TRUSTCO BANK CORP N Y
Form 424B5
June 30, 2011
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Filed pursuant to Rule 424(b)(5)
Registration No. 333-174331

PROSPECTUS SUPPLEMENT

(To prospectus dated June 3, 2011)

13,600,000 Shares

Common Stock

We are offering 13,600,000 shares of our common stock, par value $1.00 per share, in this offering.

Our common stock is traded on the NASDAQ Global Select Market under the symbol TRST. The last reported sale price of our common stock on the NASDAQ Global Select Market on June 29, 2011 was $4.98 per share.

Investing in our common stock involves risks. You should carefully consider the risks described under Risk Factors beginning on page S-13 of this prospectus supplement and the information provided under Risk Factors on page 4 of the accompanying prospectus before making any decision to invest in our common stock.

	Per Share	Total
Public offering price	$ 4.60	$ 62,560,000
Underwriting discount and commission	$ 0.23	$ 3,128,000
Proceeds to us (before expenses)	$ 4.37	$ 59,432,000

This is a firm commitment underwriting. We have granted the underwriters a 30-day option to purchase up to an additional 2,040,000 shares of common stock at the same price to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.

The shares offered are our securities and are not savings accounts, deposits or other obligations of any bank subsidiary of ours and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

The underwriters expect to deliver the common stock only in book-entry form through the facilities of The Depository Trust Company against payment on or about July 6, 2011.

SANDLER O NEILL + PARTNERS, L.P. STIFEL NICOLAUS WEISEL

The date of this prospectus supplement is June 29, 2011.

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TrustCo Bank Locations

New York 14 Counties, 84 Branches

Massachusetts 1 County, 4 Branches

New Jersey 1 County, 2 Branches

Vermont 1 County, 1 Branch

Florida 10 Counties, 43 Branches

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and certain other matters and also updates and adds to the information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the prospectus, which describes more general information about us, our common stock and other securities that we may offer from time to time, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with additional information described below under the heading Where You Can Find More Information.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus or any documents incorporated by reference in this prospectus supplement or the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the prospectus and any free writing prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

You should assume that the information appearing in this prospectus supplement, as well as information we previously filed with the SEC and have incorporated by reference, is accurate as of the date on the front cover of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.

We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the common stock in certain jurisdictions may be restricted by law. This prospectus supplement does not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any common stock offered by this prospectus supplement by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

In this prospectus supplement, TrustCo Bank Corp NY, TrustCo, the Company, we, us, and our refer to TrustCo Bank Corp NY, a New Y corporation, and Trustco Bank, and the Bank refer to our subsidiary, Trustco Bank, a federal savings bank, unless the context otherwise requires.

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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This prospectus supplement, the documents we incorporate by reference into it and the accompanying prospectus may include forward-looking statements about us and our subsidiaries. These statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995 and can sometimes be identified by the use of forward-looking words such as may, will, should, could, expects, intends, plans, anticipates, believes, estimate, potential or continue, or the negative of comparable terminology.

The following important factors, among others, in some cases have affected and in the future could affect our actual results and could cause our actual financial performance to differ materially from that expressed in any forward-looking statement:

- credit risk,
- the effects of and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System, inflation, interest rates, market and monetary fluctuations,
- competition,
- the effect of changes in financial services laws and regulations (including laws concerning taxation, banking and securities),
- real estate and collateral values,
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board (FASB) or the Public Company Accounting Oversight Board,
- changes in local market areas and general business and economic trends and
- the matters described under the heading Risk Factors in our annual report on Form 10-K for the year ended December 31, 2010 and in our subsequent securities filings.

The foregoing list should not be construed as exhaustive, and we disclaim 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.

If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained in this prospectus supplement and the accompanying prospectus, and in the information incorporated by reference herein and therein. Therefore, we caution you not to place undue reliance on our forward-looking information and statements.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary provides a general description of information contained elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that may be important to you or that you should consider before investing in our common stock. You should read carefully this entire prospectus supplement and the accompanying prospectus, including the Risk Factors section and the other documents we refer to and incorporate by reference. In particular, we incorporate important business and financial information into this prospectus by reference. Unless otherwise indicated, the information contained in this prospectus supplement assumes that the underwriters will not exercise their option to purchase additional shares to cover over-allotments.

TrustCo Bank Corp NY

We are a New York corporation organized in 1981 to acquire all of the outstanding stock of Trustco Bank, National Association, formerly known as Trustco Bank New York, and prior to that, The Schenectady Trust Company. Schenectady Trust was chartered in 1902. Our principal subsidiary, Trustco Bank, is the successor by merger to Trustco Bank, National Association. TrustCo Bank Corp NY is a savings and loan holding company.

