by the Trust Department were approximately $762.5 million, $764.9 million and $915.8 million, respectively. The decline in assets under management primarily reflects lower market valuations during 2009. This decline, in turn impacted revenue from these activities.

The Company routinely reviews its service charge policies and levels relative to its competitors. Reflecting those reviews, changes in fees for services to customers were made in 2009 in terms of both the levels of fees as well as types of fees. The changes in reported noninterest income also reflect the volume of services customers utilized, a larger customer base and the elimination of uncertainties regarding the collectability of certain accruals in 2009.

NONINTEREST INCOME

(dollars in thousands)

	For the year ended December 31,			2009 vs. 2008	
	2009	2008	2007	Amount	Percent
Trust department income	**$ 5,070**	5,529	5,743	**(459)**	**(8.3)%**
Fees for services to customers	**10,460**	10,746	9,498	**(286)**	**(2.7)**
Net trading gains (losses)	**(350)**	155	891	**(505)**	**(325.8)**
Net gain on securities transactions	**1,848**	450	217	**1,398**	**310.7**
Other	**2,236**	1,560	1,413	**676**	**43.3**
Total noninterest income	**$19,264**	18,440	17,762	**824**	**4.5%**

Noninterest expense: Noninterest expense was $76.6 million in 2009, compared with $60.8 million in 2008 and $53.6 million in 2007. $6.0 million of the increase in expense from 2008 to 2009 was from the FDIC deposit insurance assessment, including the special assessment of $1.7 million recorded in the second quarter of 2009. TrustCo's operating philosophy stresses the importance of monitoring and controlling the level of noninterest expense. The efficiency ratio is a strong indicator of how well controlled and monitored these expenses are for a banking enterprise. A low ratio indicates highly efficient performance. TrustCo's efficiency ratio was 55.2% in 2009, 51.4% in 2008 and 45.5% in 2007. Excluded from the efficiency ratio calculation was $1.0 million of non-recurring income items as well as $1.5 million of securities gains in 2009, $318 thousand of non-recurring income items as well as $605 thousand of securities gains in 2008, and $1.1 million of securities losses in 2007. These revenue items primarily consisted of gain and losses on sale of various assets (including securities). Additionally, $1.9 million, $182 thousand and $806 thousand of non-recurring expenses primarily consisting of the FDIC special assessment in 2009 and computer consulting costs for 2009, 2008 and 2007, respectively, were excluded from the calculation. Other real estate expense or income is also excluded from this calculation.

Salaries and employee benefits are the most significant component of noninterest expense. For 2009, these expenses amounted to $27.0 million, compared with $23.4 million in 2008, and $20.3 million in 2007. The increase in salaries and benefits was primarily due to the Company's branch expansion program.

Net occupancy expense increased $1.8 million to $14.1 million between 2008 and 2009 and increased by $2.0 million from 2007 to 2008 due primarily to new branch openings during 2008 and 2009. Equipment expense, increased $790 thousand for 2009 to $5.1 million as compared to $4.3 million in 2008, and increased by $935 thousand in 2008 compared to 2007. The increase in net occupancy expense and equipment expense is the result of new equipment purchased for the branch expansion program.

Professional services expense increased to $5.3 million in 2009 compared to $4.5 million in 2008 and $4.2 million in 2007. The increase in professional service expense is due primarily to additional fees for legal, problem loans, accounting and tax advice.

Outsourced service expense was $5.6 million in 2009 compared to $5.1 million in 2008 and $4.3 million in 2007. The increase is the result of increased volumes of loan and deposit accounts as well as the number of transactions processed.

Advertising expense was $3.0 million in 2009, $2.4 million in 2008 and $2.4 million in 2007.

As a result of stresses in the financial institutions marketplace, the Federal Deposit Insurance Corporation ("FDIC") announced new insurance programs which included higher charges, including a one-time special assessment of $1.7 million in 2009 and higher regular insurance premiums in the future. The FDIC also required the upfront payment of estimated assessments through 2012. In compliance with this change, the Bank paid the FDIC $17.6 million in December 2009. This amount was recorded as a prepaid amount initially and will be taken into expenses over the next three years.

Changes in other components of noninterest expense are the results of normal banking activities and the increased activities associated with new branching facilities.

NONINTEREST EXPENSE

(dollars in thousands)	For the year ended December 31,			2009 vs. 2008	
	2009	2008	2007	Amount	Percent
Salaries and employee benefits	**$26,951**	23,376	20,268	**3,575**	**15.3%**
Net occupancy expense	**14,054**	12,212	10,164	**1,842**	**15.1**
Equipment expense	**5,094**	4,304	3,369	**790**	**18.4**
Professional services	**5,311**	4,450	4,152	**861**	**19.3**
Outsourced services	**5,639**	5,130	4,309	**509**	**9.9**
Advertising expense	**2,958**	2,351	2,343	**607**	**25.8**
Insurance expense	**7,719**	1,722	1,265	**5,997**	**348.3**
Other real estate expense (income), net	**2,507**	160	(11)	**2,347**	**1466.9**
Other	**6,348**	7,089	7,734	**(741)**	**(10.5)**
Total noninterest expense	**$76,581**	60,794	53,593	**15,787**	**26.0%**

Income Tax

In 2009, TrustCo recognized income tax expense of $15.2 million, as compared to $16.2 million in 2008 and $18.6 million in 2007. The tax expense on the Company's income was different than tax expense at the federal statutory rate of 35%, due primarily to tax exempt income and, to a lesser extent, the effect of New York State income taxes.

During 2008 the Company settled with the Internal Revenue Service and New York State in regard to the audit of the Company's tax returns. As a result, the Company reversed an accrual of interest expense of $311 thousand, net of federal taxes, as an element of other expenses and $571 thousand, net of federal taxes, of previously unrecognized tax benefit as a decrease to tax expense in 2008. The settlement amount approximates the Company's prior estimate.

TrustCo has implemented certain tax return positions that have not been fully recognized for financial statement purposes based upon management's evaluation of the probability of the benefit being realized. Management will reevaluate the necessity of these reserves as conditions warrant as well as after the effected tax returns have been subject to audit.

The Company does not believe the unrecognized tax benefit of $1,109 thousand will significantly increase or decrease within the next twelve months. It is reasonably possible that a reduction in the estimate may occur, however, a quantification of a reasonable range cannot be determined. Open Federal and State tax years are 2002 through 2008.

Contractual Obligations

The Company is contractually obligated to make the following payments on leases as of December 31, 2009:

(dollars in thousands)

	Payments Due by Period:				
	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Operating leases	**$6,135**	**11,868**	**11,083**	**53,718**	**82,804**

In addition, the Company is contractually obligated to pay data processing vendors approximately $5 million to $6 million per year through 2013.

Also, the Company is obligated under its various employee benefit plans to make certain payments in the future. The payments vary from $1.6 million to $1.7 million through 2019. Additionally, the Company is obligated to pay the accumulated benefits under the supplementary pension plan which amounted to $5.6 million as of December 31, 2009 and 2008. Actual payments under the plan would be made in accordance with the plan provisions.

Impact of Inflation and Changing Prices

The consolidated financial statements for the years ended 2009, 2008 and 2007 have been prepared in accordance with accounting principles generally accepted in the United States of America which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increasing cost of operations.

Unlike most industrial companies, nearly all the assets and liabilities of the Company are monetary. As a result, changes in interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation, because interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

Critical Accounting Policies

Pursuant to recent SEC guidance, management of the Company is encouraged to evaluate and disclose those accounting policies that are judged to be critical policies – those most important to the portrayal of the Company's financial condition and results, and that require management's most difficult subjective or complex judgments. Management considers the accounting policy relating to the allowance for loan losses to be a critical accounting policy given the inherent uncertainty in evaluating the levels of the allowance required to cover credit losses in the portfolio and the material effect that such judgments can have on the results of operations. Included in Note 1 to the Consolidated Financial Statements contained in the Company's 2009 Annual Report on Form 10-K is a description of the significant accounting policies that are utilized by the Company in the preparation of the Consolidated Financial Statements.

Recent Accounting Pronouncements

Please refer to Note 15 to the consolidated financial statements for a detailed discussion of new accounting pronouncements and their impact on the Company.

Forward-Looking Statements

Statements included in this review and in future filings by TrustCo with the Securities and Exchange Commission, in TrustCo's press releases, and in oral statements made with the approval of an authorized executive officer, which are not historical or current facts, are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. TrustCo wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The following important factors, among others, in some cases have affected and in the future could affect TrustCo's actual results, and could cause TrustCo's actual financial performance to differ materially from that expressed in any forward-looking statement: (1) credit risk, (2) interest rate risk, (3) competition, (4) changes in the regulatory environment, (5) real estate and collateral values, and (6) changes in local market areas and general business and economic trends. The foregoing list should not be construed as exhaustive, and the Company disclaims any obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events.

SUMMARY OF UNAUDITED QUARTERLY FINANCIAL INFORMATION

(dollars in thousands, except per share data)

	2009					2008				
	Q1	**Q2**	**Q3**	**Q4**	**Year**	Q1	Q2	Q3	Q4	Year
Income statement:										
Interest income	**$39,066**	**39,781**	**41,146**	**41,367**	**161,360**	45,319	42,057	42,053	41,490	170,919
Interest expense	**14,608**	**12,536**	**11,609**	**10,698**	**49,451**	20,921	18,584	17,354	17,197	74,056
Net interest income	**24,458**	**27,245**	**29,537**	**30,669**	**111,909**	24,398	23,473	24,699	24,293	96,863
Provision for loan losses	**2,000**	**2,760**	**3,150**	**3,400**	**11,310**	300	700	1,000	2,200	4,200
Net interest income after provision for loan losses	**22,458**	**24,485**	**26,387**	**27,269**	**100,599**	24,098	22,773	23,699	22,093	92,663
Noninterest income	**5,345**	**3,919**	**5,000**	**5,000**	**19,264**	4,541	3,937	4,794	5,168	18,440
Noninterest expense	**18,481**	**20,358**	**18,686**	**19,056**	**76,581**	14,564	14,347	14,726	17,157	60,794
Income before income taxes	**9,322**	**8,046**	**12,701**	**13,213**	**43,282**	14,075	12,363	13,767	10,104	50,309
Income tax expense	**2,973**	**2,666**	**4,792**	**4,731**	**15,162**	4,648	3,894	4,733	2,957	16,232
Net income	**$ 6,349**	**5,380**	**7,909**	**8,482**	**28,120**	9,427	8,469	9,034	7,147	34,077
Per share data:										
Basic earnings	**$ 0.083**	**0.070**	**0.103**	**0.112**	**0.368**	0.125	0.112	0.119	0.094	0.450
Diluted earnings	**0.083**	**0.070**	**0.103**	**0.112**	**0.368**	0.125	0.112	0.119	0.094	0.450
Cash dividends declared	**0.1100**	**0.0625**	**0.0625**	**0.0625**	**0.2975**	0.1100	0.1100	0.1100	0.1100	0.4400

FIVE YEAR SUMMARY OF FINANCIAL DATA

(dollars in thousands, except per share data)

	Years Ended December 31,				
	2009	2008	2007	2006	2005
Statement of income data:					
Interest income	**$ 161,360**	170,919	189,418	169,207	150,174
Interest expense	**49,451**	74,056	92,984	70,940	45,657
Net interest income	**111,909**	96,863	96,434	98,267	104,517
Provision (credit) for loan losses	**11,310**	4,200	2,500	(3,575)	(6,260)
Net interest income after provision for loan losses	**100,599**	92,663	93,934	101,842	110,777
Noninterest income	**17,766**	17,835	16,654	15,455	19,290
Net trading gains (losses)	**(350)**	155	891	—	—
Net gain (loss) on securities transactions	**1,848**	450	217	(596)	5,999
Noninterest expense	**76,581**	60,794	53,593	49,062	46,232
Income before income taxes	**43,282**	50,309	58,103	67,639	89,834
Income taxes	**15,162**	16,232	18,636	22,314	30,845
Net income	**$ 28,120**	34,077	39,467	45,325	58,989
Share data:					
Average equivalent diluted shares (in thousands)	**76,482**	75,793	75,202	75,149	75,397
Tangible book value	**$ 3.20**	3.10	3.14	3.19	3.05
Cash dividends	**0.298**	0.440	0.640	0.640	0.610
Basic earnings	**0.368**	0.450	0.525	0.605	0.787
Diluted earnings	**0.368**	0.450	0.525	0.603	0.782
Financial:					
Return on average assets	**0.79%**	1.00	1.20	1.52	2.07
Return on average shareholders' equity	**11.72**	14.28	16.93	19.68	26.04
Cash dividend payout ratio	**80.90**	97.85	121.79	105.70	77.46
Tier 1 capital to average assets (leverage ratio)	**6.71**	6.77	6.82	7.67	8.04
Tier 1 capital as a % of total risk adjusted assets	**12.04**	12.40	13.53	14.88	16.58
Total capital as a % of total risk adjusted assets	**13.30**	13.66	14.79	16.14	17.85
Efficiency ratio	**55.18**	51.37	45.45	42.03	38.29
Net interest margin	**3.27**	2.98	3.10	3.50	3.90
Average balances:					
Total assets	**$3,555,981**	3,421,914	3,297,881	2,973,952	2,844,974
Earning assets	**3,469,761**	3,339,619	3,212,037	2,900,253	2,767,214
Loans, net	**2,203,683**	2,023,548	1,852,310	1,611,355	1,336,899
Allowance for loan losses	**(36,521)**	(34,833)	(34,939)	(35,538)	(47,653)
Trading securities	**14,569**	263,099	428,389	—	—
Securities available for sale	**539,022**	560,359	549,277	1,108,631	1,024,184
Held to maturity securities	**502,606**	104,383	9,096	—	—
Deposits	**3,193,115**	3,064,585	2,945,642	2,628,338	2,505,967
Short-term borrowings	**104,033**	97,472	95,101	95,239	83,381
Long-term debt	**—**	12	42	72	99
Shareholders' equity	**239,842**	238,700	233,158	230,259	226,571

Glossary of Terms

Allowance for Loan Losses

A balance sheet account which represents management's estimate of probable credit losses in the loan portfolio. The provision for loan losses is added to the allowance account, charge offs of loans decrease the allowance balance and recoveries on previously charged off loans serve to increase the balance.

Basic Earnings Per Share

Net income divided by the weighted average number of common shares outstanding during the period.

Cash Dividends Per Share

Total cash dividends for each share outstanding on the record dates.

Comprehensive Income

Net income plus the change in selected items recorded directly to capital such as the net change in unrealized market gains and losses on securities available for sale and the overfunded/underfunded positions in the retirement plans.

Core Deposits

Deposits that are traditionally stable, including all deposits other than time deposits of $100,000 or more.

Derivative Investments

Investments in futures contracts, forwards, swaps, or other investments with similar characteristics.

Diluted Earnings Per Share

Net income divided by the weighted average number of common shares outstanding during the period, taking into consideration the effect of any dilutive stock options.

Earning Assets

The sum of interest-bearing deposits with banks, securities available for sale, securities held to maturity, trading securities, loans, net of unearned income, and Federal Funds sold and other short term investments.

Efficiency Ratio

Noninterest expense (excluding nonrecurring charges, and other real estate expense) divided by taxable equivalent net interest income plus noninterest income (excluding securities transactions and other non-recurring income items). This is an indicator of the recurring total cost of operating the Company in relation to the recurring total income generated.

Federal Funds Sold

A short term (generally one business day) investment of excess cash reserves from one bank to another.

