

TRUSTCO BANK CORP N Y
Form 10-Q
November 03, 2014

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

Form 10-Q

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

For the quarterly period ended Commission File Number 0-10592
September 30, 2014

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

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

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 o No

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

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

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

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

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

Number of Shares Outstanding

Common Stock as of October 31, 2014

\$1 Par Value 94,893,218

TrustCo Bank Corp NY

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TRUSTCO BANK CORP NY

Consolidated Statements of Income (Unaudited)

(dollars in thousands, except per share data)

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	2013	2014	2013	2014
Interest and dividend income:				
Interest and fees on loans	\$34,421	32,166	100,909	95,286
Interest and dividends on securities available for sale:				
U. S. government sponsored enterprises	297	571	1,184	2,014
State and political subdivisions	38	127	150	466
Mortgage-backed securities and collateralized mortgage obligations-residential	3,040	2,888	9,417	8,358
Corporate bonds	2	223	63	674
Small Business Administration-guaranteed participation securities	535	558	1,630	1,618
Mortgage-backed securities and collateralized mortgage obligations-commercial	38	39	114	106
Other securities	4	5	12	13
Total interest and dividends on securities available for sale	3,954	4,411	12,570	13,249
Interest on held to maturity securities:				
Mortgage-backed securities and collateralized mortgage obligations-residential	545	686	1,747	2,191
Corporate bonds	153	154	461	680
Total interest on held to maturity securities	698	840	2,208	2,871
Federal Reserve Bank and Federal Home Loan Bank stock	127	121	388	361
Interest on federal funds sold and other short-term investments	374	344	1,101	916
Total interest income	39,574	37,882	117,176	112,683
Interest expense:				
Interest on deposits:				
Interest-bearing checking	94	84	267	246
Savings	644	798	1,999	2,543
Money market deposit accounts	648	590	1,865	1,905
Time deposits	2,213	1,937	6,199	5,640
Interest on short-term borrowings	327	370	1,062	1,101
Total interest expense	3,926	3,779	11,392	11,435
Net interest income	35,648	34,103	105,784	101,248
Provision for loan losses	1,100	1,500	4,100	5,500
Net interest income after provision for loan losses	34,548	32,603	101,684	95,748
Noninterest income:				
Trustco financial services income	1,471	1,317	4,386	4,025
Fees for services to customers	2,838	2,903	8,091	8,758
Net gain on securities transactions	376	-	382	1,434

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Other	205	194	2,295	705
Total noninterest income	4,890	4,414	15,154	14,922
Noninterest expenses:				
Salaries and employee benefits	8,272	7,935	23,876	23,760
Net occupancy expense	4,013	3,911	12,382	11,874
Equipment expense	1,725	1,567	5,300	4,867
Professional services	1,547	1,255	4,271	4,240
Outsourced services	1,375	1,350	4,125	4,050
Advertising expense	629	548	1,885	1,992
FDIC and other insurance	1,054	1,009	2,958	3,023
Other real estate expense, net	1,001	946	168	3,168
Other	2,576	2,167	7,465	7,140
Total noninterest expenses	22,192	20,688	62,430	64,114
Income before taxes	17,246	16,329	54,408	46,556
Income taxes	6,532	6,077	20,875	17,373
Net income	\$10,714	10,252	33,533	29,183
Net income per Common Share:				
- Basic	\$0.113	0.109	0.354	0.310
- Diluted	\$0.113	0.109	0.354	0.310

See accompanying notes to unaudited consolidated interim financial statements.

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Consolidated Statements of Comprehensive Income (Unaudited)

(dollars in thousands)

	Three Months Ended September 30, 2014		2013		Nine Months Ended September 30, 2014		2013	
Net income	\$10,714	10,252	33,533	29,183				
Net unrealized holding gain (loss) on securities available for sale	(1,269)	1,461	17,615	(27,793)				
Reclassification adjustments for net gain recognized in income	(376)	-	(382)	(1,434)				
Tax effect	650	(583)	(6,893)	11,654				
Net unrealized gain (loss) on securities available for sale, net of tax	(995)	878	10,340	(17,573)				
Amortization of net actuarial (gain) loss	(77)	117	(223)	350				
Amortization of prior service credit	239	(66)	149	(197)				
Tax effect	(64)	(21)	29	(61)				
Amortization of net actuarial (gain) loss and prior service credit on pension and postretirement plans, net of tax	98	30	(45)	92				
Other comprehensive income (loss), net of tax	(897)	908	10,295	(17,481)				
Comprehensive income	\$9,817	11,160	43,828	11,702				

See accompanying notes to unaudited consolidated interim financial statements.

