TRUSTCO BANK CORP N Y
Form 10-Q
August 08, 2006

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

Form 10-Q

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

For the quarter ended June 30, 2006 — Commission File Number 0-10592

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

NEW YORK	4-1630287
State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

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

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

Large accelerated filer (x) Accelerated filer ( ) Non-accelerated filer ( )

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

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

Class of Common Stock	Number of Shares Outstanding as of August 1, 2006
$1 Par Value	75,024,213

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

	3 Months Ended June 30, 2006	2005	20
Interest and dividend income:			
Interest and fees on loans	$ 25,470	20,988	49,8
Interest on U.S. Treasuries and agencies	10,419	8,462	20,4
Interest on states and political subdivisions	1,450	1,634	2,8
Interest on mortgage-backed securities and collateralized mortgage obligations	2,231	2,468	4,5
Interest and dividends on other securities	101	267	3

Interest on federal funds sold and other short term investments	2,271	3,197	4,7
Total interest income	41,942	37,016	82,6
Interest expense:			
Interest on deposits:			
Interest-bearing checking	360	380	6
Savings	2,732	1,493	5,0
Money market deposit accounts	2,415	571	4,2
Time deposits	10,549	7,443	20,4
Interest on short-term borrowings	961	419	1,7
Interest on long-term debt	1	2	
Total interest expense	17,018	10,308	32,2
Net interest income	24,924	26,708	50,4
Provision (credit) for loan losses	(1,775)	(1,580)	(3,5
Net interest income after provision (credit)for loan losses	26,699	28,288	54,0
Noninterest income:			
Trust department income	1,469	1,555	2,7
Fees for other services to customers	2,076	2,164	4,0
Net (loss) gain on securities transactions	--	1,255	(2
Other	372	1,310	7
Total noninterest income	3,917	6,284	7,2
Noninterest expenses:			
Salaries and employee benefits	4,425	4,547	9,3
Net occupancy expense	1,879	1,905	3,8
Equipment expense	693	609	1,4
Professional services	852	980	1,6
Outsourced Services	1,058	978	2,1
Other real estate expenses / (income)	12	(62)	
Other	3,067	2,650	5,4
Total noninterest expenses	11,986	11,607	23,9
Income before taxes	18,630	22,965	37,3
Income taxes	6,206	7,980	12,5
Net income	$ 12,424	14,985	24,7
Net income per Common Share:			
- Basic	$ 0.166	0.200	0.3
- Diluted	$ 0.165	0.199	0.3

See accompanying notes to unaudited consolidated interim financial statements.

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

	06/30/06	12/31/05
ASSETS:		
Cash and due from banks	$ 43,561	55,667
Federal funds sold and other short term investments	171,708	257,196
Total cash and cash equivalents	215,269	312,863
Securities available for sale:		
U. S. Treasuries and agencies	763,347	743,763
States and political subdivisions	133,746	118,950
Mortgage-backed securities and collateralized mortgage obligations	180,278	200,963
Other	12,876	20,400
Total securities available for sale	1,090,247	1,084,076
Loans:		
Commercial	227,433	214,750
Residential mortgage loans	1,152,191	1,057,937
Home equity line of credit	224,481	192,291
Installment loans	5,781	5,741
Total loans	1,609,886	1,470,719
Less:		
Allowance for loan losses	42,370	45,377
Net loans	1,567,516	1,425,342
Bank premises and equipment	22,669	21,734
Other assets	72,088	68,744
Total assets	$ 2,967,789	2,912,759
LIABILITIES:		
Deposits:		
Demand	$ 249,686	251,012
Interest-bearing checking	290,239	309,668
Savings accounts	715,540	725,336

Money market deposit accounts	266,181	190,560
Certificates of deposit (in denominations of $100,000 or more)	234,608	225,611
Time deposits	875,437	860,300
Total deposits	2,631,691	2,562,487
Short-term borrowings	90,599	87,935
Long-term debt	73	87
Accrued expenses and other liabilities	31,266	33,589
Total liabilities	2,753,629	2,684,098
SHAREHOLDERS' EQUITY:		
Capital stock par value $1; 150,000,000 and 100,000,000 shares authorized and 82,140,847 and 82,119,360 shares issued at June 30, 2006 and December 31, 2005, respectively	82,141	82,120
Surplus	118,688	117,770
Undivided profits	104,169	103,315
Accumulated other comprehensive income:		
Net unrealized gain on securities available for sale	(21,725)	(6,054)
Treasury stock at cost - 7,312,815 and 7,343,783 shares at June 30, 2006 and December 31, 2005, respectively	(69,113)	(68,490)
Total shareholders' equity	214,160	228,661
Total liabilities and shareholders' equity	$ 2,967,789	2,912,759

See accompanying notes to unaudited consolidated interim financial statements.

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

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
SIX MONTHS ENDED JUNE 30,

	2006	2005
Cash flows from operating activities:		
Net income	24,790	29,892
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,286	1,285

Gain on sale of other real estate owned	(34)	(446)
Credit for loan losses	(3,575)	(3,080)
Deferred tax expense	1,017	3,404
Gain on sale of premises and equipment	(29)	(595)
Net loss (gain) on sale of securities available for sale	288	(4,907)
Decrease in taxes receivable	10,080	9,784
Increase in interest receivable	(1,576)	(1,858)
Increase in interest payable	122	10
Increase in other assets	(2,362)	(5,308)
Decrease in accrued expenses and other liabilities	(2,445)	(1,302)
Total adjustments	2,772	(3,013)
Net cash provided by operating activities	27,562	26,879
Cash flows from investing activities:		
Proceeds from sales and calls of securities available for sale	51,725	165,194
Purchase of securities available for sale	(94,922)	(357,606)
Proceeds from maturities of securities available for sale	10,594	594
Net increase in loans	(138,652)	(92,225)
Proceeds from dispositions of real estate owned	57	446
Proceeds from dispositions of bank premises and equipment	73	2,226
Purchases of bank premises and equipment	(2,265)	(1,572)
Net cash used in investing activities	(173,390)	(282,943)
Cash flows from financing activities:		
Net increase/(decrease) in deposits	69,204	(39,256)
Increase in short-term borrowings	2,664	6,425
Repayment of long-term debt	(14)	(14)
Proceeds from exercise of stock options	531	2,324
Proceeds from sale of treasury stock	4,740	6,139
Purchase of treasury stock	(4,955)	(7,320)
Dividends paid	(23,936)	(22,420)
Net cash provided by/(used in) financing activities	48,234	(54,122)
Net decrease in cash and cash equivalents	(97,594)	(310,186)
Cash and cash equivalents at beginning of period	312,863	696,430
Cash and cash equivalents at end of period	215,269	386,244

See accompanying notes to unaudited consolidated interim financial statements.
(Continued)

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
SIX MONTHS ENDED JUNE 30,

	2006	2005
Interest paid	32,094	20,323
Increase in due to broker, net	--	40,607
Income taxes paid	2,522	4,469
Transfer of loans to real estate owned	53	--
Increase in dividends payable	--	87
Change in unrealized loss on securities available for sale-gross of deferred taxes	(26,144)	(229)
Change in deferred tax effect on unrealized loss on securities available for sale	10,473	98

See accompanying notes to unaudited consolidated interim financial statements

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

1. Financial Statement Presentation

The unaudited Consolidated Interim Financial Statements of TrustCo Bank Corp NY ("TrustCo" or "Company") include the accounts of the subsidiaries after elimination of all significant intercompany accounts and transactions. Prior year amounts have been reclassified to conform to the current year presentation.