Trustco Bank provides general banking services to individuals, partnerships and corporations primarily through its 134 banking offices (and 141 automatic teller machines) in the greater Capital Region of New York, the mid-Hudson and lower-Hudson valley area (including northern New Jersey) and central Florida (primarily the greater Orlando area and the West Coast communities to the immediate south of Tampa). Trustco Bank also provides a wide range of personal and business banking and fiduciary services.

As of March 31, 2011, we had total assets of $4.0 billion, net loans of $2.3 billion, total liabilities of $3.7 billion and total shareholders equity of $258.5 million.

Business Strategy

Our long term strategy is to maintain a low risk (both as to credit risk and interest rate risk) balance sheet while positioning us for continued growth and increasing net income.

Historically, we have pursued a simple business model seeking to provide core banking services to customers. We focus on residential mortgage lending, including first mortgages, second mortgages and home equity lines of credit on the asset side of the balance sheet, and on basic checking, savings, interest-bearing checking, money market and certificates of deposit accounts on the liability side.

Key Elements. The following is a summary of key elements of our strategy:

Deposit Growth - We believe that over the long term, growing deposits will be the single most important driver of our future earnings growth. Our branch expansion program, discussed in more detail below, has created the infrastructure to support significant growth of our deposits and our primary focus is to achieve that growth. While we seek overall deposit growth, we place particular emphasis on the growth of core deposits, which we consider to be savings accounts, demand deposits, interest-bearing checking accounts, money market accounts and time deposits of less than $100,000. By funding our balance sheet with deposits, we believe that we achieve a greater degree of financial stability and a cost advantage relative to our peers. For example, our overall cost of interest-bearing liabilities was 0.83% for the quarter ended March 31, 2011, which was 37 basis points lower than the median for all publicly traded banks and thrifts with assets of $2.0 billion to $10.0 billion, and during the years 2000 through 2010, our overall cost of interest-bearing liabilities averaged 44 basis points lower than that peer group.

Loan Growth - We plan to continue our focus on expanding our loan portfolio by growing our residential mortgage loans. For example, between December 31, 2007 and December 31, 2010, our net loans balance increased from $1.9 billion to $2.3 billion. We expect to continue this growth going forward.

De novo branching - Over the past several years, we have significantly grown our branch franchise, and although we will continue to grow our branch franchise, we expect it will be at a slower pace and primarily through fill in expansion within our branch footprint and expansion into nearby markets as appropriate.

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Risk Management and Asset Quality - We closely monitor and manage the risk of our operations, including the performance of our loan portfolio, our deposit franchise and capital, liquidity, interest rate and operational risks. While each of these risks is important, we consider asset quality to be the most critical risk to manage. At March 31, 2011, nonperforming loans were $50.4 million, or 2.14% of total loans. Non-performing assets at March 31, 2011 were $57.1 million, or 1.42% of total assets. Our allowance for loan losses to total loans was 1.85% at March 31, 2011.

Maintain expense control - We have always focused on expense control and have generally reported efficiency ratios that we believe are better than peer group averages. Given that many expenses are within our control, we consider it critical to minimize these expenditures to offset rising costs in areas such as regulatory compliance and FDIC insurance assessments, which for the most part are outside of our control. For the three months ended March 31, 2011, our efficiency ratio was 52.2%, compared to a peer group median of 63.8%. Although we significantly outperform our peers by this measure, historically we were able to produce even lower efficiency ratios. The branch expansion program significantly increased expenses as the new branches were opened, contributing to an increase in the efficiency ratio in recent years. Revenue from those branches has built gradually, and we expect revenue to continue to grow, and our efficiency ratio to improve, in the coming years. The efficiency ratio during recent periods was also significantly affected by increased FDIC deposit insurance assessments imposed upon all insured depository institutions.

Branch Expansion. We have grown organically through de novo branch expansion in and around our Upstate market area for decades. Our expansion into our Downstate New York and Florida markets began in 2002 and has been accomplished exclusively through de novo branches, not through acquisitions. The expansion program dramatically increased the size of our branch network, as illustrated below.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Florida	0	0	0	4	6	14	18	24	38	42	43
New York & Other	54	56	62	65	68	69	73	83	86	90	91
Total	54	56	62	69	74	83	91	107	124	132	134

The branch expansion has been key to the growth in recent years in our deposit and loan balances, and we expect that the new branches will contribute to significant further growth as those branches gradually mature. Prior to the beginning of our expansion program in 2002, our average deposits per branch were approximately $37.4 million at December 31, 2001. That average declined each year through 2009 when the number reached a low of approximately $25.0 million at December 31, 2009. As the expansion program concluded, the gradual maturing of new branches was able to begin to reverse that trend, and the average deposits per branch were $26.5 million at December 31, 2010. While there are no assurances that future growth plans will be achieved, our goal is to work towards regaining the average branch size we had prior to the expansion program.