Government Sponsored Enterprises (GSE)

Government Sponsored Enterprises are corporations sponsored by the United States government and include the Federal Home Loan Bank (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), and the Federal National Mortgage Association (FNMA or Fannie Mae).

Impaired Loans

Loans, principally commercial, where it is probable that the borrower will be unable to make the principal and interest payments according to the contractual terms of the loan, and all loans restructured subsequent to January 1, 1995.

Interest Bearing Liabilities

The sum of interest bearing deposits, Federal Funds purchased, securities sold under agreements to repurchase, short-term borrowings, and long-term debt.

Interest Rate Spread

The difference between the taxable equivalent yield on earning assets and the rate paid on interest bearing liabilities.

Liquidity

The ability to meet loan commitments, deposit withdrawals, and maturing borrowings as they come due.

Net Interest Income

The difference between income on earning assets and interest expense on interest bearing liabilities.

Net Interest Margin

Fully taxable equivalent net interest income as a percentage of average earning assets.

Net Loans Charged Off

Reductions to the allowance for loan losses written off as losses, net of the recovery of loans previously charged off.

Glossary of Terms *(continued)*

Nonaccrual Loans

Loans for which no periodic accrual of interest income is recognized.

Nonperforming Assets

The sum of nonperforming loans plus foreclosed real estate properties.

Nonperforming Loans

The sum of loans in a nonaccrual status (for purposes of interest recognition), plus loans whose repayment criteria have been renegotiated to less than market terms due to the inability of the borrowers to repay the loan in accordance with its original terms, plus accruing loans three payments or more past due as to principal or interest payments.

Parent Company

A company that owns or controls a subsidiary through the ownership of voting stock.

Real Estate Owned

Real estate acquired through foreclosure proceedings.

Restructured Loans

A refinanced loan in which the bank allows the borrower certain concessions that would normally not be considered. The concessions are made in light of the borrower's financial difficulties and the bank's objective to maximize recovery on the loan.

Return on Average Assets

Net income as a percentage of average total assets.

Return on Average Equity

Net income as a percentage of average equity.

Risk-Adjusted Assets

A regulatory calculation that assigns risk factors to various assets on the balance sheet.

Risk-Based Capital

The amount of capital required by federal regulatory standards, based on a risk-weighting of assets.

Subprime Loans

Loans, including mortgages, that are underwritten based on non-traditional guidelines or structured in non-traditional ways, typically with the goal of facilitating the approval of loans that more conservative lenders would likely decline.

Tangible Book Value Per Share

Total shareholders' equity (less goodwill) divided by shares outstanding on the same date. This provides an indication of the tangible book value of a share of stock.

Taxable Equivalent (TE)

Tax exempt income that has been adjusted to an amount that would yield the same after tax income had the income been subject to taxation at the statutory federal and/or state income tax rates.

Tier 1 Capital

Total shareholders' equity excluding accumulated other comprehensive income.

Management's Report on Internal Control over Financial Reporting

The management of TrustCo Bank Corp NY is responsible for establishing and maintaining adequate internal control over financial reporting. TrustCo's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

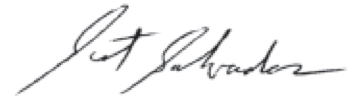
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has completed an assessment of TrustCo Bank Corp NY's internal control over financial reporting as of December 31, 2009. In making this assessment, we used the criteria set forth by the "Internal Control — Integrated Framework" promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria. Based on our assessment, we believe that, as of December 31, 2009, the Company maintained effective internal control over financial reporting.

The Company's internal control over financial reporting as of December 31, 2009 has been audited by Crowe Horwath LLP, the Company's independent registered public accounting firm, as stated in their report which is included herein.

Robert J. McCormick
Chairman, President and
Chief Executive Officer

Robert T. Cushing
Executive Vice President and
Chief Financial Officer



Scot R. Salvador
Executive Vice President and
Chief Banking Officer

March 1, 2010

Report of Independent Registered Public Accounting Firm

Audit Committee
TrustCo Bank Corp NY
Glenville, New York

We have audited the accompanying consolidated statement of condition of TrustCo Bank Corp NY as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2009. We also have audited TrustCo Bank Corp NY's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). TrustCo Bank Corp NY's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TrustCo Bank Corp NY as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, TrustCo Bank Corp NY maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Livingston, New Jersey
March 1, 2010

Consolidated Statements of Income

(dollars in thousands, except per share data)	Years Ended December 31,		
	2009	2008	2007
Interest and dividend income:			
Interest and fees on loans	**$125,199**	123,202	120,461
Interest and dividends on securities available for sale:			
U.S. Treasuries and agencies and government sponsored enterprises	**7,825**	13,497	13,183
States and political subdivisions	**4,275**	4,969	5,698
Mortgage-backed securities and collateralized mortgage obligations	**5,976**	6,886	7,553
Other	**1,039**	483	684
Total interest and dividends on securities available for sale	**19,115**	25,835	27,118
Interest on trading securities:			
U.S. government sponsored enterprises	**405**	9,376	22,432
States and political subdivisions	**23**	81	—
Total interest on trading securities	**428**	9,457	22,432
Interest on held to maturity securities:			
U.S. government sponsored enterprises	**6,468**	2,401	542
Mortgage-backed securities	**4,815**	—	—
Corporate bonds	**3,147**	1,253	—
Total interest on held to maturity securities	**14,430**	3,654	542
Interest on federal funds sold and other short-term investments	**2,188**	8,771	18,865
Total interest income	**161,360**	170,919	189,418
Interest expense:			
Interest on deposits	**47,743**	72,084	89,261
Interest on short-term borrowings	**1,708**	1,971	3,721
Interest on long-term debt	**—**	1	2
Total interest expense	**49,451**	74,056	92,984
Net interest income	**111,909**	96,863	96,434
Provision for loan losses	**11,310**	4,200	2,500
Net interest income after provision for loan losses	**100,599**	92,663	93,934
Noninterest income:			
Trust department income	**5,070**	5,529	5,743
Fees for services to customers	**10,460**	10,746	9,498
Net trading gains (losses)	**(350)**	155	891
Net gain on securities transactions	**1,848**	450	217
Other	**2,236**	1,560	1,413
Total noninterest income	**19,264**	18,440	17,762
Noninterest expense:			
Salaries and employee benefits	**26,951**	23,376	20,268
Net occupancy expense	**14,054**	12,212	10,164
Equipment expense	**5,094**	4,304	3,369
Professional services	**5,311**	4,450	4,152
Outsourced services	**5,639**	5,130	4,309
Advertising expense	**2,958**	2,351	2,343
Insurance expense	**7,719**	1,722	1,265
Other real estate expense (income), net	**2,507**	160	(11)
Other	**6,348**	7,089	7,734
Total noninterest expense	**76,581**	60,794	53,593
Income before income taxes	**43,282**	50,309	58,103
Income taxes	**15,162**	16,232	18,636
Net income	**$ 28,120**	34,077	39,467
Earnings per share:			
Basic	**$ 0.368**	0.450	0.525
Diluted	**0.368**	0.450	0.525

See accompanying notes to consolidated financial statements.

Consolidated Statements of Condition

(dollars in thousands, except per share data)	As of December 31,	
	2009	2008
ASSETS		
Cash and due from banks	**$ 45,258**	41,924
Federal funds sold and other short term investments	**100,636**	207,680
Total cash and cash equivalents	**145,894**	249,604
Trading securities	**—**	116,326
Securities available for sale	**810,365**	676,002
Held to maturity securities ($379,562 and $265,141 fair value at December 31, 2009 and 2008, respectively)	**374,871**	264,689
Loans, net	**2,281,536**	2,163,338
Less: Allowance for loan losses	**37,591**	36,149
Net loans	**2,243,945**	2,127,189
Bank premises and equipment	**37,793**	35,156
Other assets	**67,029**	37,847
Total assets	**$3,679,897**	3,506,813
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand	**$ 258,759**	249,887
Savings	**665,463**	609,444
Interest-bearing checking accounts	**405,383**	331,144
Money market deposit accounts	**393,779**	285,829
Certificates of deposit (in denominations of $100,000 or more)	**486,190**	456,583
Other time accounts	**1,095,586**	1,203,384
Total deposits	**3,305,160**	3,136,271
Short-term borrowings	**107,728**	109,592
Accrued expenses and other liabilities	**21,331**	24,926
Total liabilities	**3,434,219**	3,270,789
Commitments and contingent liabilities (Note 10)		
Shareholders' equity:		
Capital stock; $1 par value. 150,000,000 shares authorized, 83,166,423 shares issued at December 31, 2009 and 2008, respectively	**83,166**	83,166
Surplus	**128,681**	130,142
Undivided profits	**99,190**	93,818
Accumulated other comprehensive loss, net of tax	**(1,282)**	(1,441)
Treasury stock; 6,514,994 and 7,082,494 shares, at cost, at December 31, 2009 and 2008, respectively	**(64,077)**	(69,661)
Total shareholders' equity	**245,678**	236,024
Total liabilities and shareholders' equity	**$3,679,897**	3,506,813

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(dollars in thousands, except per share data)

	Capital Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income (Loss)	Treasury Stock	Total
Beginning balance, January 1, 2007	$82,150	119,313	110,304	(2,928)		(69,316)	239,523
Adjustment to initially apply ASC 825, net of tax	—	—	(8,606)	8,606		—	—
Comprehensive income:							
Net Income — 2007	—	—	39,467	—	39,467	—	39,467
Other comprehensive income, net of tax:							
Change in overfunded position in pension and post retirement benefit plans arising during the year, net of tax (pre-tax overfunded of $1,673)	—	—	—	—	1,005	—	—
Amortization of prior service cost on pension and post retirement plans, net of tax (pre-tax of $484)	—	—	—	—	(291)	—	—
Unrealized net holding gain on securities available-for-sale arising during the period, net of tax (pre-tax gain of $1,610)	—	—	—	—	969	—	—
Reclassification adjustment for net gain realized in net income during the year (pre-tax gain $217)	—	—	—	—	(131)	—	—
Other comprehensive income	—	—	—	1,552	1,552	—	1,552
Comprehensive income					41,019		
Cash dividend declared, $.640 per share	—	—	(48,066)	—		—	(48,066)
Stock options exercised and related tax benefits	223	1,893	—	—		—	2,116
Treasury stock purchased (569,348 shares)	—	—	—	—		(5,908)	(5,908)
Sale of treasury stock (798,501 shares)	—	669	—	—		7,629	8,298
Stock based compensation expense	—	86	—	—		—	86
Ending balance, December 31, 2007	$82,373	121,961	93,099	7,230		(67,595)	237,068
Comprehensive income:							
Net Income — 2008	—	—	34,077	—	34,077	—	34,077
Other comprehensive loss, net of tax:							
Change in overfunded position in pension and post retirement benefit plans arising during the year, net of tax (pre-tax underfunded of $15,773)	—	—	—	—	(9,484)	—	—
Amortization of prior service cost on pension and post retirement plans, net of tax (pre-tax of $403)	—	—	—	—	(241)	—	—
Unrealized net holding gain on securities available-for-sale arising during the period, net of tax (pre-tax gain of $2,202)	—	—	—	—	1,325	—	—
Reclassification adjustment for net gain realized in net income during the year (pre-tax gain $450)	—	—	—	—	(271)	—	—
Other comprehensive loss	—	—	—	(8,671)	(8,671)	—	(8,671)
Comprehensive income					25,406		
Cash dividend declared, $.440 per share	—	—	(33,358)	—		—	(33,358)
Stock options exercised and related tax benefits	793	8,115	—	—		—	8,908
Treasury stock purchased (670,957 shares)	—	—	—	—		(8,164)	(8,164)
Sale of treasury stock (635,760 shares)	—	(127)	—	—		6,098	5,971
Stock based compensation expense	—	193	—	—		—	193
Ending balance, December 31, 2008	$83,166	130,142	93,818	(1,441)		(69,661)	236,024
Comprehensive income:							
Net Income — 2009	**—**	**—**	**28,120**	**—**	**28,120**	**—**	**28,120**
Other comprehensive loss, net of tax:							
Change in overfunded position in pension and post retirement benefit plans arising during the year, net of tax (pre-tax overfunded of $3,792)	**—**	**—**	**—**	**—**	**2,280**	**—**	**—**
Amortization of prior service cost on pension and post retirement plans, net of tax (pre-tax of $38)	**—**	**—**	**—**	**—**	**(23)**	**—**	**—**
Unrealized net holding loss on securities available-for-sale arising during the period, net of tax (pre-tax loss of $1,641)	**—**	**—**	**—**	**—**	**(984)**	**—**	**—**
Reclassification adjustment for net gain realized in net income during the year (pre-tax gain $1,848)	**—**	**—**	**—**	**—**	**(1,114)**	**—**	**—**
Other comprehensive loss	**—**	**—**	**—**	**159**	**159**	**—**	**159**
Comprehensive income					**28,279**		
Cash dividend declared, $.2975 per share	**—**	**—**	**(22,748)**	**—**		**—**	**(22,748)**
Sale of treasury stock (567,500 shares)	**—**	**(1,675)**	**—**	**—**		**5,584**	**3,909**
Stock based compensation expense	**—**	**214**	**—**	**—**		**—**	**214**
Ending balance, December 31, 2009	**$83,166**	**128,681**	**99,190**	**(1,282)**		**(64,077)**	**245,678**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(dollars in thousands)

	Years Ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net income	**$ 28,120**	34,077	39,467
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**4,502**	3,775	3,116
Loss (gain) on sale of other real estate owned	**664**	(224)	(165)
Provision for loan losses	**11,310**	4,200	2,500
Deferred tax (benefit) expense	**2,154**	(1,660)	1,782
Stock based compensation expense	**214**	193	86
Net (gain) loss on sale of bank premises and equipment	**(48)**	6	—
Net gain on sale of securities available for sale	**(1,848)**	(450)	(217)
Proceeds from sales and calls of trading securities	**24,936**	360,829	577,906
Purchases of trading securities	**—**	(336,914)	(915,255)
Proceeds from maturities of trading securities	**91,040**	325,065	375,334
Net trading (loss) gain	**350**	(155)	(891)
Decrease (increase) in taxes receivable	**2,146**	(2,928)	20,087
Decrease in interest receivable	**1,838**	1,445	3,110
(Decrease) increase in interest payable	**(1,288)**	(748)	596
(Increase) decrease in other assets	**(23,287)**	593	1,879
Increase in accrued expenses and other liabilities	**1,271**	1,421	625
Total adjustments	**113,954**	354,448	70,493
Net cash provided by operating activities	**142,074**	388,525	109,960
Cash flows from investing activities:			
Proceeds from sales and calls of securities available for sale	**747,444**	270,698	99,978
Purchases of securities available for sale	**(891,298)**	(375,353)	(198,034)
Proceeds from maturities of securities available for sale	**651,151**	9,739	66,799
Proceeds from calls of held to maturity securities	**7,740**	96,500	10,000
Purchases of held to maturity securities	**(761,224)**	(346,180)	(25,000)
Net increase in loans	**(141,613)**	(233,890)	(176,202)
Proceeds from dispositions of other real estate owned	**4,499**	1,399	302
Proceeds from dispositions of bank premises and equipment	**175**	10	—
Purchases of bank premises and equipment	**(7,266)**	(9,754)	(8,259)
Net cash used in investing activities	**(390,392)**	(586,831)	(230,416)
Cash flows from financing activities:			
Net increase in deposits	**168,889**	115,973	220,915
Net (decrease) increase in short-term borrowings	**(1,864)**	17,372	(3,287)
Repayment of long-term debt	**—**	(29)	(30)
Proceeds from exercise of stock options and related tax benefits	**—**	8,908	2,116
Proceeds from sales of treasury stock	**3,909**	5,971	8,298
Purchase of treasury stock	**—**	(8,164)	(5,908)
Dividends paid	**(26,326)**	(37,041)	(48,066)
Net cash provided by financing activities	**144,608**	102,990	174,038
Net (decrease) increase in cash and cash equivalents	**(103,710)**	(95,316)	53,582
Cash and cash equivalents at beginning of period	**249,604**	344,920	291,338
Cash and cash equivalents at end of period	**$ 145,894**	249,604	344,920