In the opinion of the management of the Company, the accompanying unaudited Consolidated Interim Financial Statements contain all adjustments necessary to present fairly the financial position as of June 30, 2006 and the results of operations for the three months and six months ended June 30, 2006 and 2005 and cash flows for the six months ended June 30, 2006 and 2005. The accompanying Consolidated Interim Financial Statements should be read in conjunction with the TrustCo Bank Corp NY year-end Consolidated Financial Statements, including notes thereto, which are included in TrustCo Bank Corp NY's 2005 Annual Report to Shareholders on Form 10K.

2. Earnings Per Share

A reconciliation of the component parts of earnings per share for the three and six month periods ended June 30, 2006 and 2005 follows:

(In thousands, except per share data)	Net Income	Weighted Average Shares Outstanding	Per Share Amounts
For the quarter ended June 30, 2006:			
Basic EPS:			
Net income availble to Common shareholders	$ 12,424	74,894	$0.166
Effect of Dilutive Securities:			
Stock options	--	218	(.001)
Diluted EPS	$ 12,424	75,112	$0.165
For six months ended June 30, 2006:			
Basic EPS:			
Net income availble to Common shareholders	$ 24,790	74,883	$0.331
Effect of Dilutive Securities:			
Stock options	--	305	(.001)
Diluted EPS	$ 24,790	75,188	$0.330

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(In thousands, except per share data)	Net Income	Weighted Average Shares Outstanding	Per Share Amounts
For the quarter ended June 30, 2005:			
Basic EPS:			
Net income available to Common shareholders	$ 14,985	75,056	$0.200

Effect of Dilutive Securities:			
Stock options	--	313	(0.001)
Diluted EPS	$ 14,985	75,369	$0.199

For six months ended June 30, 2005:

Basic EPS:			
Net income available to Common shareholders	$ 29,892	74,972	$0.399
Effect of Dilutive Securities:			
Stock options	--	457	(0.003)
Diluted EPS	$ 29,892	75,429	$0.396

There were approximately 1.9 million and 668 thousand stock options which, if included, would have been antidilutive in the calculation of average shares outstanding as of June 30, 2006 and 2005, respectively and were therefore excluded from the earnings per share calculations.

3. Stock Option Plans

The Company has stock option plans for officers and directors. Effective January 1, 2006 the Company adopted the provisions of FASB Statement No. 123R ("Statement 123R") using the modified prospective method. Previously the Company had adopted the disclosure only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation-Transaction and Disclosure" ("Statement 148").

The Company's stock option plans were previously accounted for in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issured to Employees" ("APB Opinion 25") and as such, no compensation expense was ordinarily recorded for these plans.

In the fourth quarter of 2005 the Board of Director's of the Company approved the accelerated vesting of all outstanding unvested stock options to purchase shares of common stock. These options were previously awarded to executive officers and employees under the 1995 and 2004 Stock Option Plans. The acceleration of vesting

was done in anticipation of the adoption of Statement 123R. By accelerating the vesting of these options the Company estimated that approximately $1.3 million of future compensation expense, net of tax, would be eliminated.

Options to purchase 882,100 shares of the Company's common stock, which would otherwise have vested from time to time over the next four years, became immediately vested and exercisable as a result of this action. The number of shares and exercise prices of the options subject to the acceleration remained unchanged. Also, all of the other terms of the options remain the same. The Company recorded $127 thousand of expense during the fourth quarter of 2005 related to this acceleration based upon an analysis performed in accordance with APB Opinion 25.

The accelerated options included 749,500 options held by executive officers and 132,600 options held by other employees. Based upon the Company's closing stock price of $12.76 per share on the date of accelerated vesting, certain of the options were below and others above the closing market price as follows:

Grant Date	Accelerated Vesting Shares	Exercise Price
2005	411,200	$12.15
2004	394,500	$13.55
2002	76,400	$11.83
	882,100	

The decision to accelerate the vesting of these options was made primarily to reduce non-cash compensation expense that would have been recorded in the Company's income statement in future periods upon the adoption of FASB Statement No. 123R.

Had compensation expense for the Company's stock option plans been determined consistent with Statement 123, the Company's net income and earnings per share for the three and six months ended June 30, 2005 would have been as follows: (dollars in thousands except per share data)

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net income:		
As reported	$14,985	$29,892
Deduct: total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(191)	(382)
Pro forma net income	$14,794	$29,510
Earnings per share:		
Basic - as reported	.200	.399
Basic - pro forma	.197	.394
Diluted - as reported	.199	.396
Diluted - pro forma	.196	.391

The weighted average fair value of each option as of the grant date, estimated using the Black-Scholes pricing model, and calculated in accordance with Statement 123 was as follows for options granted in the year indicated. No options were granted in the first two quarters of 2006.

	Employees' Plan	Directors' Plan
2005	$1.675	1.480

The following assumptions were utilized in the calculation of the fair value of the options under Statement 123:

	Employees' Plan	Directors' Plan
Expected dividend yield: 2005	4.95%	4.95
Risk-free interest rate: 2005	3.91	3.76
Expected volatility rate: 2005	21.25	19.76
Expected lives	7.5 years	6.0 years

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 may grant 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 may grant 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. The source of shares issued as a result of stock option exercises is authorized, but unissued shares as well as treasury shares.