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Consolidated Statements of Financial Condition

(dollars in thousands)

	September 30, 2014 (Unaudited)	December 31, 2013 (Audited)
ASSETS:		
Cash and due from banks	\$43,724	46,453
Federal funds sold and other short term investments	586,931	536,591
Total cash and cash equivalents	630,655	583,044
Securities available for sale	722,623	863,754
Held to maturity securities (fair value 2014 \$78,693; 2013 \$90,305)	74,179	86,215
Federal Reserve Bank and Federal Home Loan Bank stock	9,228	10,500
Loans, net of deferred fees and costs	3,083,029	2,908,809
Less:		
Allowance for loan losses	46,512	47,714
Net loans	3,036,517	2,861,095
Bank premises and equipment, net	37,455	34,414
Other assets	71,609	82,430
Total assets	\$4,582,266	4,521,452
LIABILITIES:		
Deposits:		
Demand	\$327,527	318,456
Interest-bearing checking	646,862	611,127
Savings accounts	1,215,087	1,218,038
Money market deposit accounts	655,646	648,402
Certificates of deposit (in denominations of \$100,000 or more)	449,832	419,301
Other time accounts	690,087	711,747
Total deposits	3,985,041	3,927,071
Short-term borrowings	179,957	204,162
Accrued expenses and other liabilities	27,781	28,406
Total liabilities	4,192,779	4,159,639
SHAREHOLDERS' EQUITY:		
Capital stock par value \$1; 150,000,000 shares authorized; 98,942,123 and 98,927,123 shares issued at September 30, 2014 and December 31, 2013, respectively	98,942	98,927
Surplus	172,598	173,144
Undivided profits	162,326	147,432
Accumulated other comprehensive loss, net of tax	(3,508)	(13,803)

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Treasury stock at cost - 4,157,008 and 4,463,786 shares at September 30, 2014 and December 31, 2013, respectively	(40,871)	(43,887)
Total shareholders' equity	389,487	361,813
Total liabilities and shareholders' equity	\$4,582,266	4,521,452

See accompanying notes to unaudited consolidated interim financial statements.

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TRUSTCO BANK CORP NY

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(dollars in thousands, except per share data)

	Capital Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Beginning balance, January 1, 2013	\$98,912	174,899	132,378	1,558	(48,949)	358,798
Net Income	-	-	29,183	-	-	29,183
Other comprehensive loss, net of tax	-	-	-	(17,481)	-	(17,481)
Cash dividend declared, \$.1969 per share	-	-	(18,546)	-	-	(18,546)
Sale of treasury stock (399,139 shares)	-	(1,737)	-	-	3,925	2,188
Stock based compensation expense	-	246	-	-	-	246
Ending balance, September 30, 2013	\$98,912	173,408	143,015	(15,923)	(45,024)	354,388
Beginning balance, January 1, 2014	\$98,927	173,144	147,432	(13,803)	(43,887)	361,813
Net Income	-	-	33,533	-	-	33,533
Other comprehensive income, net of tax	-	-	-	10,295	-	10,295
Cash dividend declared, \$.1969 per share	-	-	(18,639)	-	-	(18,639)
Stock options exercised and related tax benefits (15,000 shares)	15	63	-	-	-	78
Sale of treasury stock (306,778 shares)	-	(869)	-	-	3,016	2,147
Stock based compensation expense	-	260	-	-	-	260
Ending balance, September 30, 2014	\$98,942	172,598	162,326	(3,508)	(40,871)	389,487

See accompanying notes to unaudited consolidated interim financial statements.