In addition to our branching strategy, we may consider acquisition transactions that would allow us to achieve deeper penetration in our existing markets or expand around the borders of those markets. We have not completed any acquisitions over the last decade, although we have evaluated a number of whole bank and branch acquisitions over the years, including problem institutions offered by the Federal Deposit Insurance Corporation, and expect to continue to do so.

Residential Loan Program. Our lending efforts focus heavily on providing mortgage financing to consumers in the form of first mortgages, as well as home equity loans and lines of credit. We seek to carefully manage the lending process throughout each stage. As a result we:

- take applications through our branches and a small number of bank-employed loan originators,
- handle the loan underwriting process centrally,

base our credit decisions primarily on traditional underwriting standards (including documentation to verify borrower information and capacity to pay) rather than on credit scores,

primarily close loan transactions on our premises by our employees,

service all of the loans we originate and

conduct loan collection efforts with Bank employees.

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From time-to-time we evaluate alternative methods of conducting our lending business; however, to date we have concluded that controlling the process internally allows us to conduct business most efficiently and with the greatest control over credit quality. Given the fact that we retain our loans on our balance sheet, control over credit is a critical consideration for us.

Within our loan portfolio, our first home mortgage product is focused on 30-year fixed-rate loans, although we also offer 15-year fixed-rate loans. The actual effective maturity of these loans is significantly shorter than the full term of the loan due to scheduled amortization of principal as well as optional prepayments of loans in whole or in part. While mortgage loans are commoditized in many regards, we strive to offer differentiating characteristics that provide us with a competitive advantage while continuing to apply the traditional loan underwriting and origination processes described above. For example, we offer first home mortgage loans of up to 90% loan to value (although the average loan to value ratio for loans we originated in 2010 was approximately 80%), and when we grant these loans, we do not require private mortgage insurance. We also do not require tax escrow, although we do encourage borrowers to open and fund a Trustco Tax Saver Account. These aspects of our loan program lower the initial cash requirements for obtaining a new home, and in the case of our policy to not require private mortgage insurance, result in potentially significant savings to the borrower over time. We also offer lower interest rates for loans with automatic payments from a Trustco Bank checking account. Finally, we offer home equity credit lines using underwriting standards similar to those used for our first home mortgage product (with loan to value ratios of up to 80% where we do not have the first priority lien position). Our home equity credit lines have adjustable interest rates.

We note that prior to the financial crisis that began in 2007, traditional fixed rate mortgages such as those we offer were out of favor, to some extent, with lenders and borrowers who were focusing more on variable rate products that often featured artificially low initial rates. While that may have satisfied the short term goals of those lenders and borrowers, it clearly proved detrimental to both on a longer term basis, and contributed to the national economic meltdown. The consequences were beneficial to us in many ways, as a number of significant competitors in the mortgage business failed or withdrew from the business.

Market Area

Our primary markets are in three broad service areas: Upstate New York (which we may refer to as Upstate), Downstate New York (Downstate) and Central Florida (Florida). The Upstate market is our historical market area, centered around New York s Capital Region (including branches in western Massachusetts and Vermont). The Downstate market area covers the lower and mid-Hudson River Valley and includes two branches in New Jersey. The Florida market is focused primarily around the greater Orlando area, with a second cluster of branches in Florida s West Coast communities to the immediate south of Tampa.

We believe the expansion into the Downstate and Florida markets helped to provide economic diversification across the regions in which we operate, which we believe will help to insulate us from downturns in any one market area while giving us the opportunity to take advantage of the growth opportunities that these markets provide.

By virtue of our long history in our Upstate market, it remains the location of the majority of our deposits and loans. In recent decades, however, this area has experienced slower economic growth than seen nationally, as well as some loss of population in parts of the area. These characteristics were key considerations in our strategy to pursue new markets in Downstate New York and Florida. Although the Upstate market s growth has not matched national growth levels, we have a strong market share and, we believe, have been able to compete effectively against local, regional and national financial institutions. Our Upstate market consists of the counties of Albany, Columbia, Greene, Rensselaer, Saratoga, Schenectady, Schoharie, Warren and Washington in New York, Berkshire County in Massachusetts and Bennington County in Vermont. Within this area are a number of small and mid-sized cities, smaller villages and towns, as well as suburban and rural areas. The counties included in the Upstate market have a total population of approximately 1.23 million, up 2.9% from the population in 2000. The Albany-Schenectady-Troy Metropolitan Statistical Area (MSA) accounts for about 70% of the total population of the Upstate market, and a similar amount of that market s employment, housing, income and wealth. Median annual household income varies considerably by county, reflecting the varying economic conditions within the market, ranging from $45,131 to $64,464 for 2010.