Under each of these plans, the exercise price of each option equals the market price of the Company's stock on the date of the grant, and an option's maximum term is ten years. Options generally vest over five years from the date the options are granted for the employees plans and they are immediately vested under the directors' plan. A summary of the status of TrustCo's stock option plans as of June 30, 2006, and changes during the quarter ended, are as follows:

	Shares	Outstanding Options Weighted Average Option Price	Shares	Exercisable Options Weighted Average Option Price
Balance, January 1, 2006	4,178,049	$ 10.85	4,178,049	$ 10.85
Exercised Options - 2006	(86,204)	6.16	(86,204)	6.16

Cancelled Options - 2006	(26,250)	12.86	(26,250)	12.86
Balance June 30, 2006	4,065,595	$ 10.94	4,065,595	$ 10.94

The total intrinsic value of stock options exercised during the first six months of 2006 and 2005 was approximately $468 thousand and $3.0 million, respectively. The shares used for the 2006 and 2005 stock option exercises were issued from previously unissued shares as well as treasury shares.

The following table summarizes information about total stock options outstanding and exercisable at June 30, 2006:

Range of Exercise Price	Options Outstanding and Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
Less than $7.50	22,005	1.8 years	$5.94
Between $7.51 and $10.00	2,125,340	4.7 years	9.58
Greater than $10.00	1,918,250	8.5 years	12.50
Total	4,065,595	6.5 years	$10.94

The aggregate intrinsic value of options outstanding and exercisable as of June 30, 2006 was approximately $3.2 million.

The Company 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.

4. Comprehensive Income

Comprehensive income includes the reported net income of a company adjusted for items that are accounted for as direct entries to equity, such as the mark to market adjustment on securities available for sale, foreign currency items, minimum pension liability adjustments, and certain derivative gains and losses. At the Company, 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. 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.

Comprehensive income for the three month periods ended June 30, 2006 and 2005 was $4.4 million and $21.0 million, respectively, and $9.1 million and $29.8 million for the six month periods ended June 30, 2006 and 2005, respectively The following summarizes the components of other comprehensive income (loss):

	(dollars in thousands) Three months ended June 30	
	2006	2005
Unrealized holding gains (losses) arising during period, net of tax (pre-tax loss of $13,394 for 2006 and pre-tax gain of $11,328 for 2005)	$(8,005)	6,816
Reclassification adjustment for net gain realized in net income during the period, net of tax (pre-tax gain of $1,255 for 2005)	--	(755)
Other comprehensive income (loss)	$(8,005)	6,061

	(dollars in thousands) Six months ended June 30	
	2006	2005
Unrealized holding gains (losses) arising during period, net of tax (pre-tax loss of $26,433 for 2006 and pre-tax gain of $4,678 for 2005)	$(15,844)	2,820
Reclassification adjustment for net gain (loss) realized in net income during the period, net of tax (pre-tax loss of $288 for 2006 and pre-tax gain of $4,907 for 2005)	171	(2,952)
Other comprehensive loss	$(15,673)	(132)

5. Benefit Plans

The table below outlines the component's of the Company's net periodic expense (benefit) recognized during the three month and six month periods ended June 30, 2006 and 2005 for its pension and other postretirement benefit plans:

Components of Net Periodic Expense/(Benefit) for the three months ended June 30,

	Pension Benefits	Other Postretirement Benefits

	2006	2005	2006	2005
Service cost	$ 198	194	9	13
Interest cost	382	371	18	23
Expected return on plan assets	(448)	(440)	(102)	(101)
Amortization of prior service cost	26	26	(114)	(134)
Curtailment gain, net	(362)	--	--	--
Net periodic expense/(benefit)	$(204)	151	(189)	(199)

Components of Net Periodic Expense/(Benefit) for the six months ended June 30,

	Pension Benefits		Other Postretirement Benefits	
	2006	2005	2006	2005
Service cost	$ 389	402	18	19
Interest cost	770	759	36	36
Expected return on plan assets	(896)	(903)	(204)	(202)
Amortization of prior service cost	53	53	(228)	(259)
Curtailment gain, net	(362)	--	--	--
Net periodic expense/(benefit)	$ (46)	311	(378)	(406)

Contributions

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2005, that it did not expect to make any contributions to its pension and postretirement benefit plans in 2006. As of June 30, 2006, no contributions have been made. The Company presently anticipates that in accordance with IRS limitations and accounting standards, it will not make any contributions in 2006.

In June 2006, the Company recorded a $362 thousand non-cash curtailment adjustment in accordance with SFAS No. 88, "Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", ("SFAS No. 88") in connection with freezing the defined benefit pension plan, using actuarial assumptions consistent with those used at December 31, 2005 and updated to June 30, 2006. SFAS No. 88 requires curtailment accounting if an event eliminates, for a significant number of employees, the accrual of defined benefits for some or all of their future services.

6. Impact of Changes in Accounting Standards

In 2004, the FASB issued a statement to revise Statement of Financial Accounting Standards ("SFAS") No. 123 and SFAS No. 95, "Share-Based Payment," that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments that may be settled by the issuance of such equity instruments. The Company adopted the provisions of SFAS No. 123R using the modified prospective method of transition on January 1, 2006. Under this method, SFAS No. 123R will apply to new awards and to awards that are outstanding on the effective date and are subsequently modified or cancelled. Compensation expense for outstanding awards for which the requisite service period had not been rendered as of the effective date will be recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes under SFAS No. 123. See Note 3, Stock Option Plans, for pro-forma earnings per share for stock-based compensation and information on the acceleration of vesting periods that occurred in 2005. The adoption of SFAS No. 123R did not have a significant effect on the Company's consolidated financial condition or results of operations.

In July, 2006 the Financial Accounting Standards Board ("FASB") issued Financial Accounting Standards Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes". FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprises' financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently analyzing the effects of FIN 48.

7. Guarantees

The Company does not issue any guarantees that would require liability-recognition or disclosure, other than its standby letters of credit. Standby letters of credit are conditional commitments issued by the Company to 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 $3.3 million at June 30, 2006 and represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of twelve 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 June 30, 2006 was insignificant.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
TrustCo Bank Corp NY:

We have reviewed the consolidated statement of financial condition of TrustCo Bank Corp NY and subsidiaries (the Company) as of June 30, 2006, the related consolidated statements of income for the three and six-month periods ended June 30, 2006 and 2005 and the related consolidated statements of cash flows for the six-month periods ended June 30, 2006 and 2005. These consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion. Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition of TrustCo Bank Corp NY and subsidiaries as of December 31, 2005, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 24, 2006 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of financial condition as of December 31, 2005 is fairly stated, in all material respects, in relation to the consolidated statement of financial condition from which it has been derived.

/s/ KPMG LLP

KPMG LLP

Albany, New York
August 4, 2006

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

The review that follows focuses on the factors affecting the financial condition and results of operations of TrustCo Bank Corp NY ("TrustCo" or "Company") during the three month and six month periods ended June 30, 2006, with comparisons to 2005 as applicable. Net interest income and net interest margin are presented on a fully taxable equivalent basis in this discussion. The consolidated interim financial statements and related notes, as well as the 2005 Annual Report to Shareholders should be read in conjunction with this review. Amounts in prior period consolidated interim financial statements are reclassified whenever necessary to conform to the current periods' presentation.