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TRUSTCO BANK CORP NY

Consolidated Statements of Cash Flows (Unaudited)

(dollars in thousands)

	Nine months ended September 30, 2014	2013
Cash flows from operating activities:		
Net income	\$ 33,533	29,183
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,601	3,797
Net gain on sale of other real estate owned	(2,501)	(87)
Writedown of other real estate owned	1,447	1,721
Net gain on sale of building held for sale	(1,556)	-
Provision for loan losses	4,100	5,500
Deferred tax expense (benefit)	1,546	(360)
Stock based compensation expense	260	246
Net gain on sale of bank premises and equipment	(1)	(16)
Net gain on sales and calls of securities	(382)	(1,434)
Decrease (increase) in taxes receivable	(662)	2,747
Decrease in interest receivable	407	52
Increase (decrease) in interest payable	32	(11)
Decrease (increase) in other assets	(2,900)	6,292
Increase (decrease) in accrued expenses and other liabilities	(678)	1,634
Total adjustments	2,713	20,081
Net cash provided by operating activities	36,246	49,264

Cash flows from
investing activities:

Proceeds from sales and calls of securities available for sale	268,499	355,678
Proceeds from calls and maturities of held to maturity securities	12,036	52,148
Purchases of securities available for sale	(118,755)	(389,877)
Proceeds from maturities of securities available for sale	9,002	10,052
Purchases of Federal Reserve Bank and Federal Home Loan Bank stock	(451)	(868)
Proceeds from redemption of Federal Reserve Bank and Federal Home Loan Bank stock	1,723	-
Net increase in loans	(188,009)	(165,626)
Net proceeds from sale of building held for sale	4,745	-
Proceeds from dispositions of other real estate owned	11,276	6,929
Proceeds from dispositions of bank premises and equipment	98	16
Purchases of bank premises and equipment	(6,171)	(5,306)
Net cash used in investing activities	(6,007)	(136,854)

Cash flows from
financing activities:

Net increase in deposits	57,970	90,175
Net (decrease) increase in short-term borrowings	(24,205)	25,380
Proceeds from exercise of stock	78	-

options and related tax benefits			
Proceeds from sale of treasury stock	2,147		2,188
Dividends paid	(18,618)	(18,520
Net cash provided by financing activities	17,372		99,223
Net increase in cash and cash equivalents	47,611		11,633
Cash and cash equivalents at beginning of period	583,044		544,016
Cash and cash equivalents at end of period	\$	630,655	555,649

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Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest paid	\$11,360	11,446
Income taxes paid	21,602	14,691
Other non cash items:		
Transfer of loans to other real estate owned	8,487	9,685
Transfer of other real estate owned to fixed assets	568	-
Transfer of building to other assets	-	3,189
Increase in dividends payable	21	26
Change in unrealized gain (loss) on securities available for sale-gross of deferred taxes	17,233	(29,227)
Change in deferred tax effect on unrealized gain (loss) on securities available for sale	(6,893)	11,654
Amortization of net actuarial loss and prior service credit on pension and postretirement plans	(74)	153
Change in deferred tax effect of amortization of net actuarial loss and prior service credit	29	(61)

See accompanying notes to unaudited consolidated interim financial statements.

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(1) Financial Statement Presentation

The unaudited Consolidated Interim Financial Statements of TrustCo Bank Corp NY (the “Company” or “TrustCo”) include the accounts of the subsidiaries after elimination of all significant intercompany accounts and transactions. Prior period amounts are reclassified when necessary to conform to the current period presentation. The net income reported for the three months and nine months ended September 30, 2014 is not necessarily indicative of the results that may be expected for the year ending December 31, 2014, or any interim periods. These financial statements consider events that occurred through the date of filing.

In the opinion of the management of the Company, the accompanying unaudited Consolidated Interim Financial Statements contain all recurring adjustments necessary to present fairly the financial position as of September 30, 2014, the results of operations for the three months and nine months ended September 30, 2014 and 2013, and the cash flows for the nine months ended September 30, 2014 and 2013. The accompanying Consolidated Interim Financial Statements should be read in conjunction with the TrustCo Bank Corp NY year-end Consolidated Financial Statements, including notes thereto, which are included in TrustCo Bank Corp NY's 2013 Annual Report to Shareholders on Form 10-K. The accompanying consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flow activity required in accordance with accounting principles generally accepted in the United States.

(2) Earnings Per Share

The Company computes earnings per share in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 260, Earnings Per Share (“ASC 260”). TrustCo adopted FASB ASC 260-10 (“ASC 260-10”), Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities, which clarified that unvested share-based payment awards that contain nonforfeitable rights to receive dividends or divided equivalents (whether paid or unpaid) are participating securities, and thus, should be included in the two-class method of computing earnings per share (“EPS”).