Consolidated Statements of Cash Flows *(continued)*

(dollars in thousands)

	Years Ended December 31,		
	2009	2008	2007
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest paid	**$50,739**	74,804	92,388
Income taxes paid (refunded)	**14,667**	18,573	(1,512)
Non cash investing and financing activities:			
Transfer of loans to real estate owned	**13,547**	2,764	337
Decrease in dividends payable	**(3,578)**	(3,683)	—
Change in unrealized loss on securities available for sale—gross of deferred taxes (excluding $14,313 unrealized (gain) loss transferred to undivided profits in 2007 from adoption of ASC 825), net of reclassification adjustment	**(3,490)**	1,753	1,393
Change in deferred tax effect on unrealized gain (loss) on securities available for sale, net of reclassification adjustment	**1,392**	(699)	(555)
Amortization of prior service cost on pension and post retirement plans, gross of deferred taxes	**(38)**	(403)	(484)
Change in deferred tax effect of amortization of prior service cost	**15**	162	193
Securities available for sale transferred to trading securities	**—**	—	516,558
Cumulative effect of the adoption of ASC 825-net of deferred taxes ($14,313 gross of deferred taxes)	**—**	—	8,606
Change in overfunded portion of ASC 715—gross	**3,792**	(15,773)	1,673
Deferred tax effect of change in overfunded portion of ASC 715	**(1,512)**	6,289	(668)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) Basis of Presentation

The accounting and financial reporting policies of TrustCo Bank Corp NY (the Company or TrustCo), ORE Subsidiary Corp., Trustco Bank (referred to as Trustco Bank or the Bank), and its wholly owned subsidiaries, Trustco Realty Corporation, Trustco Insurance Agency, Inc. and ORE Property, Inc. conform to general practices within the banking industry and are in conformity with U.S. generally accepted accounting principles. A description of the more significant policies follows.

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through March 1, 2010, which is the date that the Company's financial statements were issued.

Consolidation

The consolidated financial statements of the Company include the accounts of the subsidiaries after elimination of all significant intercompany accounts and transactions.

Use of Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ. The allowance for loan losses and other real estate owned are particularly subject to change.

Trading securities

Trading securities are recorded at their fair value with the current period change in fair value recorded as net trading gains and losses on the consolidated statements of income. Interest on trading account securities are recorded in the Consolidated Statements of Income based on the coupon of the underlying bond and the par value of the security.

Securities Available for Sale and Held to Maturity

Securities available for sale are carried at approximate fair value with any unrealized appreciation or depreciation of value, net of tax, included as an element of accumulated other comprehensive income or loss in shareholders' equity. Management maintains an available for sale portfolio in order to provide maximum flexibility in balance sheet management. The designation of available for sale is made at the time of purchase based upon management's intent to hold the securities for an indefinite period of time. These securities, however, are available for sale in response to changes in market interest rates, related changes in liquidity needs, or changes in the availability of and yield on alternative investments. Unrealized losses on securities that reflect a decline in value which is other than temporary, if any, are charged to income. Nonmarketable equity securities (principally stock of the Federal Reserve Bank and the Federal Home Loan Bank, both of which are required holdings for the Company) are included in securities available for sale at cost since there is no readily available fair value.

The cost of debt securities available for sale is adjusted for amortization of premium and accretion of discount using the interest method. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated.

Gains and losses on the sale of securities available for sale are based on the amortized cost of the specific security sold at trade date.

Debt securities that management has the positive intent and ability to hold until maturity are classified as held to maturity and are carried at their remaining unpaid principal balance, net of unamortized premiums or unaccreted discounts. Premiums are amortized and discounts are accreted using the interest method over the estimated remaining term of the underlying security.

Other Than Temporary Impairment ("OTTI")

A decline in the fair value of any available for sale or held to maturity security below cost that is deemed to be other than temporary is charged to earnings and/or accumulated other comprehensive income, resulting in the establishment of a new cost basis of the security. Management evaluates these types of securities for OTTI at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Additional discussion of OTTI is included in Note 3 of the consolidated financial statements.

Loans

Loans are carried at the principal amount outstanding net of unearned income and unamortized loan fees and costs, which are recognized as adjustments to interest income over the applicable loan term. Interest income on loans is accrued based on the principal amount outstanding.

Nonperforming loans include nonaccrual loans, restructured loans, and loans which are three payments or more past due and still accruing interest. Generally, loans are placed in nonaccrual status either due to the delinquent status of principal and/or interest payments, or a judgment by management that, although payments of principal and/or interest are current, such action is prudent. Future payments received on nonperforming loans are recorded as interest income or principal reductions based upon management's ultimate expectation for collection. Loans may be removed from nonaccrual status when they become current as to principal and interest and have demonstrated a sustained ability to make loan payments in accordance with the contractual terms of the loan. Loans may also be removed from nonaccrual status when, in the opinion of management, the loan is expected to be fully collectable as to principal and interest. When, in the opinion of management, the collection of principal appears unlikely, the loan balance is evaluated in light of its collateral value and a charge-off is recorded when appropriate.

Impaired loans have been defined as commercial and commercial real estate loans in nonaccrual status and restructured loans. Income recognition for impaired loans is consistent with income recognition for nonaccruing loans.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable incurred loan losses based on consideration of the credit risk of the loan portfolio, including a review of past experience, current economic conditions, and underlying collateral value. The allowance is increased by provisions charged against income and reduced/increased by net charge offs/recoveries.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to change the allowance based on their judgments of information available to them at the time of their examination.

Bank Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on either the straight-line or accelerated methods over the remaining useful lives of the assets; generally 20 to 40 years for buildings, 3 to 7 years for furniture and equipment, and the lease term for leasehold improvements.

Other Real Estate Owned

Other real estate owned are assets acquired through foreclosures on loans. At December 31, 2009 and 2008 there were $9.0 million and $1.8 million, respectively, of other real estate owned included in the category of Other Assets in the accompanying Consolidated Statements of Condition.

Foreclosed assets held for sale are recorded on an individual basis at the lower of (1) fair value minus estimated costs to sell or (2) "cost" (which is the fair value at initial foreclosure). When a property is acquired, the excess of the loan balance over fair value is charged to the allowance for loan losses. Subsequent write downs and gains on sale are included in noninterest expense. Operating costs after acquisition are expensed.

Income Taxes

Deferred taxes are recorded for the future tax consequences of events that have been recognized in the financial statements or tax returns based upon enacted tax laws and rates. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not.

Dividend Restrictions

Banking regulations restrict the amount of cash dividends which may be paid during a year by Trustco Bank to the Company without the written consent of the appropriate bank regulatory agency. Based on these restrictions, during 2010 Trustco Bank can pay cash dividends to the Company of $15.5 million plus 2010 net profits.

Benefit Plans

The Company has a defined benefit pension plan covering substantially all of its employees. The benefits are based on years of service and the employee's compensation. This plan was frozen as of December 31, 2008.

The Company has a postretirement benefit plan that permits retirees under age 65 to participate in the Company's medical plan by which retirees pay all of their premiums. At age 65, the Company provides access to a Medicare Supplemental program for retirees.

The Company recognized in the Consolidated Statement of Condition the funded status of the pension plan and post retirement plan with an offset, net of tax, recorded in accumulated other comprehensive income.

Stock Option Plans

The Company has stock option plans for employees and directors. The Company recognizes any expense, over the vesting period, of the estimated fair value of all stock options measured on the date of the grants.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, taking into consideration the effect of any dilutive stock options.

Reclassification of Prior Year Statements

It is the Company's policy to reclassify prior year consolidated financial statements to conform to the current year presentation.

Segment Reporting

The Company's operations are exclusively in the financial services industry and include the provision of traditional banking services. Management evaluates the performance of the Company based on only one business segment, that of community banking. The Company operates primarily in the geographical region of Upstate New York with branches also in Florida and the mid-Hudson valley region of New York. In the opinion of management, the Company does not have any other reportable segments as defined by Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosure about Segments of an Enterprise and Related Information" (ASC 280).

Cash and Cash Equivalents

The Company classifies cash on hand, cash due from banks, Federal Funds sold, and other short-term investments as cash and cash equivalents for disclosure purposes.

Trust Assets

Assets under management by the Trust Department are not included on the Company's consolidated financial statements because the Trust Department holds these assets in a fiduciary capacity. Trust assets under management as of December 31, 2009 and 2008 are $762 million and $765 million, respectively.

Comprehensive Income

Comprehensive income represents the sum of net income and items of other comprehensive income or loss, which are reported directly in shareholders' equity, net of tax, such as the change in net unrealized gain or loss on securities available for sale and changes in the overfunded position of the pension and post retirement benefit plans. The Company has reported comprehensive income and its components in the Consolidated Statements of Changes in Shareholders' Equity. Accumulated other comprehensive income or loss, which is a component of shareholders' equity, represents the net unrealized gain or loss on securities available for sale, net of tax and the overfunded position in the Company's pension plan and post retirement benefit plans, net of tax.

Fair Value of Financial Instruments:

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 13. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

(2) Balances at Other Banks

The Company is required to maintain certain reserves of vault cash and/or deposits with the Federal Reserve Bank. The amount of this reserve requirement, included in cash and due from banks, was approximately $22.4 million and $22.1 million at December 31, 2009 and 2008, respectively.

(3) Investment Securities

(a) Trading Securities

The fair value of trading securities is as follows:

	December 31,	
(dollars in thousands)	**2009**	2008
U.S. government sponsored enterprises	**$—**	115,273
State and political subdivisions	**—**	1,053
Total trading securities	**$—**	116,326

Included in the Consolidated Statements of Income are $350 thousand of net trading losses and $155 thousand of net trading gains related to trading account assets at December 31, 2009 and 2008, respectively.

(b) Securities available for sale

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

(dollars in thousands)

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	**$528,665**	**787**	**5,969**	**523,483**
State and political subdivisions	**90,664**	**2,587**	**36**	**93,215**
Mortgage backed securities and collateralized mortgage obligations — residential	**104,760**	**1,609**	**1,468**	**104,901**
Corporate bonds	**81,989**	**135**	**679**	**81,445**
Other	**650**	**—**	**—**	**650**
Total debt securities	**806,728**	**5,118**	**8,152**	**803,694**
Equity securities	**6,632**	**39**	**—**	**6,671**
Total securities available for sale	**$813,360**	**5,157**	**8,152**	**810,365**

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	$424,514	1,564	—	426,078
State and political subdivisions	102,587	2,894	344	105,137
Mortgage backed securities and collateralized mortgage obligations — residential	141,579	711	4,372	137,918
Other	650	—	—	650
Total debt securities	669,330	5,169	4,716	669,783
Equity securities	6,178	41	—	6,219
Total securities available for sale	$675,508	5,210	4,716	676,002

Federal Home Loan Bank stock and Federal Reserve Bank stock included in equity securities at December 31, 2009 and 2008, was $6.4 million and $5.9 million, respectively.

The following table distributes the debt securities included in the available for sale portfolio as of December 31, 2009, 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	**$ 35,428**	**35,982**
Due in one year through five years	**268,599**	**269,939**
Due after five years through ten years	**445,492**	**438,876**
Due after ten years	**57,209**	**58,897**
	$806,728	**803,694**

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

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

(dollars in thousands)

	December 31, 2009					
	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	**$405,003**	**5,969**	**—**	**—**	**405,003**	**5,969**
State and political subdivisions	**2,025**	**16**	**368**	**20**	**2,393**	**36**
Mortgage backed securities and collateralized mortgage obligations — residential	**45,870**	**1,282**	**4,505**	**186**	**50,375**	**1,468**
Corporate bonds	**56,985**	**679**	**—**	**—**	**56,985**	**679**
Total	**$509,883**	**7,946**	**4,873**	**206**	**514,756**	**8,152**

	December 31, 2008					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss
State and political subdivisions	$ 9,962	287	637	57	10,599	344
Mortgage backed securities and collateralized mortgage obligations — residential	17,518	253	84,491	4,119	102,009	4,372
Total	$27,480	540	85,128	4,176	112,608	4,716

Government sponsored enterprises, and State and political subdivisions: The unrealized losses on these investments were caused by market interest rate increases. The contractual terms of these investments require the issuer to settle the securities at par upon maturity of the investment. Because the Company has the ability and intent to hold these investments until a market price recovery or possibly to maturity, these investments are not considered other-than-temporarily impaired.

Mortgage-backed securities and collateralized mortgage obligations: The unrealized losses on investments in mortgage-backed securities and collateralized mortgage obligations were caused by market interest rate increases. Virtually all of the mortgage-backed securities and collateralized mortgage obligations are government issued securities and the underlying credit ratings for all securities in this portfolio have remained unchanged since purchase. Because the decline in fair value is attributable primarily to changes in market interest rates and liquidity considerations, and not credit quality, and because the Company has the ability and intent to hold these investments until a market price recovery or possibly to maturity and the Company has no intent to sell these securities, these investments are not considered other-than-temporarily impaired.

The proceeds from sales and calls of securities available for sale, gross realized gains and gross realized losses from sales and calls during 2009, 2008 and 2007 are as follows:

(dollars in thousands)	December 31,		
	2009	2008	2007
Proceeds	**$747,444**	270,698	99,978
Gross realized gains	**2,136**	983	236
Gross realized losses	**288**	533	19

The amount of securities available for sale that have been pledged to secure short-term borrowings amounted to $225.0 million and $211.8 million at December 31, 2009 and 2008, respectively.

(c) Held to maturity securities

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

(dollars in thousands)	**December 31, 2009**			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	**$ 99,251**	**75**	**147**	**99,179**
Mortgage backed securities — residential	**196,379**	**2,444**	**222**	**198,601**
Corporate bonds	**79,241**	**2,541**	**—**	**81,782**
Total held to maturity	**$374,871**	**5,060**	**369**	**379,562**

	December 31, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	$214,851	925	—	215,776
Corporate bonds	49,838	—	473	49,365
Total held to maturity	$264,689	925	473	265,141

The following table distributes the debt securities included in the held to maturity portfolio as of December 31, 2009, based on the securities' final maturity:

(dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	**$ 9,996**	**10,024**
Due in one year through five years	**324,886**	**329,300**
Due in five years through ten years	**39,989**	**40,238**
	$374,871	**379,562**

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

There were gross unrealized gains on held to maturity securities of $5.1 million and $925 thousand at December 31, 2009 and 2008, respectively. There were gross unrealized losses on held to maturity securities of

$369 thousand and $473 thousand at December 31, 2009 and 2008, respectively. There were no sales of held to maturity securities during 2009 and 2008. No held to maturity securities were in unrealized losses greater than 12 months as of December 31, 2009.