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 cautions 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, and (5) changes in 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.

Following this discussion is the table "Distribution of Assets, Liabilities and Shareholders' Equity: Interest Rates and Interest Differential" which gives a detailed breakdown of TrustCo's average interest earning assets and interest bearing liabilities for the three months and six months ended June 30, 2006 and 2005.

Overview

TrustCo recorded net income of $12.4 million, or $0.165 of diluted earnings per share for the three months ended June 30, 2006, as compared to net income of $15.0 million or $0.199 of diluted earnings per share in the same period in 2005. For the six month period ended June 30, 2006, TrustCo recorded net income of $24.8 million, or $0.330 of diluted earnings per share, as compared to $29.9 million, or $0.396 of diluted earnings per share for the comparable period in 2005.

The primary factors accounting for the year to date changes were:

- A $88.9 million increase in the average balance of interest earning assets from $2.76 billion for the six-month period Ended June 30, 2005 to $2.85 billion for the six-month period Ended June 30, 2006,

- A decrease in net interest margin from 3.87% for 2005 to 3.63% for 2006,

- An increase in the recapture of the provision for loan losses from $3.1 million in 2005 to $3.6 million in 2006,

- A decrease in total noninterest income from $13.9 million in 2005 to $7.2 million in 2006. Within this category, securities transactions resulted in $4.9 million of net gains in 2005 compared to $288 thousand of net losses in 2006, and,

- An increase in total noninterest expense from $22.8 million for the six months ended June 30, 2005 to $23.9 million for the comparable period in 2006.

Asset/Liability Management

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

The following Management's Discussion and Analysis for the second quarter and first six months of 2006 compared to the comparable periods in 2005 is greatly affected by the change in interest rates in the marketplace in which TrustCo competes. Included in the 2005 Annual Report to Shareholders is a description of the effect interest rates had on the results for the year 2005 compared to 2004. Most of the same market factors discussed in the 2005 Annual Report also had a significant impact on the quarterly and year to date 2006 results.
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 period.

One of the most important interest rates used to control national economic policy is the "federal funds" rate. This is the interest rate utilized for institutions with the highest credit quality rating. The federal funds rate increased from 2.25% at January 1, 2005 to

3.25% by June 30, 2005 and to 4.25% by year end 2005. For 2006 the federal funds rate has increased from the 4.25% at the beginning of the year to 5.25% as of June 30, 2006. These changes resulted in increases of 100 basis points for the first six months of 2005 and another 100 basis points during the first six months of 2006.

Over the same time period, for comparison purposes, the 10 year treasury rate decreased from 4.21% at January 1, 2005 to 3.91% at June 30, 2005. For 2006 the 10 year treasury rate began the year at 4.36% and increased 78 basis points to 5.14% by June 30, 2006.

The Federal Reserve has indicated their intention to continue to monitor economic expansion and inflation in the United States economy which may require additional changes to the federal funds target rate during the remainder of 2006.

These changes in interest rates have an effect on the Company relative to the interest income on loans, securities and federal funds sold as well as on interest expense on deposits and borrowings. New originations of residential real estate loans and new purchases of longer-term investments are most affected by the changes in longer term market interest rates such as the 10 year treasury and rates established by secondary market participants. 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 is recorded at market value. Generally as interest rates increase the market value of the securities available for sale portfolio will decrease.

The principal loan product for TrustCo is residential real estate loans. Interest rates on new residential real estate loan originations are 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 sell loans into the secondary market, the Company establishes rates that management determines are appropriate in relation to the long-term nature of a residential real estate loan, while remaining competitive with the secondary market rates.

For the second quarter of 2006 the net interest margin decreased to 3.56% from 3.98% for the second quarter of 2005. The quarterly results reflect the following significant factors:

- The average balance of securities available for sale increased by $104.3 million and the average yield decreased to 5.30%.

- The average balance of federal funds sold and other short term investments decreased by $260.7 million and the average yield increased 203 basis points to 4.90%. The increase in yield on federal funds sold and other short-term investments is attributable to the increase in the target federal funds rate during these time periods.

- The loan portfolio grew by $268.3 million to $1.57 billion and the average yield increased 3 basis points to 6.50%.

- The average balance of interest bearing liabilities (primarily deposit accounts) increased $100.9 million and the average yield increased 102 basis points to 2.78%.

These changes resulted in a net interest margin decrease of 42 basis points from 3.98% for the second quarter of 2005 to 3.56% for the comparable period in 2006.

During the second quarter of 2006 the Company's strategy was to expand the loan portfolio by offering competitive interest rates as the rate environment began to increase. The TrustCo residential real estate loan product is very competitive compared to local and national competitors.

The strategy on the funding side of the balance sheet continues to be to attract customers to the Company based upon a combination of service, convenience and interest rate. The Company offered attractive long-term deposit rates as part of a strategy to lengthen deposit lives. This strategy has been successful but has also resulted in a portion of the increase in the deposit costs.

Earning Assets

The total average balance of interest earning assets increased from $2.77 billion for the second quarter of 2005 to $2.88 billion for the second quarter of 2006 with an average yield of 5.48% in 2005 and 5.93% in 2006. Income on earning assets increased during this same time-period from $37.9 million in 2005 to $42.7 million in 2006.

For the six month period ended June 30, 2006, the average balance of interest earning assets was $2.85 billion, an increase of $88.9 million from the comparable period in 2005 of $2.76 billion. The average yield on interest earning assets was 5.35% for 2005, compared to 5.91% in 2006. The increase in the average balance of earning assets and the increase in the yield earned on these assets, resulted in an increase in interest income of $10.4 million to $84.2 million for the six months of 2006, compared to $73.8 million for the six months to 2005.

Loans

The average balance of loans for the second quarter was $1.30 billion in 2005 and $1.57 billion in 2006. The yield on loans increased from 6.47% in 2005 to 6.50% in 2006. The combination of the increased average balances and the higher rates resulted in an increase in the interest income on loans by $4.5 million.

For the six-month period ended June 30, 2006, the average balance in the loan portfolio was $1.53 billion compared to $1.28 billion for the comparable period in 2005. The average yield increased from 6.44% in 2005 to 6.52% in 2006. The increase in the average balance of loans outstanding and the impact of the increase in the yield resulted in total interest income of $49.8 million in 2006 compared to $41.0 million in 2005.