Participating securities under this statement include the unvested employees’ and directors’ restricted stock awards with time-based vesting, which receive nonforfeitable dividend payments.

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A reconciliation of the component parts of earnings per share for the three months and nine months ended September 30, 2014 and 2013 is as follows:

(dollars in thousands, except per share data)

	2014	2013
For the three months ended September 30:		
Net income	\$10,714	\$10,252
Less: Net income allocated to participating securities	12	11
Net income allocated to common shareholders	\$10,702	\$10,241
Basic EPS:		
Distributed earnings allocated to common stock	\$6,220	\$6,191
Undistributed earnings allocated to common stock	4,482	4,050
Net income allocated to common shareholders	\$10,702	\$10,241
Weighted average common shares outstanding including participating securities	94,734	94,334
Less: Participating securities	106	106
Weighted average common shares	94,628	94,228
Basic EPS	0.113	0.109
Diluted EPS:		
Net income allocated to common shareholders	\$10,702	\$10,241
Weighted average common shares for basic EPS	94,628	94,228
Effect of Dilutive Securities:		
Stock Options	124	47
Weighted average common shares including potential dilutive shares	94,752	94,275
Diluted EPS	0.113	0.109

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(dollars in thousands, except per share data)

	2014	2013
For the nine months ended September 30:		
Net income	\$33,533	\$29,183
Less: Net income allocated to participating securities	38	33
Net income allocated to common shareholders	\$33,495	\$29,150
Basic EPS:		
Distributed earnings allocated to common stock	\$18,639	\$18,546
Undistributed earnings allocated to common stock	14,856	10,604
Net income allocated to common shareholders	\$33,495	\$29,150
Weighted average common shares outstanding including participating securities	94,668	94,202
Less: Participating securities	106	106
Weighted average common shares	94,562	94,096
Basic EPS	0.354	0.310
Diluted EPS:		
Net income allocated to common shareholders	\$33,495	\$29,150
Weighted average common shares for basic EPS	94,562	94,096
Effect of Dilutive Securities:		
Stock Options	123	19
Weighted average common shares including potential dilutive shares	94,685	94,115
Diluted EPS	0.354	0.310

For the three months ended September 30, 2014 and 2013, the weighted average number of antidilutive stock options excluded from diluted earnings per share was approximately 2.4 million and 2.1 million, respectively. For the nine months ended September 30, 2014 and 2013, the weighted average number of antidilutive stock options excluded from diluted earnings per share was approximately 2.4 million and 2.5 million, respectively. The stock options are antidilutive because the strike price is greater than the average fair value of the Company's common stock for the periods presented.

(3) Benefit Plans

The table below outlines the components of the Company's net periodic benefit recognized during the three month and nine month periods ended September 30, 2014 and 2013 for its pension and other postretirement benefit plans:

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(dollars in thousands)	For the three months ended September 30,			
	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Service cost	8	17	46	12
Interest cost	359	318	99	25
Expected return on plan assets	(660)	(547)	(166)	(122)
Amortization of net (gain) loss	-	129	(77)	(12)
Amortization of prior service credit	-	-	239	(66)
Net periodic benefit	(293)	(83)	141	(163)

(dollars in thousands)	For the nine months ended September 30,			
	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Service cost	44	51	75	38
Interest cost	1,031	955	163	76
Expected return on plan assets	(1,878)	(1,642)	(504)	(371)
Amortization of net (gain) loss	-	387	(223)	(37)
Amortization of prior service credit	-	-	149	(197)
Net periodic benefit	(803)	(249)	(340)	(491)

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2013, that it did not expect to make contributions to its pension and postretirement benefit plans in 2014. As of September 30, 2014, no contributions have been made, however, this decision is reviewed each quarter and is subject to change based upon market conditions.

Since 2003, the Company has not subsidized retiree medical insurance premiums. However, it continues to provide postretirement medical benefits to a limited number of current and retired executives in accordance with the terms of their employment contracts.