(d) Concentrations

The Company has the following balances of securities held in the available for sale and held to maturity portfolios as of December 31, 2009 that represent greater than 10% of shareholders equity:

	Amortized Cost	Fair Value
Bank of America Corporation	**$ 35,555**	**36,281**
Federal Farm Credit Bank	**50,838**	**50,888**
Federal Home Loan Mortgage Corporation	**181,926**	**181,315**
Government National Mortgage Association	**194,960**	**197,302**
Federal Home Loan Bank	**203,106**	**200,067**
Federal National Mortgage Association	**251,875**	**250,198**

*(e) Other-Than-*Temporary*-Impairment*

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

In determining OTTI under the FASB ASC 320 model, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity 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 an entity 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, less any current-period credit loss. If an entity 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, less any current-period credit loss, 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 an entity 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 less any current-period loss, the OTTI 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.

As of December 31, 2009, the Company's security portfolio consisted of 487 securities, 83 of which were in an unrealized loss position, and are discussed below.

Mortgage-backed Securities

At December 31, 2009, approximately 97% of the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies, primarily 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 illiquidity, 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 December 31, 2009.

The Company's mortgage-backed securities portfolio includes non-agency collateralized mortgage obligations with a market value of $9.9 million which had unrealized losses of approximately $213 thousand at December 31, 2009. The Company monitors to insure it has adequate credit support and as of December 31, 2009, the Company believes there is no OTTI and 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. All the securities are rated AA- or higher by one or more rating agencies.

Other Securities

The Company's unrealized losses on other securities relate primarily to its investment in corporate bonds. Because the decline in fair value is attributable to

changes in interest rates and illiquidity, 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 December 31, 2009. Credit ratings on these securities remain within policy limits.

As a result of the above analysis, for the year ended December 31, 2009, the Company did not recognize any other-than-temporary impairment losses for credit or any other reason.

(4) Loans and Allowance for Loan Losses

A summary of loans by category is as follows:

(dollars in thousands)	December 31,	
	2009	2008
Commercial	**$ 275,280**	285,785
Real estate — construction	**16,162**	24,784
Real estate mortgage	**1,707,951**	1,596,054
Home equity lines of credit	**277,306**	250,849
Installment Loans	**4,837**	5,866
Total loans, net	**2,281,536**	2,163,338
Less: Allowance for loan Losses	**37,591**	36,149
Net loans	**$2,243,945**	2,127,189

At December 31, 2009 and 2008, loans to executive officers, directors, and to associates of such persons aggregated $7.4 million and $7.9 million, respectively. During 2009, approximately $590 thousand of new loans were made and repayments of loans totalled approximately $1.0 million. In the opinion of management, such loans were made in the ordinary course of business and all loans are current according to terms.

TrustCo lends primarily in the Capital District region of New York State and in the geographic territory surrounding its borders, and to a lesser extent, in Florida, Massachusetts and the mid-Hudson Valley region of New York. 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 table sets forth information with regard to nonperforming loans:

(dollars in thousands)	December 31,		
	2009	2008	2007
Loans in nonaccrual status	**$45,632**	32,700	12,065
Loans contractually past due 3 payments or more and still accruing interest	**—**	594	19
Restructured loans	**400**	598	640
Total nonperforming loans	**$46,032**	33,892	12,724

Approximately $111 thousand, $265 thousand, and $154 thousand of interest on nonaccrual and restructured loans was collected and recognized as income in 2009, 2008, and 2007, respectively. There are no commitments to extend further credit on nonaccrual or restructured loans.

Transactions in the allowance for loan losses account are summarized as follows:

(dollars in thousands)	For the year ended December 31,		
	2009	2008	2007
Balance at beginning of year	**$ 36,149**	34,651	35,616
Provision for loan losses	**11,310**	4,200	2,500
Loans charged off	**(11,013)**	(4,878)	(5,706)
Recoveries on loans previously charged off	**1,145**	2,176	2,241
Balance at year end	**$ 37,591**	36,149	34,651

The Company identifies impaired loans and measures the impairment in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan" (FASB ASC 310-10-35). A loan is considered impaired when it is probable that the borrower will be unable to repay the loan according to the original contractual terms of the loan agreement or the loan is restructured in a troubled debt restructuring (TDR). These standards are applicable principally to commercial and commercial real estate loans; however, certain provisions dealing with restructured loans also apply to retail loan products. A loan for which the terms have been modified, and for which the borrower is experiencing financial difficulties, is considered a TDR and is classified as impaired. TDR's, which are included in nonaccrual loans at December 31, 2009 and 2008, are measured at the present value of estimated future cash flows using the loan's effective rate at inception.

There were $11.7 million nonaccrual commercial and commercial real estate loans classified as impaired loans as of December 31, 2009 and $9.8 million as of December 31, 2008. Retail loans totaling $400 thousand as of December 31, 2009, and $598 thousand as of December 31, 2008, were restructured after the

effective date of Statement 114 and, accordingly, are identified as impaired loans. As a result of previous loan charge offs and/or the sufficiency of collateral related to the impaired loans there was no allowance for loan loss allocated to these loans as of December 31, 2009 and 2008. The Company has not committed to lend additional amounts to customers with outstanding loans that are classified as impaired.

During 2009, 2008, and 2007, the average balance of impaired loans was $12.8 million, $5.8 million, and $1.3 million, respectively, and there was approximately $55 thousand, $82 thousand, and $103 thousand of interest income recorded on these loans in the accompanying Consolidated Statements of Income.

(5) Bank Premises and Equipment

A summary of premises and equipment at December 31, 2009 and 2008 follows:

(dollars in thousands)	2009	2008
Land	$ 2,413	2,413
Buildings	26,409	25,839
Furniture, Fixtures and equipment	38,205	35,592
Leasehold improvements	19,101	15,429
Total bank premises and Equipment	86,128	79,273
Accumulated depreciation and amortization	(48,335)	(44,117)
Total	$ 37,793	35,156

Depreciation and amortization expense approximated $4.5 million, $3.8 million, and $3.1 million for the years 2009, 2008, and 2007, respectively. Occupancy expense of the Bank's premises included rental expense of $6.5 million in 2009, $5.4 million in 2008, and $4.3 million in 2007.

(6) Deposits

Interest expense on deposits was as follows:

(dollars in thousands)	For the year ended December 31,		
	2009	2008	2007
Interest bearing checking accounts	$ 695	744	857
Savings accounts	3,068	4,018	8,979
Time deposits and money market accounts	43,980	67,322	79,425
Total	$47,743	72,084	89,261

At December 31, 2009, the maturity of total time deposits is as follows:

(dollars in thousands)	
Under 1 year	$1,469,181
1 to 2 years	73,728
2 to 3 years	14,431
3 to 4 years	13,424
4 to 5 years	10,333
Over 5 years	679
	$1,581,776

(7) Short-Term Borrowings

Short-term borrowings of the Company were cash management accounts as follows:

(dollars in thousands)	2009	2008	2007
Amount outstanding at December 31,	$107,728	109,592	92,220
Maximum amount outstanding at any month end	123,282	110,221	101,762
Average amount outstanding	104,033	97,472	95,101
Weighted average interest rate:			
For the year	1.63%	2.02	3.91
As of year end	1.52	1.78	3.25

Cash management accounts represent retail accounts with customers for which the Bank has pledged certain assets as collateral.

Trustco Bank also has an available line of credit with the Federal Home Loan Bank of New York which approximates the balance of securities pledged against such borrowings. The line of credit requires securities to be pledged as collateral for the amount borrowed. As of December 31, 2009 and 2008 the Company had no outstanding borrowings. As of December 31, 2009 there were no securities pledged to the Federal Home Loan Bank of New York. As of December 31, 2008 the Company had $5 million of securities pledged to the Federal Home Loan Bank of New York.

(8) Income Taxes

A summary of income tax expense/(benefit) included in the Consolidated Statements of Income follows:

(dollars in thousands)	For the year ended December 31,		
	2009	2008	2007
Current tax expense:			
Federal	$12,080	17,138	17,106
State	928	754	(252)
Total current tax expense	13,008	17,892	16,854
Deferred tax expense (benefit)	2,154	(1,660)	1,782
Total income tax expense	$15,162	16,232	18,636

Notes to Consolidated Financial Statements *(continued)*

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2009 and 2008, are as follows:

	December 31,	
	2009	2008
(dollars in thousands)	Deductible temporary differences	Deductible temporary differences
Benefits and deferred remuneration	**$ (2,628)**	(360)
Deferred loan fees, net	**4**	9
Difference in reporting the allowance for loan losses, net	**20,251**	18,727
Other income or expense not yet reported for tax purposes	**1,850**	1,598
Depreciable assets	**(1,434)**	548
Other items	**1,586**	1,261
Net deferred tax asset at end of year	**19,629**	21,783
Net deferred tax asset at beginning of year	**21,783**	20,123
Deferred tax expense (benefit)	**$ 2,154**	(1,660)

Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. Based primarily on the sufficiency of historical and expected future taxable income, management believes it is more likely than not that the remaining deferred tax asset of $19.6 million and $21.8 million at December 31, 2009 and 2008, respectively, will be realized.

In addition to the deferred tax items described in the preceding table, the Company has a deferred tax asset of $1.2 million and $198 thousand at December 31, 2009 and 2008, respectively, relating to the net unrealized losses on securities available for sale and a deferred tax liability of $344 thousand and a deferred tax asset of $1.2 million at December 31, 2009 and 2008, respectively, as a result of the previously unrecognized overfunded position in the Company's pension and post retirement benefit plans recorded, net of tax as an adjustment to accumulated other comprehensive income.

The effective tax rates differ from the statutory federal income tax rate. The reasons for these differences are as follows:

	For the years ended December 31,		
	2009	2008	2007
Statutory federal income tax rate	**35.0%**	35.0	35.0
Increase/(decrease) in taxes resulting from:			
Tax exempt income	**(3.3)**	(3.2)	(3.0)
State income tax (including alternative minimum tax), net of federal tax benefit	**2.0**	1.6	0.2
Previously unrecognized tax benefit	**—**	(1.1)	—
Other items	**0.3**	—	(0.1)
Effective income tax rate	**34.0%**	32.3	32.1

TrustCo adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") as of January 1, 2008 (ASC 740). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. As a result of the Company's adoption of FIN 48, there were no required adjustments to the Company's consolidated financial statements.

TrustCo also adopted FASB Staff Position (FSP) No. 48-1 "Definition of Settlement in FASB Interpretation No. 48 (FSP 48-1)" (ASC 740). FSP 48-1 provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP 48-1 was effective retroactively to January 1, 2008 and did not significantly impact the Corporation's financial statements.

During 2009 the Company amended various federal and state tax returns as a result of a deferred tax deduction for financial reporting purposes not being recorded for tax return purposes. Consequently, the Company has established a reserve of $150 thousand with respect to the probability of collection.

For the years ended December 31, 2009 and 2008 the unrecognized tax reserves and change in those reserve from the beginning of the year are as follows:

(dollars in thousands)	
Balance January 1, 2008	$ 4,023
Amount paid to taxing authorities and amount reducing tax expense for the twelve-month period ended December 31, 2008	(3,145)
Balance December 31, 2008	878
Reserve for amended tax returns filed in 2009 for tax deductions not received	231
Balance December 31, 2009	$ 1,109

TrustCo has implemented certain tax return positions that have not been fully recognized for financial statement purposes based upon management's evaluation of the probability of the benefit being realized. Management will reevaluate the necessity of these reserves after the affected tax returns have been subject to audit.

The Company anticipates that within the next twelve months approximately $600 thousand of the balance at December 31, 2009 of the unrecognized tax reserve will be settled with the appropriate tax authorities. Therefore during 2010 management would anticipate a reduction in the balance of these reserves.

Open Federal and State tax years are 2002 through 2008.

(9) Benefit Plans

(a) Retirement Plan

The Company maintains a trusteed non-contributory pension plan covering employees that have completed one year of employment and 1,000 hours of service. The benefits are based on the sum of (a) a benefit equal to a prior service benefit plus the average of the employees' highest five consecutive years' compensation in the ten years preceding retirement multiplied by a percentage of service after a specified date plus (b) a benefit based upon career average compensation. The amounts contributed to the plan are determined annually on the basis of (a) the maximum amount that can be deducted for federal income tax purposes or (b) the amount certified by a consulting actuary as necessary to avoid an accumulated funding deficiency as defined by the Employee Retirement Income Security Act of 1974. Contributions are intended to provide for benefits attributed to service to date. Assets of the plan are administered by Trustco Bank's Trust Department. The following tables set forth the plan's funded (unfunded) status and amounts recognized in the Company's consolidated statements of condition at December 31, 2009 and 2008.

	December 31,	
	2009	2008
Change in Projected Benefit Obligation:		
(dollars in thousands)		
Projected benefit obligation at beginning of year	**$26,505**	25,297
Service cost	**52**	49
Interest cost	**1,525**	1,467
Benefits paid	**(1,695)**	(1,576)
Assumption changes	**613**	—
Net actuarial loss (gain)	**(336)**	1,268
Projected benefit obligation at end of year	**$26,664**	26,505

Change in Plan Assets and Reconciliation of Funded (Unfunded) Status:

(dollars in thousands)	December 31,	
	2009	2008
Fair Value of plan assets at beginning of year	**$22,122**	31,614
Actual (loss) gain on plan assets	**3,745**	(7,916)
Company contributions	**4,500**	—
Benefits paid	**(1,695)**	(1,576)
Fair value of plan assets at end of year	**28,672**	22,122
(Unfunded) funded status at end of year	**$ 2,007**	(4,383)

Amounts recognized in accumulated other comprehensive income consist of the following as of:

(dollars in thousands)	December 31,	
	2009	2008
Net actuarial loss (gain)	**$5,649**	8,095

The accumulated benefit obligation for the plan was $26.7 million and $26.5 million at December 31, 2009 and 2008, respectively. At December 31, 2009 the fair value of plan assets exceeded the accumulated benefit obligation by approximately $2.0 million. At December 31, 2008, the fair value of plan assets was less than the accumulated benefit obligation by approximately $4.4 million.

Components of Net Periodic Pension (Credit) Expense and Other Amounts Recognized in Other Comprehensive Income:

	For the years ended December 31,		
(dollars in thousands)	**2009**	2008	2007
Service cost	**$ 52**	49	44
Interest cost	**1,525**	1,467	1,406
Expected return on plan assets	**(1,386)**	(1,974)	(1,954)
Amortization of net loss	**365**	—	—
Net periodic pension (credit) expense	**556**	(458)	(504)
Amortization of net loss	**(365)**	—	—
Net actuarial (gain) / loss included in other comprehensive income	**(2,081)**	11,158	(1,210)
	(2,446)	11,158	(1,210)
Total recognized in net periodic benefit (credit) cost and other comprehensive income	**$(1,890)**	10,700	(1,714)

The estimated net gain (loss) for the plan that will be amortized from accumulated other comprehensive income into net periodic pension cost over the next fiscal year is ($300) thousand.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(dollars in thousands)

Year	Pension Benefits
2010	**$1,598**
2011	**1,604**
2012	**1,612**
2013	**1,626**
2014	**1,631**
2015 – 2019	**8,313**

The assumptions used to determine benefit obligations at December 31 are as follows:

	2009	2008	2007
Discount rate	**5.82%**	6.01	5.75

The assumptions used to determine net periodic pension expense for the years ended December 31 are as follows:

	2009	2008	2007
Discount rate	**6.01%**	5.75	5.50
Expected long-term rate of return on assets	**6.50**	6.50	6.50

The annual rate assumption used for purposes of computing the service and interest costs components is determined based upon factors including the yields on high quality corporate bonds and other appropriate yield curves along with analysis prepared by the Company's actuaries.