TrustCo actively markets the residential loan products (which includes residential real estate and, home equity credit loans) within its market territory. Mortgage loan rates are affected by a number of factors including the prime rate, the federal funds rate, rates set by competitors and secondary market participants. As noted earlier, market interest rates have changed significantly as a result of national economic policy in the United States. During this period of changing interest rates TrustCo aggressively marketed the unique aspects of its loan products thereby attempting to create a differentiation from other lenders. These unique aspects include extremely low closing costs, fast turn around time on loan approvals, no escrow or mortgage insurance requirements and the fact that the Company holds these loans in portfolio and does not sell them into the secondary markets.

Though there is debate among nationally recognized economists, the general tenor of the national economy is for improvement and increases in interest rates. Consequently, the significant amount of refinancing that occurred during 2003 and early 2004 may be completed with only residual effects into 2006. Assuming a rise in long-term interest rates, the Company would anticipate that the unique features of its loan product will continue to attract customers in the residential mortgage loan area.

The impact of the increase in the benchmark interest rate indices (prime rate, federal funds, etc.) is apparent in the change in the yield earned in the commercial and home equity loan portfolios. The yields earned for the first six months of 2006 were 39 basis points, and 141 basis points, respectively, greater than in the first six months of 2005.

Securities Available for Sale

During the second quarter of 2006, the average balance of securities available for sale was $1.13 billion with a yield of 5.30%, compared to $1.02 billion for the second quarter of 2005 with a yield of 5.35%. The combination of the increase in average balance and the decrease in the average yield caused an increase in interest income on securities available for sale of approximately $1.3 million between the second quarter of 2006 and 2005.

The six-month results reflect similar trends. The total average balance of securities available for sale during the six months of 2005 was $949.9 million with an average yield of 5.43% compared to an average balance for 2006 of $1.11 billion with a yield of 5.31%.

The largest increase in the securities available for sale portfolio was within the category of Government Sponsored Enterprises which are debt instruments issued by FNMA, Freddie Mac and the Federal Home Loan Bank. The increase was $136.3 million in the average balance between the second quarter of 2006 and 2005. During 2005 and 2006 the Company increased its investment in these instruments as a means of deploying excess liquidity that had been invested in federal funds sold and other short term investments. The yield on interest earning assets was postively affected by these steps

because the rates earned on these investments were greater than the rates earned on the Federal Funds and other short term investments portfolio.

For 2006 the long term interest rates as reflected by the 10 year Treasury have increased over the levels for 2005. The securities available for sale portfolio is reflected at fair value and therefore these investments reflected unrecognized depreciation of $36.1 million. The Company has the ability and intent to hold these securities to maturity or to the point that the unrealized loss reverses. None of the depreciation in the value of this portfolio reflects a deterioration of the credit worthiness of the issuers or a concern as to the eventual repayment of all amounts due.

Federal Funds Sold and Other Short-term Investments

During the second quarter of 2006 the average balance of federal funds sold and other short-term investments was $185.8 million with a yield of 4.90%, compared to the average balance for the three month period ended June 30, 2005 of $446.5 million with an average yield of 2.87%. The $260.7 million decrease in the average balance, offset by the 203 basis points increase in the average yield, resulted in total interest income on federal funds sold and other short-term investments of $2.3 million for 2006 compared to $3.2 million for 2005.

During the six-month period ended June 30, 2006, the average balance of federal funds sold and other short-term investments was $205.6 million with a yield of 4.66% compared to an average balance of $537.4 million in 2005 with an average yield of 2.63%.

Changes in the yield on the federal funds and other short-term investment portfolios resulted primarily from changes in the target rate set of the Federal Reserve Board for federal funds sold. The federal funds sold and other short-term investments portfolio is utilized to generate additional interest income and liquidity as funds are waiting to be deployed into the loan and securities portfolio.

Funding Opportunities

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

During the second quarter, total average interest bearing liabilities were $2.46 billion for 2006 and $2.35 billion for 2005. The rate paid on total interest bearing liabilities was 2.78% for the second quarter of 2006 and 1.76% for the second quarter of 2005. Total interest expense for the second quarter increased approximately $6.7 million to $17.0 million for 2006 compared to $10.3 million for 2005.

Total interest-bearing liabilities were $2.43 billion for the six-month periods ended June 30, 2006 and $2.36 billion for 2005. The rate paid on total interest bearing liabilities was 2.67% for 2006 and 1.74% for 2005 and total interest expense was $32.2 million in 2006 and $20.3 million in 2005.

Demand deposit average balances increased $13.9 million for the second quarter of 2006 compared to the second quarter of 2005. Demand deposits averaged $233.1 million in the second quarter of 2005 and $247.0 million in 2006. On a year to date basis, average demand deposits were $229.8 million in 2005 compared to $244.5 million in 2005.

Interest bearing deposit balances have increased from an average of $2.28 billion for the first six months of 2005 to $2.33 billion for 2006. The increase in overall deposits noted for the six months of 2006 compared to 2005 were the result of increases in the money market account of $76.3 million and time deposits of $108.9 million offset by reductions in savings accounts of $96.0 million and interest bearing checking accounts of $31.4 million. Similar trends were also noted for the second quarter of 2006 compared to 2005. TrustCo has experienced a deposit inflow primarily as a result of customers moving funds back into the banking system from the stock and bond market and from TrustCo's new branch openings. Also customers are moving balances to higher yielding deposit accounts and away from the savings and interest bearing checking accounts.

Short-term borrowings for the quarter averaged $99.2 million in 2006 compared to $81.5 million in 2005. The average rate paid on these borrowings increased during this time period from 2.06% to 3.88% for the second quarter of 2006. On a year to date basis, short term borrowings averaged $95.5 million for the six months ended June 30, 2006 compared to $82.0 million for the comparable period in 2005. The average rate paid on these borrowings was 3.67% for the six months of 2006 and 2.00% for 2005.

Net Interest Income

Taxable equivalent net interest income decreased by $1.9 million to $25.7 million for the second quarter of 2006. The net interest spread decreased 57 basis points between 2005 and 2006 and the net interest margin decreased by 42 basis points.

Taxable equivalent net interest income for the first six months of 2006 was $51.9 million, a decrease of approximately $1.5 million over the $53.5 million for the first six months of 2005. Net interest spread decreased 37 basis points to 3.24% and net interest margin decreased by 24 basis points to 3.63 for the six-month period ended June 30, 2006.

Nonperforming Assets

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

Impaired loans are considered to be those commercial and commercial real estate loans in a nonaccrual status and loans restructured. The following describes the nonperforming assets of TrustCo as of June 30, 2006.