Government jobs constitute approximately 24% of nonfarm employment in the Albany-Schenectady-Troy MSA, primarily due to Albany being the state capital. Other major sectors of employment include education, healthcare and retail. In recent years public and private universities in the area (including Rensselaer Polytechnic Institute and the University at Albany (State University of New York)) have made significant strides in building the area s industry base in advanced technology

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fields. For example, GlobalFoundries Inc., the world s third largest independent semiconductor manufacturer, is currently building a new $4.6 billion chip fabrication plant in Saratoga County that is expected to begin initial production in 2012. These efforts are still at a relatively early stage, but offer the possibility of helping to diversify the employment base through the growth of relatively attractive jobs in technology over the coming years.

Our Downstate market covers the mid-Hudson River and lower-Hudson River valley area, with branches from Dutchess and Ulster Counties, immediately south of our Upstate market to the areas just north of metropolitan New York City. We operate branches in Westchester, Rockland, Orange, Dutchess and Ulster Counties in New York and Bergen County in New Jersey. Most of the Downstate market is included in the vast New York-Northern New Jersey-Long Island, NY-NJ-PA MSA. Though the nature of this market area changes significantly between the immediate New York area and the more northern parts of the market, the overall economy of the area is driven by the New York City market, as much of the population commutes to jobs in the city and many other jobs depend on economic activity in the city. The financial, insurance, health care and real estate industries form the basis of the New York City area s economy, and the city is also the center for mass media, journalism and publishing in the United States. Within the Downstate market are numerous small and mid-sized cities, villages and towns, as well as suburban and rural areas. The counties included in the Downstate market have a total population of approximately 3.03 million, up 4.8% from the population in 2000. Excluding Bergen County, New Jersey (in which we have only two branches), the market population is approximately 2.12 million, with population growth of 5.6% since 2000. Household income in the Downstate market is much higher than in the Upstate market. Median annual household income by county ranged from $55,835 to $92,461 for 2010.

The Florida market covers the greater Orlando area in the eastern/central part of the state, with a second cluster of branches in Florida s West Coast communities to the immediate south of Tampa. We currently operate branches in the counties of Sarasota, Seminole, Orange, Lake, Hillsborough, Volusia, Charlotte, Osceola, Manatee and Polk. The Orlando market area is dominated by tourism, driven by its major theme parks and many other leisure activities. In addition, it has strong medical and technology sectors. The economies of the West Coast communities in which we operate are driven primarily by tourism and retirees. Florida as a whole, including the market areas in which we operate, was hard hit by the aftermath of the financial meltdown, with dramatic declines in real estate values and significant job losses. The after-effects of these problems continue to be felt. The counties included in the Florida market have a total population of approximately 5.33 million, up 24.5% from the population in 2000. Overall, the median annual household income in these counties was $53,847 in 2010, which represents an increase of 28.7% from 2000 data.

We believe our market areas are economically diversified, both within each market and in the aggregate. In our view, the Upstate market can generally be characterized as having been economically stable, without the more exaggerated boom and bust cycles experienced by other regions of the country, while the Downstate market has generally been much stronger than the Upstate market, but has been more susceptible to economic swings, due primarily to the heavy influence of the financial services business. The Florida market had enjoyed a protracted period of economic expansion until the real estate problems of recent years.

The tables on the following page, containing information obtained from FDIC data, summarize our deposits and market share by county in each of our major markets as of June 30, 2010, which is the most recent date as of which such information is available:

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Market Share as of June 30, 2010

County	State	Rank in Market	# of Branches	Deposits ($000)	Market Share (%)
Upstate Market					
Albany	NY	4	17	890,319	7.62
Schenectady	NY	1	14	889,790	38.21
Saratoga	NY	2	14	375,426	11.41
Rensselaer	NY	4	7	211,897	11.83
Washington	NY	3	2	67,008	11.15
Greene	NY	3	2	65,406	7.35
Columbia	NY	5	3	61,347	6.53
Warren	NY	6	3	56,755	4.19
Berkshire	MA	12	4	20,895	0.71
Schoharie	NY	5	1	17,520	4.54
Bennington	VT	7	1	9,829	1.16
Upstate Market Total			**68**	**2,666,192**	**9.85**
Downstate Market					
Westchester	NY	22	10	176,925	0.42
Rockland	NY	12	4	106,335	1.33
Dutchess	NY	15	4	72,165	1.78
Bergen	NJ	47	2	27,625	0.07
Orange	NY	21	1	10,375	0.19
Ulster	NY	19	1	6,146	0.20
Downstate Market Total			**22**	**399,571**	**0.31**
Florida Market					
Sarasota	FL	22	3	98,379	0.85
Seminole	FL	16	11	73,441	1.20
Orange	FL	28	14	71,863	0.33
Lake	FL	19	5	50,464	1.06
Hillsborough	FL	46	2	20,419	0.10
Volusia	FL	26	2	19,824	0.23
Charlotte	FL	18	1	11,150	0.34
Osceola	FL	18	2	10,264	