The Company also has a supplementary pension plan under which additional retirement benefits are accrued for eligible executive officers. The expense recorded for this plan was $621 thousand, $401 thousand, and $440 thousand, in 2009, 2008, and 2007, respectively. This plan supplements the defined benefit retirement plan for eligible employees that exceed the Internal Revenue Service limit on the amount of pension payments that are allowed from a retirement plan. The supplemental plan provides eligible employees with total benefit payments as calculated by the retirement plan without regard to this limitation. Benefits under this plan are calculated using the same actuarial assumptions and interest rates as used for the retirement plan calculations. The accumulated benefits under this supplementary pension plan was approximately $5.6 million as of December 31, 2009 and 2008, respectively. Effective as of December 31, 2008, this plan has been frozen and no additional benefits will accrue.

Rabbi trusts have been established for certain benefit plans. These trust accounts are administered by the Company's Trust Department and invest primarily in money market instruments. These assets are recorded at their fair value and are included in available for sale and other short-term investments in the Consolidated Statements of Condition. As of December 31, 2009 and 2008, the trusts had assets totaling $5.7 million and $7.4 million, respectively.

(b) Postretirement Benefits

The Company permits retirees under age 65 to participate in the Company's medical plan by making certain payments. At age 65, the Bank provides a Medicare Supplemental program to retirees.

In 2003, the Company amended the medical plan to reflect changes to the retiree medical insurance coverage portion. The Company's subsidy of the retiree medical insurance premiums has been eliminated. The Company continues to provide postretirement medical benefits for a limited number of retired executives in accordance with their employment contracts.

The following tables show the plan's funded status and amounts recognized in the Company's Consolidated Statements of Condition at December 31, 2009 and 2008.

Change in Accumulated Benefit Obligation:

(dollars in thousands)

	December 31,	
	2009	2008
Accumulated benefit obligation at beginning of year	**$1,125**	997
Service cost	**27**	30
Interest cost	**68**	61
Benefits paid	**(11)**	(202)
Net actuarial loss (gain)	**(67)**	239
Accumulated benefit obligation at end of year	**$1,142**	1,125

Change in Plan Assets and Reconciliation of Funded Status:

(dollars in thousands)

	December 31,	
	2009	2008
Fair value of plan assets at beginning of year	**$10,384**	14,384
Actual (loss) gain on plan assets	**1,965**	(3,798)
Benefits paid	**(11)**	(202)
Fair value of plan assets at end of year	**12,338**	10,384
Funded status at end of year	**$11,196**	9,259

Amounts recognized in accumulated other comprehensive income consist of the following as of:

	December 31,	
	2009	2008
Net actuarial (gain) loss	**$(1,345)**	367
Prior service credit	**(5,166)**	(5,570)
Total	**$(6,511)**	(5,203)

Components of Net Periodic Benefit (Credit) and Other Amounts Recognized in Other Comprehensive Income:

(dollars in thousands)	For the years ended December 31,		
	2009	2008	2007
Service cost	**$ 27**	30	31
Interest cost	**68**	61	58
Expected return on plan assets	**(343)**	(468)	(499)
Amortization of net actuarial gain	**—**	(134)	(134)
Amortization of prior service credit	**(403)**	(403)	(350)
Net periodic benefit credit	**(651)**	(914)	(894)
Net (gain) loss	**(1,711)**	4,481	(643)
Amortization of prior service cost	**403**	403	484
Amortization of net gain	**—**	134	134
Total amount recognized in other comprehensive income	**(1,308)**	5,018	(25)
Total amount recognized in net periodic benefit cost and other comprehensive income	**$(1,959)**	4,104	(919)

The estimated amount that will be amortized from accumulated other comprehensive income into net periodic benefit credit over the next fiscal year is $403 thousand.

Expected Future Benefit Payments

The following benefit payments are expected to be paid:

Year	Postretirement Benefits
2010	$ 44
2011	46
2012	48
2013	50
2014	51
2015 – 2019	276

The discount rate assumption used to determine benefit obligations at December 31 is as follows:

	2009	2008	2007
Discount rate	**5.82%**	6.01	5.75

The assumptions used to determine net periodic pension benefit (credit) for the years ended December 31 are as follows:

	2009	2008	2007
Discount rate	**6.01%**	5.75	5.50
Expected long-term rate of return on assets, net of tax	**3.30**	3.30	3.30

The annual rate assumption used for purposes of computing the service and interest costs components is determined based upon factors including the yields on high quality corporate bonds and other appropriate yield curves along with analysis prepared by the Company's actuaries.

For measurement purposes, a graded annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed for 2009 and thereafter. A one percentage point increase or decrease in the assumed health care cost in each year would have a negligible impact on the accumulated postretirement benefit obligation as of December 31, 2009, and the interest and service components of net periodic postretirement benefit credit for the year ended December 31, 2009.

(c) Components of Accumulated Other Comprehensive Income (Loss) Related to Retirement and Postretirement Benefit Plans

The following table presents the components of accumulated other comprehensive income (loss), net of tax, related to SFAS No. 158 (ASC 715) as of:

(dollars in thousands)	**December 31, 2009**		
	Retirement Plan	Post-Retirement Benefit Plan	Total
Unrecognized net actuarial loss	**$(3,398)**	**808**	**(2,590)**
Unrecognized prior service cost	**—**	**3,108**	**3,108**
Total	**$(3,398)**	**3,916**	**518**

	December 31, 2008		
	Retirement Plan	Post-Retirement Benefit Plan	Total
Unrecognized net actuarial loss	$(4,868)	(221)	(5,089)
Unrecognized prior service cost	—	3,350	3,350
Total	$(4,868)	3,129	(1,739)

The following table details the change in the components of other comprehensive income related to the retirement plan and the post-retirement benefit plan, net of tax, at December 31, 2009 and 2008, respectively.

(dollars in thousands)	December 31, 2009		
	Retirement Plan	Post-Retirement Benefit Plan	Total
Increase in unrecognized net actuarial loss	**$1,470**	**1,029**	**2,499**
Amortization of net actuarial gain and prior service cost	**—**	**(242)**	**(242)**
Total	**$1,470**	**787**	**2,257**

	December 31, 2008		
	Retirement Plan	Post-Retirement Benefit Plan	Total
Increase in unrecognized net actuarial loss	$(6,709)	(2,775)	(9,484)
Amortization of net actuarial gain and prior service cost	—	(241)	(241)
Total	$(6,709)	(3,016)	(9,725)

(d) Major Categories of Pension and Postretirement Benefit Plan Assets:

The asset allocations of the Company's pension and postretirement benefit plans at December 31, were as follows:

	Pension Benefit Plan Assets		Postretirement Benefit Plan Assets	
	2009	2008	**2009**	2008
Debt Securities	**31%**	38	**29**	34
Equity Securities	**64**	59	**66**	61
Other	**5**	3	**5**	5
Total	**100%**	100	**100**	100

The expected long-term rate-of-return on plan assets, noted in sections (a) and (b) above, reflects long-term earnings expectations on existing plan assets. In estimating that rate, appropriate consideration was given to historical returns earned by plan assets and the rates of return expected to be available for reinvestment. Rates of return were adjusted to reflect current capital market assumptions and changes in investment allocations.

The Company's investment policies and strategies for the pension benefit and postretirement benefit plans prescribe a target allocation of 50% to 70% equity securities and 30% to 50% debt securities for the asset categories. The Company's investment goals are to maximize returns subject to specific risk management policies. Its risk management policies permit direct investments in equity and debt securities and mutual funds while prohibiting direct investment in derivative financial instruments. The Company addresses diversification by the use of mutual fund investments whose underlying investments are in domestic and international debt and equity securities. These mutual funds are readily marketable and can be sold to fund benefit payment obligations as they become payable.

Fair Value of Plan Assets:

Fair value is the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date.

The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Equity mutual funds, Fixed Income mutual funds and Debt Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2).

The fair value of the plan assets at December 31, 2009, by asset category, is as follows:

Retirement Plan

(Dollars in thousands)	Fair Value Measurements at December 31, 2009 Using:			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets				
Cash and cash equivalents	**$ 1,339**	**1,339**	**—**	**—**
Equity mutual funds	**18,850**	**18,850**	**—**	**—**
Fixed income mutual funds	**8,483**	**8,483**	**—**	**—**
Total Plan Assets	**$28,672**	**28,672**	**—**	**—**

Postretirement Benefits

(Dollars in thousands)	Fair Value Measurements at December 31, 2009 Using:			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets Cash and cash equivalents	$ 627	627	—	—
Equity mutual funds	8,151	8,151	—	—
State and political subdivisions	3,560	—	3,560	—
Total Plan Assets	$12,338	8,778	3,560	—

The Company made a $4.5 million contribution to its pension plan during 2009. The Company does not expect to make any contributions to its pension and postretirement benefit plans in 2010.

(e) Incentive and Bonus Plans

During 2006 the Company amended its profit sharing plan to include a 401(k) feature. Under the 401(k) feature the Company matches 100% of the aggregate salary contribution up to the first 3% of compensation and 50% of the aggregate contribution of the next 3%. No profit sharing contributions were made in 2009, 2008 or 2007 but were replaced with Company contributions to the 401(k) feature of the plan. Expenses related to the plan aggregated $416 thousand for 2009, $363 thousand in 2008 and $309 thousand in 2007.

The Company also has an executive incentive plan. The expense of this plan generally is based on the Company's performance and estimated distributions to participants are accrued during the year and generally paid in the following year. The expense recorded for this plan was $690 thousand, $1.4 million and $1.4 million in 2009, 2008 and 2007, respectively.

The Company has awarded 2.7 million performance bonus units to the executive officers and directors. These units become vested and exercisable only under a change of control as defined in the plan. The units were awarded based upon the stock price at the time of grant and, if exercised under a change of control, allow the holder to receive the increase in value offered in the exchange over the stock price at the date of grant for each unit, if any.

(f) Stock Option Plans

Under the 2004 TrustCo Bank Corp NY Stock Option Plan, the Company may grant options to its eligible employees for up to approximately 2.0 million shares of common stock. Under the 1995 TrustCo Bank Corp NY Stock Option Plan, the Company could have granted options to its eligible employees for up to approximately 7.9 million shares of common stock. Under the 2004 Directors Stock Option Plan, the Company could have granted options to its directors for up to approximately 200 thousand shares of its common stock. Under the 1993 Directors Stock Option Plan, the Company could have granted options to its directors for up to approximately 531 thousand shares of its common stock.

Under each of these plans, the exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is ten years. Options vest over four to five years from the date the options are granted for the employees plans and they are immediately vested under the directors' plans. A summary of the status of TrustCo's stock option plans as of December 31, 2009, 2008 and 2007, and changes during the years then ended, are as follows:

	Outstanding Options		Exercisable Options	
	Shares	Weighted Average Option Price	Shares	Weighted Average Option Price
Balance, January 1, 2007	4,056,666	$10.95	4,056,666	$10.95
New options awarded – 2007	583,500	9.91	12,000	9.91
Cancelled options – 2007	—	0.00	—	0.00
Exercised options – 2007	(223,389)	8.76	(223,389)	8.76
Options became exercisable	—	0.00	—	0.00
Balance, December 31, 2007	4,416,777	$10.92	3,845,277	$11.07
New options awarded – 2008	429,000	8.29	12,000	8.29
Cancelled options – 2008	(212,531)	9.51	(212,531)	9.51
Exercised options – 2008	(793,258)	10.40	(793,258)	10.40
Options became exercisable	—	0.00	114,300	9.91
Balance, December 31, 2008	3,839,988	$10.81	2,965,788	$11.31
Cancelled options – 2009	**(384,815)**	**10.00**	**(384,815)**	**10.00**
Exercised options – 2009	**—**	**0.00**	**—**	**0.00**
Options became exercisable	**—**	**0.00**	**197,700**	**9.23**
Balance, December 31, 2009	**3,455,173**	**$10.90**	**2,778,673**	**$11.34**

Notes to Consolidated Financial Statements *(continued)*

The following table summarizes information about total stock options outstanding at December 31, 2009:

Range of Exercise Price	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
Between $7.51 and $10.00	**1,831,923**	**4.6 years**	**$ 9.40**
Greater than $10.00	**1,623,250**	**4.2 years**	**12.60**
Total	**3,455,173**	**4.4 years**	**$10.90**

The following table summarizes information about total stock options exercisable at December 31, 2009:

Range of Exercise Price	Options Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
Between $7.51 and $10.00	**1,155,423**	**2.7 years**	**$ 9.56**
Greater than $10.00	**1,623,250**	**4.2 years**	**12.60**
Total	**2,778,673**	**3.6 years**	**$11.34**

At December 31, 2009, the total intrinsic value of outstanding stock options and vested stock options was zero. The Company expects all unvested options to vest according to plan provisions.

The total intrinsic value of stock options exercised was $1.4 million in 2008. The amount of consideration received from the exercise of stock options in 2008 was $8.2 million. The tax benefit realized from stock options exercised in 2008 was $544 thousand. No stock options were exercised in 2009. It is the Company's policy to generally issue stock for stock option exercises from previously unissued shares of common stock or treasury shares.

Stock-based Compensation Expense: Stock-based compensation expense totaled $214 thousand, $182 thousand and $77 thousand in 2009, 2008 and 2007, respectively, related to the 2004 TrustCo Bank Corp NY Stock Option Plan. In addition, $11 thousand and $9 thousand of stock-based compensation expense was recognized in 2008 and 2007, respectively, related to the 2004 Directors Stock Option Plan. No such expense was recorded in 2009 as no stock options were granted to directors. Stock-based compensation expense is recognized ratably over the requisite service period for all awards. Income tax benefit recognized in the accompanying consolidated statements of income related to stock-based compensation in 2009, 2008 and 2007 was $75 thousand, $62 thousand and $28 thousand, respectively. Unrecognized stock-based compensation expense related to non-vested stock options totaled $445 thousand at December 31, 2009. At such date, the weighted-average period over which this unrecognized expense was expected to be recognized was 2.9 years.

Valuation of Stock-Based Compensation: The fair value of the Company's employee stock options granted is estimated on the measurement date, which, for the Company, is the date of grant. The weighted-average fair value of stock options granted during 2008 estimated using the Black-Scholes option pricing model, was $0.88. The Company estimated expected market price volatility and expected term of the options based on historical data and other factors. There were no stock options granted in 2009. The assumptions used to determine the fair value of options granted during 2008 are detailed in the table below:

	2008	
	Employees' Plan	Directors' Plan
Expected dividend yield	5.31%	5.31
Risk-free interest rate	3.63	3.42
Expected volatility rate	18.87	18.80
Expected lives	7.5 years	6.0

(10) Commitments and Contingent Liabilities

(a) Leases

The Bank leases certain banking premises. These leases are accounted for as operating leases with minimum rental commitments in the amounts presented below. The majority of these leases contain options to renew.

(dollars in thousands)	
2010	**$ 6,135**
2011	**6,057**
2012	**5,811**
2013	**5,570**
2014	**5,513**
2015 and after	**53,718**
	$82,804

(b) Litigation

Existing litigation arising in the normal course of business is not expected to result in any material loss to the Company.

(c) Outsourced Services

The Company contracted with third-party service providers to perform certain banking functions beginning 2002. The outsourced services include data and item

processing for the Bank and trust operations. The service expense can vary based upon volume and nature of transactions processed. Outsourced service expense was $5.6 million in 2009, $5.1 million in 2008 and $4.3 million in 2007. The Company is contractually obligated to pay these third-party service providers approximately $4 million to $5 million per year through 2013.