Nonperforming loans: Total nonperforming loans were $5.1 million at June 30, 2006, an increase from the $3.0 million of nonperforming loans at June 30, 2005. There were $3.7 million of nonaccrual loans at June 30, 2006 and $1.0 million at June 30, 2005. Restructured loans were $1.4 million at

June 30, 2006 compared to $2.0 million at June 30, 2005. There were $9 thousand of loans past due three payments or more and still accruing interest at June 30, 2006 and none at June 30, 2005.

While non accruing loans have increased, as noted above, these loans are residential real estate loans which are generally placed on non-accrual status at 3 payments past due, and are generally considered to be reasonably well secured.

All of the nonperforming loans at June 30, 2006 and 2005 are residential real estate or retail consumer loans. Since 2000, there has been a continued shifting in the components of TrustCo's problem loans and chargeoffs from commercial and commercial real estate to the residential real estate and retail consumer loan portfolios.

TrustCo strives to identify borrowers that are experiencing financial difficulties and to work aggressively with them so as to minimize losses or exposures. Beginning in 2004 the number of new bankruptcy filings in the Capital District area were lower than statewide trends. Also the demand for housing in the Capital District area has increased which has resulted in increased real estate prices in selected sectors of the marketplace. These trends may be indicators of future economic stability for this region and a continued lessening of loan chargeoffs.

Total impaired loans at June 30, 2006 of $1.4 million consisted of restructured retail loans. During the first six months of 2006, there were no commercial loan chargeoffs, $64 thousand of consumer loan chargeoffs and $1.0 million of residential mortgage loan chargeoffs as compared with $379 thousand of commercial loan chargeoffs, $159 thousand of consumer loan chargeoffs and $650 thousand of residential mortgage loan chargeoffs in the first half of 2005. Recoveries during the first six months were $1.6 million in 2006 and $2.9 million in 2005.

Though the economic climate in the Upstate New York area has suffered over the last several years, resulting in moderate levels of bankruptcies and relatively flat real estate

prices, overall economic trends in the last two years have been improving. As noted previously, bankruptcies in the Capital District area have lagged statewide trends and general housing prices have continued to increase. These positive trends have helped marginal credits better manage their debt load. The Company's net loan chargeoff (recovery) experience has been significantly improving in recent years and was in a net loan recovery position in 2004 and 2005 and continues to be in a net loan recovery position on a year to date and quarter to date basis in 2006. This positive trend is consistent with the positive trends the Company has noted in general economic conditions in the Company's market areas. Consideration of net loan chargeoff (recovery) experience is factored into the Company's estimation of the required level of the allowance for loan losses and the provision (credit) for loan losses. The continuation of the positive trend in net loan chargeoff (recovery) experience results in a reduction of the Company's estimate of the level of allowance for loan losses that is necessary. Consideration of this positive trend in net loan chargeoff (recovery) experience has resulted in the negative provision for loan losses on a year to date and quarter to date basis in 2006 and 2005.

Real estate owned: There was $53 thousand real estate owned as of June 30, 2006 and none at June 30, 2005.

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

At June 30, 2006, the allowance for loan losses was $42.4 million, which represents a decrease from the $45.4 million in the allowance at December 31, 2005. The allowance represents 2.63% of the loan portfolio as of June 30, 2006 compared to 3.60% at June 30, 2005.

In deciding on the adequacy of the allowance for loan losses, management reviews the current nonperforming loan portfolio as well as loans that are past due and not yet categorized as nonperforming for reporting purposes. Also, there are a number of other factors that are taken into consideration, including:

- The magnitude and nature of the recent loan chargeoffs and recoveries,

- The growth in the loan portfolio and the implication that has in relation to the economic climate in the bank's business territory, and

- The improving economic environment in the upstate New York territory over the last two years.

Management continues to monitor these in determining future provisions for loan losses or negative provisions for loan losses in relation to the economic environment, loan chargeoffs, recoveries and the level and trends of nonperforming loans. Should these trends continue, negative provisions foR loan losses would, in all likelihood, also continue.

Liquidity and Interest Rate Sensitivity

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

Noninterest Income

Total noninterest income for the three months ended June 30, 2006 was $3.9 million a decrease of $2.4 million from the comparable period in 2005. During the 2006 period, the Company recorded no gains or losses from net securities transactions as compared to $1.3 million of net gains on securities transactions for the comparable period in 2005. Excluding these securities transactions, noninterest income decreased from $5.0 million in the second quarter of 2005 to $3.9 million for the comparable period in 2006.

Total noninterest income was $7.2 million for the six months of 2006 compared to $13.9 million for 2005. Excluding net securities losses of $288 thousand in the six month period ended June 30, 2006 and $4.9 million of net securities gains in the first half of 2005, in the balances for 2006 and 2005 would have been $7.5 million and $9.0 million, respectively.

Trust department income decreased slightly to $1.5 million for the second quarter of 2006. The decrease in trust fee income is the result of a decrease in assets under management from $974 million as of June 30, 2005 to $863 million as of June 30, 2006. On a year to date basis trust fee income was $2.7 million for 2006 and $3.0 million in 2005.

Fees for other services to customers are down slightly for the quarter and up slightly on year to date basis between 2005 and 2006 due primarily to loan volume.

The decrease in other income for the second quarter of 2006 is due to the gain recognized in 2005 from the sale of the former operations center in Schenectady. The gain was approximately $600 thousand. Also as a result of the sale in late 2005 of the credit card portfolio there is approximately $150 thousand of credit card income in the second quarter of 2005 that is not reflected as income in 2006.

Noninterest Expenses

Total noninterest expense for the second quarter of 2006 was $12.0 million as compared to $11.6 million for 2005. For the six months ended June 30, 2006 and 2005, total noninterest expense was $23.9 million and $22.8 million, respectively.

Salaries and employee benefits cost decreased from $4.5 million for the second quarter of 2005 to $4.4 million for the comparable period in 2006. Salaries and benefits were up slightly for the six month period ended June 30, 2006 compared to 2005. Total salaries and employee benefits were $9.4 million for the six months ended June 30, 2006 and $9.3 million for the corresponding period in 2005. During the second quarter of 2006 the Company recognized a net gain of $362 thousand as a result of curtailing the pension plan which will be effective at year end 2006. The impact of the pension plan curtailment is that estimated future expenses associated with the pension plan in subsequent periods will be reduced.

Net occupancy expense decreased slightly for the second quarter of 2006 compared to 2005 due primarily to cost savings in the branch operations.