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(4) Investment Securities

(a) Securities available for sale

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

(dollars in thousands)	September 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	\$83,805	17	735	83,087
State and political subdivisions	2,681	88	-	2,769
Mortgage backed securities and collateralized mortgage obligations - residential	530,688	704	7,613	523,779
Corporate bonds	1,403	-	2	1,401
Small Business Administration- guaranteed participation securities	105,430	-	4,939	100,491
Mortgage backed securities and collateralized mortgage obligations - commercial	10,765	-	348	10,417
Other	650	-	6	644
Total debt securities	735,422	809	13,643	722,588
Equity securities	35	-	-	35
Total securities available for sale	\$735,457	809	13,643	722,623

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

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The following table distributes the debt securities included in the available for sale portfolio as of September 30, 2014, based on the securities' final maturity (mortgage backed securities and collateralized mortgage obligations are stated using an estimated average life):

(dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	\$ 2,195	2,210
Due in one year through five years	512,543	507,031
Due after five years through ten years	220,164	212,822
Due after ten years	520	525
	\$ 735,422	722,588

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

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

(dollars in thousands)	September 30, 2014					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss
U.S. government sponsored enterprises	\$27,422	98	54,863	637	82,285	735
Mortgage backed securities and collateralized mortgage obligations - residential	81,269	630	339,676	6,983	420,945	7,613
Corporate bonds	501	2	-	-	501	2
Small Business Administration- guaranteed participation securities	-	-	100,491	4,939	100,491	4,939
Mortgage backed securities and collateralized mortgage obligations - commercial	-	-	10,417	348	10,417	348
Other	594	6	-	-	594	6
Total	\$ 109,786	736	505,447	12,907	615,233	13,643

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(dollars in thousands)	December 31, 2013					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss
U.S. government sponsored enterprises	\$ 198,023	1,724	-	-	198,023	1,724
Mortgage backed securities and collateralized mortgage obligations - residential	466,056	17,698	54,835	2,350	520,891	20,048
Corporate bonds	902	1	-	-	902	1
Small Business Administration- guaranteed participation securities	103,029	8,354	-	-	103,029	8,354
Mortgage backed securities and collateralized mortgage obligations - commercial	10,558	407	-	-	10,558	407
Total	\$ 778,568	28,184	54,835	2,350	833,403	30,534

The proceeds from sales and calls of securities available for sale, gross realized gains and gross realized losses from sales and calls during the three months and nine months ended September 30, 2014 and 2013 are as follows:

(dollars in thousands)	Three months ended September		Nine months ended	
	30, 2014	2013	2014	2013
Proceeds from sales	\$42,228	-	\$42,228	118,560
Proceeds from calls	45,648	31,704	226,271	237,118
Gross realized gains	376	-	382	1,514
Gross realized losses	-	-	-	80

Tax expense recognized on net gains on sales of securities available for sale were approximately \$151 thousand for the three months ended September 30, 2014. There were no sales in the third quarter of 2013. Tax expense recognized on net gains on sales of securities available for sale were approximately \$153 thousand and \$574 thousand for the nine months ended September 30, 2014 and 2013 respectively.

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(b) Held to maturity securities

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

(dollars in thousands)	September 30, 2014			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Mortgage backed securities and collateralized mortgage obligations - residential	\$64,223	3,333	-	67,556
Corporate bonds	9,956	1,181	-	11,137
Total held to maturity	\$74,179	4,514	-	78,693

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

The following table distributes the debt securities included in the held to maturity portfolio as of September 30, 2014, based on the securities' final maturity (mortgage backed securities and collateralized mortgage obligations are stated using an estimated average life):

(dollars in thousands)	Amortized Cost	Fair Value
Due in one year through five years	72,733	77,152
Due in five years through ten years	1,446	1,541
	\$ 74,179	78,693

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 no held to maturity securities in an unrecognized loss position as of September 30, 2014.

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Gross unrecognized losses on held to maturity securities and the related fair values aggregated by the length of time that individual securities have been in an unrecognized loss position as of December 31, 2013 were as follows:

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

There were no sales or transfers of held to maturity securities during the three months and nine months ended September 30, 2014 and 2013.

(c) Other-Than-Temporary Impairment

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

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

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

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As of September 30, 2014, the Company's security portfolio consisted of 187 securities, 84 of which were in an unrealized loss position, and are discussed below.

U.S. government sponsored enterprises

In the case of unrealized losses on U.S. government sponsored enterprises, because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2014.