(11) Earnings Per Share

A reconciliation of the component parts of earnings per share for 2009, 2008 and 2007 follows:

(dollars in thousands, except per share data)	Income	Weighted Average Shares Outstanding	Per Share Amounts
For the year ended December 31, 2009:			
Basic EPS:			
Income available to common shareholders	**$28,120**	**76,482**	**$0.368**
Effect of Dilutive Securities:			
Stock Options	**—**	**—**	**—**
Diluted EPS	**$28,120**	**76,482**	**$0.368**
For the year ended December 31, 2008:			
Basic EPS:			
Income available to common shareholders	$34,077	75,762	$0.450
Effect of Dilutive Securities:			
Stock Options	—	31	—
Diluted EPS	$34,077	75,793	$0.450
For the year ended December 31, 2007:			
Basic EPS:			
Income available to common shareholders	$39,467	75,122	$0.525
Effect of Dilutive Securities:			
Stock Options	—	80	—
Diluted EPS	$39,467	75,202	$0.525

As of December 31, 2009 and 2008, the number of antidulitive stock options excluded from diluted earnings per share was approximately 3.6 million and 2.6 million, respectively.

(12) Off-Balance Sheet Financial Instruments

Loan commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require a fee. Commitments sometimes expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. These arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject to the Bank's normal credit policies, including obtaining collateral. The Bank's maximum exposure to credit loss for loan commitments, including unused lines of credit, at December 31, 2009 and 2008, was $358.5 million and $337.8 million, respectively. Approximately 81% and 84% of these commitments were for variable rate products at the end of 2009 and 2008, respectively.

The Company does not issue any guarantees that require liability-recognition or disclosure, other than its standby letters of credit. The Company has issued conditional commitments in the form of standby letters of credit to guarantee payment on behalf of a customer and guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under standby letters of credit totaled approximately $7.5 million and $4.4 million at December 31, 2009 and 2008, respectively, and represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of 12 months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios are generally consistent with loan-to-value requirements for other commercial loans secured by similar types of collateral. The fair value of the Company's standby letters of credit at December 31, 2009 and 2008 was insignificant.

No losses are anticipated as a result of loan commitments or standby letters of credit.

(13) Fair Value of Financial Instruments

Effective January 1, 2007 TrustCo elected early adoption of SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (ASC 825), and SFAS No. 157 "Fair Value Measurements" (ASC 820). SFAS No. 159, which was issued in February 2008, generally permits the measurement of selected eligible financial instruments at fair value at specified election dates. SFAS No. 157 generally establishes the definition of fair value and expands disclosures about fair value measurement. This statement establishes a

hierarchy of the levels of fair value measurement techniques. Upon adoption of SFAS No. 159, TrustCo elected to apply the fair value option for certain U.S. government sponsored enterprises securities with lower yields, which generally had longer duration, that were classified in the available for sale portfolio totaling approximately $517 million ($502 million at fair value). Prior to the adoption of SFAS No. 159, the Company intended to hold these securities until a market price recovery or possibly to maturity. The Company changed its intent with respect to these securities to enable the Company to record these losses directly to undivided profits rather than current income based on the transition provisions of SFAS No. 159 by electing the fair value option for these securities. As a result, unrealized losses, net of taxes, of $8.6 million were directly recorded to undivided profits. This charge to undivided profits had no overall impact on total shareholders' equity because the fair value adjustment had previously been included as an element of shareholders' equity in the accumulated other comprehensive income (loss) account, net of tax. Had the Company not adopted this new accounting standard and reclassified the available for sale securities to trading account assets as of that date, the charge to capital would have been recorded as a charge to net income.

The following table presents information relative to the assets identified for the fair value option of accounting as of the initial implementation date of January 1, 2007:

(dollars in thousands)	Statement of Condition 12/31/06 prior to adoption	Net loss recognized in undivided profits upon adoption	Statement of condition after adoption of fair value option
Securities available for sale transferred to trading account assets:			
Amortized cost	$516,558	(14,313)	502,245
Unrealized Depreciation . . .	(14,313)	14,313	—
Net transferred to trading account assets	$502,245	—	502,245

The securities transferred to trading account assets as of January 1, 2008 were included previously in the available for sale portfolio as Government sponsored enterprises.

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

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

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

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

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

Securities Available for Sale and Trading Securities: Securities available for sale and trading securities are fair valued utilizing an independent pricing service for identical assets or significantly similar securities. The pricing service uses a variety of techniques to arrive at fair value including market maker bids, quotes and pricing models. Inputs to the pricing models include recent trades, benchmark interest rates, spreads and actual and projected cash flows. This results in a Level 2 classification of the inputs for determining fair value. Interest and dividend income is recorded on the accrual method and included in the income statement in the respective investment class under total interest income. Included in earnings as a result of the changes in fair value of trading securities were $350 thousand net trading losses, $155 thousand and $891 thousand net trading gains for the years ended December 31, 2009, 2008 and 2007, respectively.

Other Real Estate Owned: The fair value of other real estate owned is determined by observable comparable sales and property valuation techniques. This results in a Level 2 classification of the inputs for determining fair value.

Assets and liabilities measured at fair value under ASC 820 on a recurring basis, including financial assets and liabilities for which the Company has elected the fair value option, are summarized below:

(Dollars in thousands)	Fair Value Measurements at December 31, 2009 Using:			
	Carrying Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Securities available-for sale:				
U.S. government-sponsored enterprises	**$523,483**	**—**	**523,483**	**—**
State and political subdivisions	**93,215**	**—**	**93,215**	**—**
Mortgage-backed securities and collateralized mortgage obligations — residential	**104,901**	**—**	**104,901**	**—**
Corporate bonds	**81,445**		**81,445**	
Other securities	**958**	**—**	**958**	**—**
Total securities available-for-sale	**$804,002**	**—**	**804,002**	**—**

(Dollars in thousands)	Fair Value Measurements at December 31, 2008 Using:			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available-for sale:				
U.S. government-sponsored enterprises	$426,078	—	426,078	—
State and political subdivisions	105,137	—	105,137	—
Mortgage-backed securities and collateralized mortgage obligations — residential	137,918	—	137,918	—
Other securities	959	—	959	—
Total securities available-for-sale	$670,092	—	670,092	—
Trading Securities				
U.S. government-sponsored enterprises	$115,273	—	115,273	—
State and political subdivisions	1,053	—	1,053	—
Total trading securities	$116,326	—	116,326	—

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

(Dollars in thousands)	Fair Value Measurements at December 31, 2009 Using:			
	Carrying Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Other real estate owned	**$9,019**	**—**	**9,019**	**—**

Other real estate owned, which is carried at fair value, approximates $9.0 million. A valuation charge of $1.2 million is included in earnings for the period ending December 31, 2009.

(Dollars in thousands)	Fair Value Measurements at December 31, 2008 Using:			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other real estate owned	$1,832	—	1,832	—

In accordance with ASC 825, the carrying amounts and estimated fair values of financial instruments, at December 31, 2009 and 2008 are as follows:

(dollars in thousands)	**As of December 31, 2009**	
	Carrying Value	Fair Value
Financial assets:		
Cash and cash equivalents	**$ 145,894**	**145,894**
Securities available for sale	**810,365**	**810,365**
Held to maturity securities	**374,871**	**379,562**
Loans	**2,243,945**	**2,285,256**
Accrued interest receivable	**14,198**	**14,198**
Financial liabilities:		
Demand deposits	**258,759**	**258,759**
Interest bearing deposits	**3,046,401**	**3,054,598**
Short-term borrowings	**107,728**	**107,728**
Accrued interest payable	**1,589**	**1,589**

Notes to Consolidated Financial Statements *(continued)*

(dollars in thousands)	As of December 31, 2008	
	Carrying Value	Fair Value
Financial assets:		
Cash and cash equivalents	$ 249,604	249,604
Trading securities	116,326	116,326
Securities available for sale	676,002	676,002
Held to maturity securities	264,689	265,141
Loans	2,127,189	2,201,252
Accrued interest receivable	16,036	16,036
Financial liabilities:		
Demand deposits	249,887	249,887
Interest bearing deposits	2,886,384	2,900,509
Short-term borrowings	109,592	109,592
Accrued interest payable	2,877	2,877

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

Cash and Cash Equivalents

The carrying values of these financial instruments approximate fair values.

Securities

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

Loans

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

Deposit Liabilities

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

Short-Term Borrowings and Other Financial Instruments

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

Financial Instruments with Off-Balance Sheet Risk

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

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

(14) Regulatory Capital Requirements

Office of Thrift Supervision (OTS) capital regulations require banks to maintain minimum levels of regulatory capital. Under the regulations in effect at December 31, 2009 and 2008, Trustco Bank was required to maintain a minimum tangible capital of 1.5% of adjusted total assets, a minimum leverage ratio of core capital to adjusted total assets of 4.00% and a minimum ratio of total capital to risk weighted assets of 8.00%.

Federal banking regulations also establish a framework for the classification of banks into five categories: well capitalized, adequately capitalized, under capitalized, significantly under capitalized, and critically under capitalized. Generally, an institution is considered well capitalized if it has a leverage capital ratio of at least 5.0% (based on total adjusted quarterly average assets), a Tier 1 risk-based capital ratio of at least 6.0%, and a total risk-based capital ratio of at least 10.0%.

The foregoing capital ratios are based on specific quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulator about capital components, risk weighting and other factors.

Management believes that as of December 31, 2009 and 2008, Trustco Bank met all capital adequacy requirements to which it was subject. Further, the most recent regulator notification categorized the Bank as a well-capitalized institution. There have been no conditions or events since that notification that management believes have changed the Bank's capital classification.

Under its prompt corrective action regulations, the OTS is required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution. Such actions could have a direct material effect on an institution's financial statements. As stated above, the Bank has been classified as well capitalized for regulatory purposes, and therefore, these regulations do not apply. The following is a summary of actual capital amounts and ratios as of December 31, 2009 and 2008, for Trustco Bank:

(dollars in thousands)	As of December 31, 2009		Adequately Capitalized*
	Amount	**Ratio**	
Leverage capital	**$234,250**	**6.39%**	**4.00%**
Tier 1 risk-based capital	**234,250**	**11.45**	**4.00**
Total risk-based capital	**259,972**	**12.71**	**8.00**

(dollars in thousands)	As of December 31, 2008		
	Amount	Ratio	
Leverage capital	$219,295	6.27%	4.00%
Tier 1 risk-based capital	219,295	11.58	4.00
Total risk-based capital	243,113	12.84	8.00

* Office of Thrift Supervision minimum requirements to be considered to be Adequately Capitalized

The following is a summary of actual capital amounts and ratios as of December 31, 2009 and 2008 for TrustCo on a consolidated basis:

(dollars in thousands)	As of December 31, 2009	
	Amount	**Ratio**
Leverage capital	**$246,407**	**6.71%**
Tier 1 risk-based capital	**246,407**	**12.04**
Total risk-based capital	**272,133**	**13.30**

(dollars in thousands)	As of December 31, 2008	
	Amount	Ratio
Leverage capital	$237,465	6.77%
Tier 1 risk-based capital	237,465	12.40
Total risk-based capital	260,945	13.66

(15) Recent Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements (ASC 820-10). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement also establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard was effective for fiscal years beginning after November 15, 2007.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51 (*ASC 810-10). ASC 810-10 changes the accounting and reporting for minority interests, which is recharacterized as noncontrolling interests and classified as a component of equity within the consolidated balance sheets. ASC 810-10 was effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. The adoption of this Statement did not have a significant impact on the Company's Consolidated Financial Statements.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* (ASC 855-10). Under ASC 855-10, the effects of events that occur subsequent to the balance-sheet date should be evaluated through the date the financial statements are either issued or available to be issued. Companies should disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. Companies are required to reflect in their financial statements the effects of subsequent events that provide additional evidence about conditions at the balance-sheet date (recognized subsequent events). Companies are also prohibited from reflecting in their financial statements the effects of subsequent events that provide evidence about conditions that arose after the balance-sheet date (nonrecognized subsequent events), but requires information about those events to be disclosed if the financial statements would otherwise be misleading. This guidance was effective for interim and annual financial periods ending after June 15, 2009 with prospective application. The adoption of this Statement was not material to the Company.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, to replace Statement 162*, The Hierarchy of Generally Accepted*

Accounting Principles, and to establish the *FASB Accounting Standards Codification* ™ as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification was effective for financial statements issued for periods after September 15, 2009.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1 — *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (* ASC 260-10). This FASB Staff Position (FSP) addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, included in the earnings allocation in computing earnings per share (EPS) under the two-class method. ASC 260-10 provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method. This FSP was effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period EPS data presented were to be adjusted retrospectively (including interim financial statements, summaries of earnings, and selected financial data) to conform to the provisions of this FSP. The effect of adopting this new guidance was not material to the Company.

In December 2008, the FASB issued Staff Position (“FSP”) No. 132(R)-1, *Employer’s Disclosures about Postretirement Benefit Plan Assets (*ASC 715-20). The FSP provides guidance on an employer’s disclosures about plan assets of a defined benefit pension or other post-retirement plan. These additional disclosures include disclosure of investment policies and fair value disclosures of plan assets, including fair value hierarchy. The FSP also includes a technical amendment that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented. This FSP is effective for fiscal years ending after December 15, 2009. Upon initial application, provisions of the FSP are not required for earlier periods that are presented for comparative purposes. The new disclosures have been presented in Note 9 to the consolidated financial statements.

In April 2009, the FASB issued Staff Position No. 115-2 and No. 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments (ASC* 320-10), which amended existing guidance for determining whether impairment is other-than-temporary for debt securities. This requires an entity to assess whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) other-than-temporary impairment (OTTI) related to other factors, which is recognized in other comprehensive income and 2) OTTI related to credit loss, which must be recognized in the income statement. The credit loss is determined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. Additionally, disclosures about other-than-temporary impairments for debt and equity securities were expanded. ASC 320-10 was effective for interim and annual reporting periods ending June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company’s adoption of these standards is presented in Note 3 of the Consolidated Financial Statements.

In April 2009, the FASB issued Staff Position (FSP) No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset and Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (*ASC 820-10). This FSP emphasizes that the objective of a fair value measurement does not change even when market activity for the asset or liability has decreased significantly. Fair value is the price that would be received for an asset sold or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. When observable transactions or quoted prices are not considered orderly, then little, if any, weight should be assigned to the indication of the asset or liability’s fair value. Adjustments to those transactions or prices would be needed to determine the appropriate fair value. The FSP, which was applied prospectively, was effective for interim and annual reporting periods ending after June 15, 2009 with early adoption for periods ending after March 15, 2009. The effect of adopting this new guidance is presented in Note 13 to the Consolidated Financial Statements.

In August 2009, the FASB issued Accounting Standards Update (“ASU”) No. 2009-05, *Measuring Liabilities at Fair Value* (ASC 820). This Update provides amendments to ASC 820 for the fair value measurement of liabilities by clarifying that in

circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using a valuation technique that uses the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities or similar liabilities when traded as assets, or that is consistent with the principles of ASC 820. The amendments in this guidance also clarify that both a quoted price for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The guidance was effective for the first reporting period (including interim periods) beginning after issuance. The effect of adopting this new guidance was not material to the Company.