Other non-interest expense increased by $417 thousand for the second quarter of 2006 compared to 2005 and by $483 thousand on a year to date basis for 2006 and 2005. The primary increase in other expenses is the result of increased advertising and contributions during the second quarter of 2006 compared to 2005. The increase in these categories is connected to the branch expansion program and the need to create an awareness of the Trustco Bank branches in these market territories.

Income Taxes

In the second quarter of 2006 and 2005, TrustCo recognized income tax expense of $6.2 million and $8.0 million, respectively. This resulted in an effective tax rate of 33.3% for the second quarter of 2006 and 34.7% for the second quarter of 2005. For the six months of 2006, total income tax expense was $12.5 million compared to $15.8 million for 2005. This resulted in an effective tax rate of 33.6% for 2006 and 34.6% for 2005. The reduction in income tax expenses for the quarter and year to date reflect the lower amount of taxable income generated in 2006 compared to 2005.

Capital Resources

Consistent with its long-term goal of operating a sound and profitable financial organization, TrustCo strives to maintain strong capital ratios. New issues of equity securities have not been required since traditionally, most of its Scapital requirements are met through capital retention.

Total shareholders' equity at June 30, 2006 was $214.2 million, a decrease of $14.5 million from the year-end 2005 balance of $228.7 million. The change in shareholders' equity between year-end 2005 and June 30, 2006 primarily reflects net income retained by TrustCo ($854 thousand), a $15.7 million decrease in accumulated other comprehensive income due to the unrealized loss on the securities available for the sale portfolio and a $192 thousand increase in treasury stock.

TrustCo declared dividends of $0.320 per share during the first six months of 2006 and $0.300 per share for 2005. These resulted in a dividend payout ratio of 96.6% in 2006 and 75.3% in 2005. The Company achieved the following ratios as of June 30, 2005 and 2004:

	June 30, 2006	June 30, 2005	Minimum Regulatory Guidelines
Tier 1 risk adjusted capital	15.45%	17.03%	4.00%
Total risk adjusted capital	16.72%	18.31%	8.00%

In addition, at June 30, 2006 and 2005, the consolidated equity to total assets ratio (excluding the mark to market effect of securities available for sale) was 7.89% and 8.00%, respectively, compared to a minimum regulatory requirement of 4.00%.

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

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

The following table summarizes the component distribution of average balance sheet, related interest income and expense and the average annualized yields on interest earning assets and annualized rates on interest bearing liabilities of TrustCo (adjusted for tax equivalency) for each of the reported periods. Nonaccrual loans are included in loans for this analysis. The average balances of securities available for sale is calculated using amortized costs for these securities. Included in the balance of shareholders' equity is unrealized (depreciation) appreciation, net of tax, in the available for sale portfolio of ($17.0) million in 2006 and 1.5 million in 2005. The subtotals contained in the following table are the arithmetic totals of the items contained in that category.

	Three Months 2006			Three Months 2005		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets						
Securities available for sale:						
U.S. Treasuries	$ 989	$ 12	4.70%	$ 1,324	$ 10	3.23%
Gov't Sponsored Enterprises	799,158	10,408	5.21%	662,840	8,452	5.10%
Mortgage-backed securities and collateralized mortgage obligations	188,503	2,231	4.73%	213,930	2,468	4.61%
States and political subdivisions	128,081	2,205	6.89%	130,524	2,508	7.69%
Other	12,302	115	3.78%	16,150	276	6.85%
Total securities available for sale	1,129,033	14,971	5.30%	1,024,768	13,714	5.35%
Federal funds sold and other short-term Investments	185,824	2,270	4.90%	446,500	3,197	2.87%
Commercial Loans	228,142	4,292	7.52%	201,471	3,634	7.22%
Residential mortgage loans	1,124,412	17,425	6.20%	892,638	14,207	6.37%
Home equity lines of credit	209,592	3,575	6.84%	193,126	2,806	5.83%
Installment loans	5,388	189	14.08%	12,049	350	11.65%
Loans, net	1,567,534	25,481	6.50%	1,299,284	20,997	6.47%

Total interest earning assets	2,882,391	42,722	5.93%	2,770,552	37,908	5.48%
Allowance for loan losses	(43,229)			(48,108)		
Cash & non-interest earning assets	107,278			122,043		
Total assets	$2,946,440			$2,844,487		
Liabilities and shareholders' equity						
Deposits:						
Interest Bearing Checking Accounts	$ 292,651	359	0.49%	$ 325,898	380	0.47%
Money market accounts	239,855	2,416	4.04%	143,104	571	1.60%
Savings	718,170	2,732	1.53%	810,579	1,493	0.74%
Time deposits	1,105,608	10,549	3.83%	993,519	7,443	3.01%
Total interest bearing deposits	2,356,284	16,056	2.73%	2,273,100	9,887	1.74%
Short-term borrowings	99,213	961	3.88%	81,499	419	2.06%
Long-term debt	75	1	5.24%	103	2	5.24%
Total Interest Bearing Liabilities	2,455,572	17,018	2.78%	2,354,702	10,308	1.76%
Demand deposits	247,029			233,138		
Other liabilities	28,427			28,518		
Shareholders' equity	215,412			228,129		
Total liab. & shareholders' equity	$2,946,440			$2,844,487		
Net Interest Income		25,704			27,600	
Net Interest Spread			3.15%			3.72%
Net Interest margin (net interest income to total interest earning assets)			3.56%			3.98%
Tax equivalent adjustment		(780)			(892)	
Net Interest Income per book		24,924			26,708	

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TrustCo Bank Corp NY
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	Six Months 2006			Six Months 2005		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets						
Securities available for sale:						
U.S. Treasuries	$ 859	$ 19	4.38%	$ 1,092	$ 17	3.17%
Gov't Sponsored Enterprises	785,030	20,385	5.19%	590,318	15,322	5.19%
Mortgage-backed securities and collateralized mortgage obligations	193,077	4,524	4.69%	204,491	4,701	4.60%
States and political subdivisions	123,031	4,279	6.96%	138,717	5,347	7.71%
Other	12,115	355	5.89%	15,239	411	5.42%
Total securities available for sale	1,114,112	29,562	5.31%	949,857	25,798	5.43%
Federal funds sold and other short-term Investments	205,631	4,763	4.66%	537,365	7,000	2.63%
Commercial Loans	223,336	8,363	7.50%	199,739	7,099	7.11%
Residential mortgage loans	1,101,660	34,111	6.19%	871,031	27,853	6.40%
Home equity lines of credit	201,547	6,988	6.99%	192,630	5,328	5.58%
Installment loans	5,355	378	14.25%	12,150	707	11.74%
Loans, net	1,531,898	49,840	6.52%	1,275,550	40,987	6.44%
Total interest earning assets	2,851,641	84,165	5.91%	2,762,772	73,785	5.35%
Allowance for loan losses	(43,875)			(48,493)		
Cash & non-interest earning assets	114,759			129,127		
Total assets	$2,922,525			$2,843,406		
Liabilities and shareholders' equity						
Deposits:						
Interest Bearing Checking Accounts	$ 293,574	644	0.44%	$ 324,940	767	0.48%
Money market accounts	221,457	4,256	3.88%	145,179	1,011	1.40%