Mortgage backed securities and collateralized mortgage obligations - residential

All of the mortgage backed securities and collateralized mortgage obligations held by the Company were issued by U.S. government sponsored entities and agencies, primarily Ginnie Mae, Fannie Mae and Freddie Mac, which are institutions the government has affirmed its commitment to support. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2014.

Corporate bonds

The Company's exposure is primarily in bonds of firms in the financial sector. All of the corporate bonds owned continue to be rated investment grade, all are current as to the payment of interest and the Company expects to collect the full amount of the principal balance at maturity. The Company actively monitors the firms and the bonds. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2014.

Small Business Administration (SBA) - guaranteed participation securities

All of the SBA securities held by the Company were issued and guaranteed by U.S. Small Business Administration. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2014.

Mortgage backed securities and collateralized mortgage obligations – commercial

All of the mortgage backed securities and collateralized mortgage obligations held by the Company were issued by U.S. government-sponsored entities and agencies, are current as to the payment of interest and principal and the Company expects to collect the full amount of the principal and interest payments. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2014.

Other securities

In the case of unrealized losses on other securities, because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2014.

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As a result of the above analysis, during the three and nine months ended September 30, 2014, the Company did not recognize any other-than-temporary impairment losses for credit or any other reason.

(5) Loans and Allowance for Loan Losses

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

(dollars in thousands)	September 30, 2014		
	New York and other states*	Florida	Total
Commercial:			
Commercial real estate	\$ 172,457	19,712	192,169
Other	27,595	61	27,656
Real estate mortgage - 1 to 4 family:			
First mortgages	2,002,935	450,495	2,453,430
Home equity loans	51,430	5,291	56,721
Home equity lines of credit	306,138	40,358	346,496
Installment	5,934	623	6,557
Total loans, net	\$2,566,489	516,540	3,083,029
Less: Allowance for loan losses			46,512
Net loans			\$3,036,517

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

*Includes New York, New Jersey, Vermont and Massachusetts

At September 30, 2014 and December 31, 2013, the Company had approximately \$35.8 million and \$35.4 million of real estate construction loans, respectively. Of the \$35.8 million in real estate construction loans at September 30, 2014, approximately \$14.3 million are secured by first mortgages to residential borrowers while approximately \$21.5 million were to commercial borrowers for residential construction projects. Of the \$35.4 million in real estate construction loans at December 31, 2013, approximately \$13.9 million are secured by first mortgages to residential borrowers while approximately \$21.5 million were to commercial borrowers for residential construction projects. The vast majority of construction loans are in the Company's New York market.

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

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

(dollars in thousands)	September 30, 2014		
	New York and other states	Florida	Total
Loans in non-accrual status:			
Commercial:			
Commercial real estate	\$4,226	517	4,743
Other	-	-	-
Real estate mortgage - 1 to 4 family:			
First mortgages	25,113	2,251	27,364
Home equity loans	520	-	520
Home equity lines of credit	4,103	144	4,247
Installment	95	1	96
Total non-accrual loans	34,057	2,913	36,970
Restructured real estate mortgages - 1 to 4 family	155	-	155
Total nonperforming loans	\$34,212	2,913	37,125

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

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The following tables present the aging of the recorded investment in past due loans by loan class and by region as of September 30, 2014 and December 31, 2013:

New York and other states:

(dollars in thousands)	September 30, 2014				+ Total 30+ days Past Due	Current	Total Loans
	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due				
Commercial:							
Commercial real estate	\$698	53	3,015	3,766	168,691	172,457	
Other	-	-	-	-	27,595	27,595	
Real estate mortgage - 1 to 4 family:							
First mortgages	3,999	1,489	19,076	24,564	1,978,371	2,002,935	
Home equity loans	74	-	507	581	50,849	51,430	
Home equity lines of credit	161	254	2,146	2,561	303,577	306,138	
Installment	20	30	53	103	5,831	5,934	
Total	\$4,952	1,826	24,797	31,575	2,534,914	2,566,489	

Florida:

(dollars in thousands)	September 30, 2014				+ Total 30+ days Past Due	Current	Total Loans
	30-59 Days Past Due	60-89 Days Past Due	90 Days Past Due				
Commercial:							
Commercial real estate	\$-	-	-	-	19,712	19,712	
Other	-	-	-	-	61	61	
Real estate mortgage - 1 to 4 family:							
First mortgages	458	549	1,642	2,649	447,846	450,495	
Home equity loans	-	-	-	-	5,291	5,291	
Home equity lines of credit	176	-	13	189	40,169	40,358	
Installment	13	16	-	29	594	623	
Total	\$647	565	1,655	2,867	513,673	516,540	