(16) Parent Company Only

The following statements pertain to TrustCo Bank Corp NY (Parent Company):

Statements of Income

(dollars in thousands)

	Years Ended December 31,		
	2009	2008	2007
Income:			
Dividends and interest from subsidiaries	**$ 13,771**	28,302	46,209
Net (loss) / gain on sales or securities	**—**	(317)	233
Income from other investments	**1**	112	261
Total income	**13,772**	28,097	46,703
Expense:			
Operating supplies	**66**	90	124
Professional services	**366**	338	182
Miscellaneous expense	**417**	330	296
Total expense	**849**	758	602
Income before income taxes and subsidiaries' undistributed earnings	**12,923**	27,339	46,101
Income tax benefit	**(228)**	(276)	(15)
Income before subsidiaries' undistributed earnings	**13,151**	27,615	46,116
Equity in undistributed earnings of subsidiaries / (excess distributions by subsidiaries over earnings)	**14,969**	6,462	(6,649)
Net income	**$ 28,120**	34,077	39,467

Statements of Condition

(dollars in thousands)

	December 31,	
	2009	2008
Assets:		
Cash in subsidiary bank	**$ 12,622**	21,870
Investments in subsidiaries	**233,501**	218,385
Securities available for sale	**308**	311
Other assets	**46**	44
Total assets	**246,477**	240,610
Liabilities and shareholders' equity:		
Accrued expenses and other liabilities	**799**	5,130
Total liabilities	**799**	5,130
Shareholders' equity	**245,678**	235,480
Total liabilities and shareholders' equity	**$246,477**	240,610

Notes to Consolidated Financial Statements *(continued)*

Statements of Cash Flows

(dollars in thousands)	Years Ended December 31,		
	2009	2008	2007
Increase/(decrease) in cash and cash equivalents:			
Cash flows from operating activities:			
Net income	**$ 28,120**	34,077	39,467
Adjustments to reconcile net income to net cash provided by operating activities:			
(Equity in undistributed earnings of subsidiaries) / Excess distributions by subsidiaries over earnings	**(14,969)**	(6,462)	6,649
Stock based compensation expense	**214**	193	86
Net loss / (gain) on sales of securities	**—**	317	(233)
Net change in other assets and accrued expenses	**(209)**	(817)	1,870
Total adjustments	**(14,964)**	(6,769)	8,372
Net cash provided by operating activities	**13,156**	27,308	47,839
Cash flows from investing activities:			
Proceeds from sale of securities available for sale	**—**	8,673	5,143
Purchases of securities available for sale	**—**	(3,978)	(3,390)
Net cash provided by investing activities	**—**	4,695	1,753
Cash flows from financing activities:			
Proceeds from exercise of stock options and related tax benefits	**—**	8,908	2,116
Dividends paid	**(26,313)**	(37,028)	(48,051)
Payments to acquire treasury stock	**—**	(8,164)	(5,908)
Proceeds from sales of treasury stock	**3,909**	5,971	8,298
Net cash used in financing activities	**(22,404)**	(30,313)	(43,545)
Net (decrease) increase in cash and cash equivalents	**(9,248)**	1,690	6,047
Cash and cash equivalents at beginning of year	**21,870**	20,180	14,133
Cash and cash equivalents at end of year	**$ 12,622**	21,870	20,180
Supplemental Information:			
(Decrease) / increase in dividends payable	**$ (3,578)**	(3,683)	65
Change in unrealized gain/(loss) on securities available for sale—gross	**(3)**	525	(824)
Change in deferred tax effect on unrealized loss/(gain) on securities available for sale	**2**	(209)	329

Branch Locations

New York

Airmont Office
327 Route 59 East
Airmont, NY
Telephone: (845) 357-2435

Altamont Ave. Office
1400 Altamont Ave.
Schenectady, NY
Telephone: (518) 356-1317

Altamont Ave. West Office
1900 Altamont Ave.
Rotterdam, NY
Telephone: (518) 355-1900

Ardsley Office
33-35 Center Street
Ardsley, NY
Telephone: (914) 693-3254

Ballston Spa Office
235 Church Ave.
Ballston Spa, NY
Telephone: (518) 885-1561

Bedford Hills Office
180 Harris Rd.
Bedford Hills, NY
Telephone: (914) 666-6230

Brandywine Office
1048 State St.
Schenectady, NY
Telephone: (518) 346-4295

Briarcliff Manor Office
75 N. State Rd.
Briarcliff Manor, NY
Telephone: (914) 762-7133

Bronxville Office
5-7 Park Place
Bronxville, NY
Telephone: (914) 771-4180

Brunswick Office
740 Hoosick Rd.
Troy, NY
Telephone: (518) 272-0213

Central Ave. Office
40 Central Ave.
Albany, NY
Telephone: (518) 426-7291

Chatham Office
193 Hudson Avenue
Chatham, NY
Telephone: (518) 392-0031

Clifton Country Road Office
7 Clifton Country Rd.
Clifton Park, NY
Telephone: (518) 371-5002

Clifton Park Office
1018 Route 146
Clifton Park, NY
Telephone: (518) 371-8451

Cobleskill Office
104 Merchant Place
Cobleskill, NY
Telephone: (518) 254-0290

Colonie Office
1892 Central Ave.
Colonie Plaza, Colonie, NY
Telephone: (518) 456-0041

Crestwood Plaza Office
415 Whitehall Road
Albany, NY
Telephone: (518) 482-0693

Delmar Office
167 Delaware Ave.
Delmar, NY
Telephone: (518) 439-9941

East Greenbush Office
501 Columbia Turnpike
Rensselaer, NY
Telephone: (518) 479-7233

Elmsford Office
100 Clearbrook Rd.
Elmsford, NY
Telephone: (914) 345-1808

Exit 8 Office
1532 Crescent Rd.
Clifton Park, NY
Telephone: (518) 383-0039

Fishkill Office
1545 Route 52
Fishkill, NY
Telephone: (845) 896-8260

Freemans Bridge Rd. Office
1 Sarnowski Dr.
Glenville, NY
Telephone: (518) 344-7510

Glens Falls Office
100 Glen St.
Glens Falls, NY
Telephone: (518) 798-8131

Greenwich Office
131 Main St.
Greenwich, NY
Telephone: (518) 692-2233

Guilderland Office
3900 Carman Rd.
Schenectady, NY
Telephone: (518) 355-4890

Halfmoon Office
215 Guideboard Rd.
Halfmoon, NY
Telephone: (518) 371-0593

Hartsdale Office
220 East Hartsdale Ave.
Hartsdale, NY
Telephone: (914) 722-2640

Highland Office
3580 Route 9W
Highland, NY
Telephone: (845) 691-7023

Hoosick Falls Office
47 Main St.
Hoosick Falls, NY
Telephone: (518) 686-5352

Hudson Office
507 Warren St.
Hudson, NY
Telephone: (518) 828-9434

Hudson Falls Office
3750 Burgoyne Ave.
Hudson Falls, NY
Telephone: (518) 747-0886

Lake George Office
2160 Route 9L
Lake George, NY
Telephone: (518) 668-2352

Latham Office
1 Johnson Rd.
Latham, NY
Telephone: (518) 785-0761

Loudon Plaza Office
372 Northern Blvd.
Albany, NY
Telephone: (518) 462-6668

Branch Locations *(continued)*

Madison Ave. Office
1084 Madison Ave.
Albany, NY
Telephone: (518) 489-4711

Malta 4 Corners Office
2471 Route 9
Malta, NY
Telephone: (518) 899-1056

Malta Mall Office
43 Round Lake Rd.
Ballston Lake, NY
Telephone: (518) 899-1558

Mamaroneck Office
190 Boston Post Road
Mamaroneck, NY
Telephone: (914) 777-3023

Mayfair Office
286 Saratoga Rd.
Glenville, NY
Telephone: (518) 399-9121

Mechanicville Office
9 Price Chopper Plaza
Mechanicville, NY
Telephone: (518) 664-1059

Milton Office
2 Trieble Ave.
Ballston Spa, NY
Telephone: (518) 885-0498

Monroe Office
791 Rt. 17M
Monroe, NY
Telephone: (845) 782-1100

Mont Pleasant Office
959 Crane St.
Schenectady, NY
Telephone: (518) 346-1267

Mt. Kisco Office
222 East Main St.
Mt. Kisco, NY
Telephone: (914) 666-2362

New City Office
20 Squadron Blvd.
New City, NY
Telephone: (845) 634-4571

New Scotland Office
301 New Scotland Ave.
Albany, NY
Telephone: (518) 438-7838

Newton Plaza Office
602 New Loudon Rd.
Latham, NY
Telephone: (518) 786-3687

Niskayuna-Woodlawn Office
3461 State St.
Schenectady, NY
Telephone: (518) 377-2264

Northern Pines Road Office
649 Maple Ave (Route 9)
Gansevoort, NY
Telephone: (518) 583-2634

Nyack Office
21 Route 59
Nyack, NY
Telephone: (845) 353-2035

Peekskill Office
20 Welcher Ave.
Peekskill, NY
Telephone: (914) 739-1853

Pelham Office
132 Fifth Avenue
Pelham, NY
Telephone: (914) 632-1983

Pomona Office
1581 Route 202
Pomona, NY
Telephone: (845) 354-0176

Poughkeepsie Office
2656 South Rd.
(Route 9)
Poughkeepsie, NY
Telephone: (845) 485-6419

Queensbury Office
118 Quaker Rd.
Suite 9, Queensbury, NY
Telephone: (518) 798-7226

Red Hook Office
7391 S. Broadway (Route 9)
Red Hook, NY
Telephone: (845) 752-2224

Rotterdam Office
Curry Road Shopping Ctr.
Rotterdam, NY
Telephone: (518) 355-8330

Rotterdam Square Office
93 W. Campbell Rd.
Rotterdam, NY
Telephone: (518) 377-2393

Route 2 Office — Latham
201 Troy-Schenectady Rd.
Latham, NY
Telephone: (518) 785-7155

Route 7 Office
1156 Troy-Schenectady Rd.
Latham, NY
Telephone: (518) 785-4744

Saratoga Office
34 Congress St.
Saratoga Springs, NY
Telephone: (518) 587-3520

Schaghticoke Office
2 Main St.
Schaghticoke, NY
Telephone: (518) 753-6509

Scotia Office
123 Mohawk Ave.
Scotia, NY
Telephone: (518) 372-9416

Sheridan Plaza Office
1350 Gerling St.
Schenectady, NY
Telephone: (518) 377-8517

Slingerlands Office
1569 New Scotland Avenue
Slingerlands, NY
Telephone: (518) 439-9352

South Glens Falls Office
Glengate Shopping Plaza
133 Saratoga Road
South Glens Falls, NY
Telephone: (518) 793-7668

State Farm Rd. Office
2050 Western Ave.
Guilderland, NY
Telephone: (518) 452-6913

State St. Albany Office
112 State St.
Albany, NY
Telephone: (518) 436-9043

State St. Schenectady Office
320 State St.
Schenectady, NY
Telephone: (518) 381-3831

Stuyvesant Plaza Office
1475 Western Ave.
Albany, NY
Telephone: (518) 489-2616

Tanners Main Office
345 Main St.
Catskill, NY
Telephone: (518) 943-2500

Tanners West Side Office
238 West Bridge St.
Catskill, NY
Telephone: (518) 943-5090

Troy Office
5th Ave. and State St.
Troy, NY
Telephone: (518) 274-5420

Union Street East Office
1700 Union St.
Schenectady, NY
Telephone: (518) 382-7511

Upper Union Street Office
1620 Union St.
Schenectady, NY
Telephone: (518) 374-4056

Ushers Road Office
308 Ushers Rd.
Ballston Lake, NY
Telephone: (518) 877-8069

Valatie Office
2929 Route 9
Valatie, NY
Telephone: (518) 758-2265

Wappingers Falls Office
1490 Route 9
Wappingers Falls, NY
Telephone: (845) 298-9315

West Sand Lake Office
3707 NY Rt. 43
West Sand Lake, NY
Telephone: (518) 674-3327

Wilton Mall Office
Route 50
Saratoga Springs, NY
Telephone: (518) 583-1716

Wolf Road Office
34 Wolf Rd.
Albany, NY
Telephone: (518) 458-7761

Wynantskill Office
134-136 Main St., Route 66
Wynantskill, NY
Telephone: (518) 286-2674

Florida

Aloma Office
4070 Aloma Avenue
Winter Park, FL
Telephone: (407) 677-1969

Apollo Beach Office
205 Apollo Beach Blvd.
Apollo Beach, FL
Telephone: (813) 649-0460

Apopka Office
1134 N. Rock Springs Rd.
Apopka, FL
Telephone: (407) 464-7371

Avalon Park Office
3662 Avalon Park Blvd. E.
Orlando, FL
Telephone: (407) 380-2264

BeeLine Center Office
10249 S. John Young Pkwy.
Orlando, FL
Telephone: (407) 240-0945

Bradenton Office
5858 Cortez Rd. West
Bradenton, FL
Telephone: (941) 792-2604

Cedar Creek Plaza Office
1500 Alafaya Trail
Oviedo, FL
Telephone: (407) 359-5991

Clermont Office
12305 Roper Blvd.
Clermont, FL
Telephone: (352) 243-2563

Colonial Drive Office
4450 East Colonial Dr.
Orlando, FL
Telephone: (407) 895-6393

Curry Ford Road Office
Shoppes at Andover, Suite 116
3020 Lamberton Boulevard
Orlando, FL
Telephone: (407) 277-9663

Curry Ford West Office
2838 Curry Ford Road
Orlando, FL
Telephone: (407) 893-9878

Davenport Office
42755 US Highway 27
Davenport, FL
Telephone: (863) 424-9493

Dean Road Office
3920 Dean Rd.
Orlando, FL
Telephone: (407) 657-8001

Downtown Orlando Office
415 East Pine St.
Orlando, FL
Telephone: (407) 422-7129

East Colonial Office
12901 East Colonial Drive
Orlando, FL
Telephone: (407) 275-3075

Englewood Office
2930 S. McCall Road
Englewood, FL
Telephone: (941) 460-0601

Gateway Commons Office
1525 E. Osceola Pkwy.
Kissimmee, FL
Telephone: (407) 932-0398

Goldenrod Road Office
7803 E. Colonial Rd.
Orlando, FL
Telephone: (407) 207-3773

Lake Mary Office
350 West Lake Mary Blvd.
Sanford, FL
Telephone: (407) 330-7106

Lake Square Office
10105 Route 441
Leesburg, FL
Telephone: (352) 323-8147

Lee Road Office
1084 Lee Rd., Suite 11
Orlando, FL
Telephone: (407) 532-5211

Lee Vista Office
8288 Lee Vista Blvd.
Orlando, FL
Telephone: (321) 235-5583

Leesburg Office
1330 Citizens Blvd.
Leesburg, FL
Telephone: (352) 365-1305

Branch Locations *(continued)*

Longwood Office
1400 West State Rd. 434
Longwood, FL
Telephone: (407) 339-3396

Maitland Office
9400 US Rt. 17/92
Maitland, FL
Telephone: (407) 332-6071

Orange City Office
902 Saxon Blvd.
Orange City, FL
Telephone: (386) 775-1392

Osprey Office
1300 South Tamiami Trail
Osprey, FL
Telephone: (941) 918-9380

Oviedo Office
1875 W. County Road 419
Oviedo, FL
Telephone: (407) 365-1145

Pleasant Hill Commons Office
3307 S. Orange Blossom Trail
Kissimmee, FL
Telephone: (407) 846-8866