Savings	718,505	5,098	1.43%	814,538	3,207	0.79%
Time deposits	1,100,398	20,477	3.75%	991,494	14,532	2.96%
Total interest bearing deposits	2,333,934	30,475	2.63%	2,276,151	19,517	1.73%
Short-term borrowings	95,503	1,739	3.67%	81,978	813	2.00%
Long-term debt	79	2	5.27%	106	3	5.27%
Total Interest Bearing Liabilities	2,429,516	32,216	2.67%	2,358,235	20,333	1.74%
Demand deposits	244,480			229,789		
Other liabilities	28,336			27,050		
Shareholders' equity	220,194			228,332		
Total liab. & shareholders' equity	$2,922,526			$2,843,406		
Net Interest Income		51,949			53,452	
Net Interest Spread			3.24%			3.61%
Net Interest margin (net interest income to total interest earning assets)			3.63%			3.87%
Tax equivalent adjustment		(1,514)			(1,884)	
Net Interest Income per book		50,435			51,568	

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Item 3.

Quantitative and Qualitative Disclosures about Market Risk

As detailed in the Annual Report to Shareholders as of December 31, 2005, the Company is subject to interest rate risk as its principal market risk. As noted in detail throughout this Management's Discussion and Analysis, for the three months and six months ended June 30, 2006, the Company continues to respond to changes in interest rates to position the Company to meet both short term earning goals but to also allow the Company to respond to changes in interest rates in the future. Consequently the year-to-date average balance of federal funds sold and other short-term investments has decreased to $205.6 million in 2006 from $537.4 million in 2005. As investment opportunities present themselves, management plans to continue to invest funds from the federal funds sold and other short-term investment portfolio into the securities available for sale and loan portfolios. This trend is expected to continue into the third quarter. The Company believes there was no significant change to its interest rate risk during the second quarter of 2006.

Item 4.

Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report.

The Company maintains disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act")) designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon this evaluation of those disclosure controls and procedures, the Chief Executive and Chief Financial Officer of the Company concluded, as of the end of the period covered by this report, that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required.

In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Further, no evaluation of a cost-effective system of controls can provide absolute assurance that all control issues and instances of fraud, if any, will be detected.

There have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter to which this report relates that have materially affected or are reasonably likely to materially affect, the internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

While there are no material changes to the Company's risk factors as Discussed in the Annual Report on Form 10-K for the year ended December 31, 2005, management believes the following risks should also be considered:

Changes in accounting standards. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time the Financial Accounting Standards Board ("FASB") changes the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements.

Operational risks. The potential for operational risk exposure exists throughout the Company. Integral to our continued efficacy of our technical systems, operational infrastructure, relationships with third parties and the vast array of associates and key executives in our day-to-day and ongoing operations. Failure by any or all of these resources subjects us to risks that may vary in size, scale and scope. This includes but is not limited to operational or technical failures, ineffectiveness or exposure due to interruption in third party support as expected, as well as, the loss of key individuals or failure on the part of the key individuals to perform properly.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchases Under the Plans or Programs
April 1 - April 30	15,000	$11.61	0	N/A
May 1 - May 31	210,000	$11.39	0	N/A
June 1 - June 30	--	$ --	0	N/A
Total	225,000	$11.41	0	N/A

All 225,000 shares were purchased by other than through a publicly announced plan or program. All purchases were made in open-market transactions in satisfaction of the Company's obligations upon exercise of outstanding stock options issued by the Company and for quarterly sales to the dividend reinvestment plan.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submissions of Matters to Vote of Security Holders

At the annual meeting held May 15, 2006, shareholders of the Company were asked to consider the Company's nominees for directors and to elect three (3) directors. The Company's nominees for director were Thomas O. Maggs (three-year term), Robert J. McCormick (three-year term) and William J. Purdy (three-year term).

The results of shareholder voting are as follows:

1. Election of Directors:

Director	For	Withheld
Thomas O. Maggs	58,955,053	2,214,504
Robert J. McCormick	55,079,434	6,090,123
William J. Purdy	59,363,837	1,805,720

Directors continuing in office are Joseph A. Lucarelli, Dr. Anthony J. Marinello, Robert A. McCormick, and William D. Powers.

2. Proposal to adopt an amendment to TrustCo's Amended and Restated Certificate of Incorporation to increase the authorized shares of common stock from 100 million to 150 million.

For	Against	Abstain
56,829,600	3,736,087	603,867

3. Proposal to ratify the appointment of KPMG LLP as the independent certified public accountants of TrustCo for the fiscal year ending December 31, 2006.

For	Against	Abstain
60,017,093	749,027	403,458

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Reg S-K (Item 601) Exhibit No.	Description
3	Amended and Restated Certificate of Incorporation of TrustCo Bank Corp NY, as amended.
31(a)	Rule 13a-15(e)/15d-15(e) Certification of Robert J. McCormick, principal executive officer.
31(b)	Rule 13a-15(e)/15d-15(e) Certification of Robert T. Cushing, principal financial officer.
32	Section 1350 Certifications of Robert J. McCormick, principal executive officer and Robert T. Cushing, principal financial officer.

(b) Reports on Form 8-K

During the quarter ended June 30, 2006, TrustCo filed the following reports on Form 8-K:

April 18, 2006, regarding a press release dated April 18, 2006, detailing 2006 first quarter financial results.

April 27, 2006, correcting a typographical error contained in the definitive proxy statement filed on April 4, 2006.

May 8, 2006, announcing TrustCo Bank Corp NY ranking as number one savings bank in the nation by SNL Financial LC.

May 16, 2006, regarding a press release dated May 16, 2006, announcing the results of the Annual Meeting held May 15, 2006 and declaring a cash dividend of $0.16 per share payable on July 3, 2006, to shareholders of record at the close of business on June 2, 2006.

May 16, 2006, regarding presentation materials presented at the Annual Meeting of Shareholders held May 15, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TrustCo Bank Corp NY

By: /s/ Robert J. McCormick

Robert J. McCormick
President
and Chief Executive Officer

By: /s/ Robert T. Cushing

Robert T. Cushing
Executive Vice President
and Chief Financial Officer

Date: August 4, 2006

Exhibits Index

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