Total:

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

Commercial:						
Commercial real estate	\$698	53	3,015	3,766	188,403	192,169
Other	-	-	-	-	27,656	27,656
Real estate mortgage - 1 to 4 family:						
First mortgages	4,457	2,038	20,718	27,213	2,426,217	2,453,430
Home equity loans	74	-	507	581	56,140	56,721
Home equity lines of credit	337	254	2,159	2,750	343,746	346,496
Installment	33	46	53	132	6,425	6,557
Total	\$5,599	2,391	26,452	34,442	3,048,587	3,083,029

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New York and other states:

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

Florida:

(dollars in thousands)	30-59	60-89	90	+ Total 30+	Current	Total Loans
	Days Past Due	Days Past Due	Days Past Due	days Past Due		
Commercial:						
Commercial real estate	\$-	-	-	-	21,404	21,404
Other	-	-	-	-	32	32
Real estate mortgage - 1 to 4 family:						
First mortgages	552	-	4,229	4,781	373,580	378,361
Home equity loans	-	-	-	-	3,642	3,642
Home equity lines of credit	109	-	247	356	36,089	36,445
Installment	-	2	-	2	601	603
Total	\$661	2	4,476	5,139	435,348	440,487

Total:

(dollars in thousands)	30-59	60-89	90	+ Total 30+	Current	Total Loans
	Days Past Due	Days Past Due	Days Past Due	days Past Due		
Commercial:						
Commercial real estate	\$583	1,426	3,379	5,388	185,738	191,126
Other	209	-	123	332	32,023	32,355

Real estate mortgage - 1 to 4 family:

First mortgages	5,216	2,042	21,853	29,111	2,258,697	2,287,808
Home equity loans	46	18	552	616	50,520	51,136
Home equity lines of credit	1,123	331	2,144	3,598	336,891	340,489
Installment	85	14	77	176	5,719	5,895
Total	\$7,262	3,831	28,128	39,221	2,869,588	2,908,809

At September 30, 2014 and December 31, 2013, there were no loans that are 90 days past due and still accruing interest. As a result, non-accrual loans includes all loans 90 days past due and greater as well as certain loans less than 90 days past due that were placed on non-accrual status for reasons other than delinquent status. There are no commitments to extend further credit on non-accrual or restructured loans.

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

(dollars in thousands)	For the three months ended September 30, 2014				
	Commercial	Real Estate Mortgage-1 to 4	Family	Installment	Total
Balance at beginning of period	\$4,073	42,752		110	46,935
Loans charged off:					
New York and other states	124	1,187		67	1,378
Florida	-	278		-	278
Total loan chargeoffs	124	1,465		67	1,656
Recoveries of loans previously charged off:					
New York and other states	-	82		10	92
Florida	1	36		4	41
Total recoveries	1	118		14	133
Net loans charged off	123	1,347		53	1,523
Provision for loan losses	95	935		70	1,100
Balance at end of period	\$4,045	42,340		127	46,512

(dollars in thousands)	For the three months ended September 30, 2013				
	Commercial	Real Estate Mortgage-1 to 4	Family	Installment	Total
Balance at beginning of period	\$3,719	43,766		104	47,589
Loans charged off:					
New York and other states	585	1,638		30	2,253
Florida	-	234		3	237
Total loan chargeoffs	585	1,872		33	2,490
Recoveries of loans previously charged off:					
New York and other states	-	423		5	428
Florida	502	193		-	695
Total recoveries	502	616		5	1,123
Net loans charged off	83	1,256		28	1,367
Provision for loan losses	228	1,240		32	1,500
Balance at end of period	\$3,864	43,750		108	47,722

(dollars in thousands)	For the nine months ended September 30, 2014		
	Commercial	Real Estate Mortgage-1 to 4	Installment

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		1 to 4 Family		
Balance at beginning of period	\$4,019	43,597	98	47,714
Loans charged off:				
New York and other states	397	3,804	148	4,349
Florida	613	820	12	1,445
Total loan chargeoffs	1,010	4,624		