Port Orange Office
3751 Clyde Morris Blvd.
Port Orange, FL
Telephone: (386) 322-3730

Rinehart Road Office
1185 Rinehart Road
Sanford, FL
Telephone: (407) 268-3720

Sarasota Office
2704 Bee Ridge Road
Sarasota, FL
Telephone: (941) 929-9451

Shoppes of Sweetwater Office
671 N. Hunt Club Road
Longwood, FL
Telephone: (407) 774-1374

South Clermont Office
16908 High Grove Blvd.
Clermont, FL
Telephone: (352) 243-9511

Sun City Center
4441 Sun City Center
Sun City Center, FL
Telephone: (813) 633-1468

Tuskawilla Road Office
1295 Tuskawilla Road
Winter Springs, FL
Telephone: (407) 695-5558

Venice Office
2057 S. Tamiami Trail
Venice, FL
Telephone: (941) 496-9100

Westwood Plaza Office
4942 West SR 46
Sanford, FL
Telephone: (407) 321-4925

Windermere Office
2899 Maguire Rd.
Windermere, FL
Telephone: (407) 654-0498

Winter Garden Office
16118 Marsh Road
Winter Garden, FL
Telephone: (407) 654-4609

Winter Haven Office
7460 Cypress Garden Blvd.
Winter Haven, FL
Telephone: (863) 326-1918

Winter Springs Office
851 SR 434
Winter Springs, FL
Telephone: (407) 327-6064

Massachusetts

Allendale Office
5 Cheshire Rd., Suite 18
Pittsfield, MA
Telephone: (413) 236-8400

Great Barrington Office
320 Stockbridge Rd.
Great Barrington, MA
Telephone: (413) 644-0054

Lee Office
43 Park St.
Lee, MA
Telephone: (413) 243-4300

Pittsfield Office
1 Dan Fox Drive
Pittsfield, MA
Telephone: (413) 442-1330

New Jersey

Northvale Office
220 Livingston Street
Northvale, NJ
Telephone: (201) 750-1501

Ramsey Office
385 N. Franklin Turnpike
Ramsey, NJ
Telephone: (201) 934-1429

Vermont

Bennington Office
215 North St.
Bennington, VT
Telephone: (802) 447-4952

TrustCo Bank Corp NY Officers and Board of Directors

Officers

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
Robert J. McCormick

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Robert T. Cushing

EXECUTIVE VICE PRESIDENT AND CHIEF BANKING OFFICER
Scot R. Salvador

SECRETARY
Robert M. Leonard

ASSISTANT SECRETARIES
Sharon J. Parvis
Thomas M. Poitras

Board of Directors

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President
Camelot Associates Corporation
Commercial and Residential Construction

Joseph Lucarelli
President
Traditional Builders
Residential Construction

Thomas O. Maggs
President
Maggs & Associates
Insurance Agency

Anthony J. Marinello, M.D., Ph.D.
Physician

Robert A. McCormick
Retired Chairman
TrustCo Bank Corp NY

Robert J. McCormick
Chairman, President and Chief Executive Officer
TrustCo Bank Corp NY

William D. Powers
Partner
Powers & Co., LLC
Consulting

William J. Purdy
President
Welbourne & Purdy Realty, Inc.
Real Estate

Directors of TrustCo Bank Corp NY are also Directors of Trustco Bank

HONORARY DIRECTORS

Lionel O. Barthold
Bernard J. King
Nancy A. McNamara
John S. Morris, Ph.D.
James H. Murphy, D.D.S.
Richard J. Murray, Jr.
Anthony M. Salerno
Edwin O. Salisbury
William F. Terry

Trustco Bank Officers

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
Robert J. McCormick

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Robert T. Cushing

EXECUTIVE VICE PRESIDENT AND CHIEF BANKING OFFICER
Scot R. Salvador

AUDITOR
Kenneth E. Hughes, Jr.

ACCOUNTING/FINANCE
Vice Presidents
Michael M. Ozimek
Daniel R. Saullo
Kevin T. Timmons

BRANCH ADMINISTRATION
Senior Vice President/Florida Regional President
Eric W. Schreck

Vice Presidents
Patrick M. Canavan
John R. George

Assistant Vice Presidents
Amy E. Anderson
Clint Mallard
Takla A. Awad

Officer
Paul D. Matthews

COMPLIANCE
Vice President
Thomas M. Poitras

COMMERCIAL LENDING
Vice President
Sharon J. Parvis

Assistant Vice President
Paul R. Steenburgh

Officers
Daniel Centi
Bradley T. Delarm
James M. Poole

MORTGAGE LOANS
Administrative Vice President
Michael J. Lofrumento

OPERATIONS
Administrative Vice President
Kevin M. Curley

Assistant Vice President
Michael V. Pitnell

PERSONNEL/ QUALITYCONTROL/ MARKETING/ COMMUNITY RELATIONS/ FACILITIES
Administrative Vice President
Robert M. Leonard

Officers
Mary Jean Riley
Michelle Simmonds

TRUST DEPARTMENT
Administrative Vice President
Patrick J. LaPorta, Esq.

Officers
Timothy H. Easley
Michael J. Ewell
Jesse C. Koepp
Richard W. Provost
Kevin Smith

General Information

ANNUAL MEETING
Thursday, May 20, 2010
4:00 PM
Mallozzi's Restaurant
1930 Curry Road
Schenectady, NY 12303

CORPORATE HEADQUARTERS
5 Sarnowski Drive
Glenville, NY 12302
(518) 377-3311

DIVIDEND REINVESTMENT PLAN
A Dividend Reinvestment Plan is available to shareholders of TrustCo Bank Corp NY. It provides for the reinvestment of cash dividends and optional cash payments to purchase additional shares of TrustCo stock. The Plan has certain administrative charges and provides a convenient method of acquiring additional shares. American Stock Transfer & Trust Company ("AST") acts as administrator for this service and is the agent for shareholders in these transactions. Shareholders who want additional information may contact AST at 866-659-2647.

DIRECT DEPOSIT OF DIVIDENDS
Electronic deposit of dividends, which offers safety and convenience, is available to TrustCo shareholders who wish to have dividends deposited directly to personal checking, savings or other accounts. Electing direct deposit will not affect the mailing of annual and quarterly reports and proxy materials. If you would like to arrange direct deposit, please write to American Stock Transfer & Trust Company listed as transfer agent at the bottom of this page.

EQUAL OPPORTUNITY AT TRUSTCO
Trustco Bank is an Affirmative Action Equal Opportunity Employer.

FORM 10-K
TrustCo Bank Corp NY will provide, without charge, a copy of its Form 10-K for the year ended December 31, 2009 upon written request. Requests and related inquiries should be directed to Kevin Timmons, Vice President, Treasurer, TrustCo Bank Corp NY, P.O. Box 380, Schenectady, New York 12301-0380.

CODE OF CONDUCT
TrustCo Bank Corp NY will provide, without charge, a copy of its Code of Conduct upon written request. Requests and related inquiries should be directed to Robert M. Leonard, Administrative Vice President-Personnel, TrustCo Bank Corp NY, P.O. Box 1082, Schenectady, New York 12301-1082.

NASDAQ SYMBOL: TRST
The Corporation's common stock trades on The Nasdaq Stock Market under the symbol TRST. There are approximately 15 thousand shareholders of record of TrustCo common stock.

SUBSIDIARIES:
Trustco Bank
Glenville, New York
Member FDIC
(and its wholly owned subsidiaries)

Trustco Realty Corp
Glenville, New York

Trustco Insurance Agency, Inc.
Glenville, New York

ORE Subsidiary Corp.
Glenville, New York

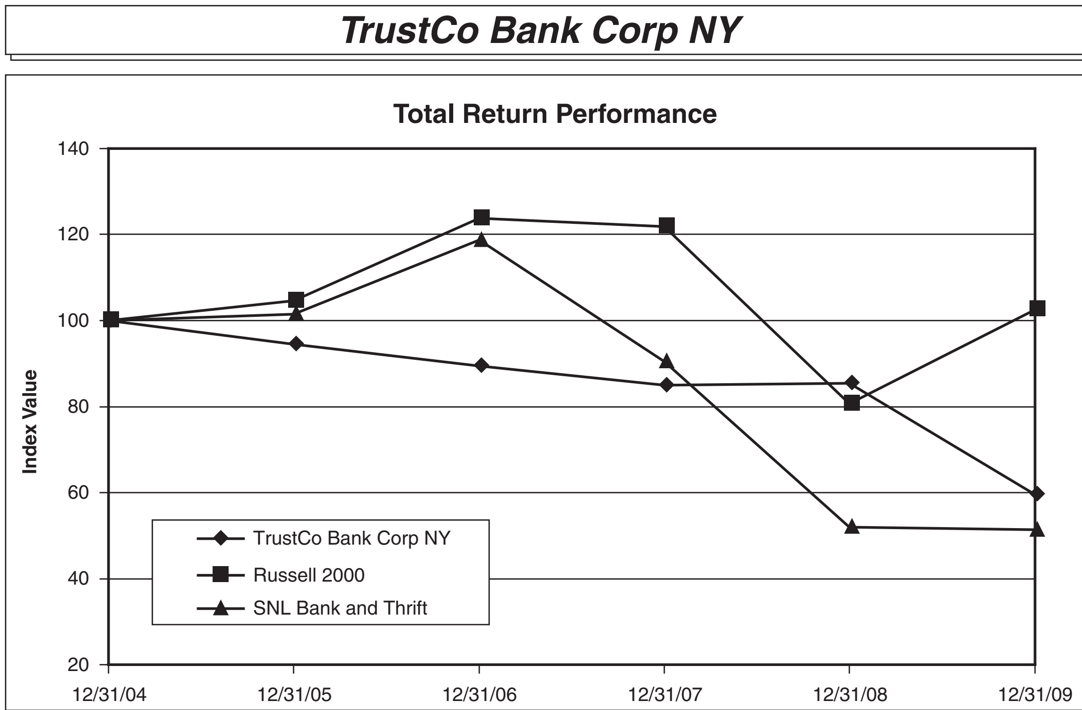
ORE Property, Inc.
Glenville, New York

TRANSFER AGENT
American Stock Transfer & Trust Company
P.O. Box 922
New York, NY 10269
(866) 659-2647

Trustco Bank® is a registered service mark with the U.S. Patent & Trademark Office.

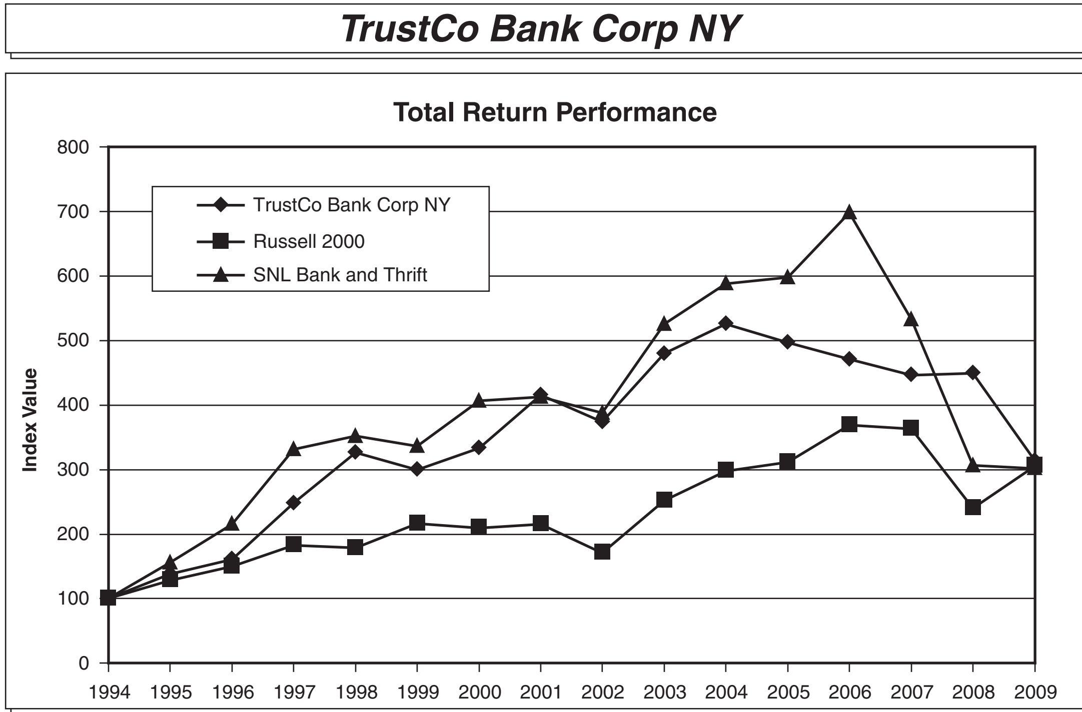
Share Price Information

The following graph shows changes over a five-year period in the value of $100 invested in: (1) TrustCo's common stock; (2) Russell 2000 and (3) the SNL Bank and Thrift Index, an industry group compiled by SNL Financial LC, that includes all major exchange (NYSE, NYSE-Alt, NASDAQ) banks and thrifts in SNL's coverage universe. The index included 529 companies as of February 8, 2010. A list of the component companies can be obtained by contacting TrustCo. The fifteen-year period is presented in addition to the five-year period required by the S.E.C. because it provides additional perspective, and TrustCo management believes that longer-term performance is of greater interest to TrustCo shareholders. The fifteen-year graph uses the value of $100 invested in (1) TrustCo's common stock, (2) Russell 2000, and (3) the SNL Bank and Thrift Index.



	Period Ending					
Index	**12/31/04**	**12/31/05**	**12/31/06**	**12/31/07**	**12/31/08**	**12/31/09**
TrustCo Bank Corp NY	100.00	94.51	89.49	84.95	85.47	59.64
Russell 2000	100.00	104.55	123.76	121.82	80.66	102.58
SNL Bank and Thrift	100.00	101.57	118.68	90.50	52.05	51.35

Share Price Information *(continued)*



Index	*Period Ending*															
	1994	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
TrustCo Bank Corp NY . .	100.00	138.15	161.29	247.85	326.37	300.00	333.37	415.32	373.65	479.44	525.79	496.91	470.55	446.68	449.39	313.56
Russell 2000	100.00	128.45	149.64	183.10	178.44	216.37	209.83	215.05	171.00	251.81	297.96	311.53	368.75	362.97	240.34	305.64
SNL Bank and Thrift	100.00	155.68	215.79	331.26	351.63	336.40	406.38	412.38	387.49	525.33	588.28	597.49	698.15	532.39	306.17	302.05

Honors Received

ABA Banking Journal

2009: Top 10 of "Banking's Top Performers of 2008"

Bank Director Magazine

2010: Top 30 of "Top 150 Performers of 2009"
2009: Top 30 of "Top 150 Performers of 2008"
2008: Top 30 of "Top 150 Performers of 2007"

Capital Region Business Review

2009: Public Company CFO of the Year for 2009
Awarded to Robert T. Cushing

SNL Thrift Investor

2009: Top 20 of "Top 100 Thrifts of 2008"
2008: Top 20 of "Top 100 Thrifts of 2007"
2007: Top 20 of "Top 100 Thrifts of 2006"
2006: Top 20 of "Top 100 Thrifts of 2005"
2005: Top 20 of "Top 100 Thrifts of 2004"

US Banker Magazine

2009: Top 10 of "Top 200 Mid Tier Banks of 2008"
2008: Top 10 of "Top 200 Mid Tier Banks of 2007"
2007: Top 10 of "Top 200 Mid Tier Banks of 2006"