UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2020
Or
☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________________ to ____________________

Commission file number 0-10592

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

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered)
Common Stock, $1.00 Par Value	**TRST**	**The NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes.☒ No. ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes.☐ No. ☒

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

Indicate by check mark whether the registrant has submitted electronically 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 shorter period that the registrant was required to submit and post such files). Yes.☒ No.☐

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

Large Accelerated Filer ☒	Accelerated Filer ☐	Non-Accelerated Filer ☐	Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the common stock held by non-affiliates as of June 30, 2020, the last business day of the Company's second fiscal quarter, was $596 million (based upon the closing price of $6.33 on June 30, 2020 as reported on the NASDAQ Global Select Market).

The number of shares outstanding of the registrant’s common stock as of February 22, 2021 was 96,432,657.

Documents Incorporated by Reference: Portions of the registrant’s Annual Report to Shareholders for the year ended December 31, 2020 are incorporated by reference into Parts I and II, and portion of the registrant’s Proxy Statement filed for its 2021 Annual Meeting of Shareholders to be filed within 120 days of the registrant’s fiscal year end are incorporated into Part III.

INDEX

USE OF NON-GAAP FINANCIAL MEASURES

The Securities and Exchange Commission ("SEC") has adopted certain rules with respect to the use of "non-GAAP financial measures" by companies with a class of securities registered under the Securities Exchange Act of 1934, such as TrustCo Bank Corp NY. GAAP is generally accepted accounting principles in the United States of America. Under the SEC rules, companies making disclosures containing non-GAAP financial measures must also disclose, along with each non-GAAP financial measure, certain additional information, including a reconciliation of the non-GAAP financial measure to the closest comparable GAAP financial measure and a statement of the company's reasons for utilizing the non-GAAP financial measure as part of its financial disclosures.

A discussion of certain non-GAAP financial measures, including taxable equivalent net interest income, tax equivalent net interest margin and efficiency ratio, used in this report and in the Annual Report to Shareholders, as well as a reconciliation of these measures to the closest comparable GAAP financial measures, is set forth in the Annual Report to Shareholders included as Exhibit 13 to this Form 10-K and is incorporated herein by reference.

PART I

Item 1. *Business*

General

TrustCo Bank Corp NY ("TrustCo" or the "Company") is a savings and loan holding company having its principal place of business at 5 Sarnowski Drive, Glenville, New York 12302. TrustCo was incorporated under the laws of New York in 1981 to be the parent holding company of The Schenectady Trust Company, which subsequently was renamed Trustco Bank New York and, later, Trustco Bank, National Association. The Company's principal subsidiary, Trustco Bank (also referred to as the "Bank"), is the successor by merger to Trustco Bank, National Association.

Through policy and practice, TrustCo continues to emphasize that it is an equal opportunity employer. There were 778 full-time equivalent employees of TrustCo at year-end 2020. TrustCo had 11,059 shareholders of record as of December 31, 2020 and the closing price of the TrustCo common stock on that date was $6.67.

Subsidiaries

Trustco Bank

Trustco Bank is a federal savings bank engaged in providing general banking services to individuals, partnerships, and corporations. At year-end 2020, the Bank operated 164 automatic teller machines and 148 banking offices in Albany, Columbia, Dutchess, Greene, Montgomery, Orange, Putnam, Rensselaer, Rockland, Saratoga, Schenectady, Schoharie, Ulster, Warren, Washington, and Westchester counties of New York, Brevard, Charlotte, Hillsborough, Indian River, Lake, Manatee, Martin, Orange, Osceola, Palm Beach, Polk, Sarasota, Seminole, and Volusia counties in Florida, Bennington County in Vermont, Berkshire County in Massachusetts and Bergen County in New Jersey. The largest part of such business consists of accepting deposits and making loans and investments. The Bank provides a wide range of both personal and business banking services. The Bank is supervised and regulated by the federal Office of the Comptroller of the Currency ("OCC") and is a member of the Federal Reserve System. Its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") to the extent permitted by law. The Bank's subsidiary, Trustco Realty Corp., is a real estate investment trust (or "REIT") that was formed to acquire, hold and manage real estate mortgage assets, including residential mortgage loans and mortgage backed securities. The income earned on these assets, net of expenses, is distributed in the form of dividends. Under current New York State tax law, 60% of the dividends received by the Bank from Trustco Realty Corp. are excluded from total taxable income for New York State income tax purposes. The Bank accounted for substantially all of TrustCo's 2020 consolidated net income and average assets. The Bank's other active subsidiaries, Trustco Insurance Agency, Inc. and ORE Property, Inc., did not engage in any significant business activities during 2020 and 2019.

Trustco Financial Services, the name under which Trustco Bank's trust department operates, serves as executor of estates and trustee of personal trusts, provides asset and wealth management services, provides estate planning and related advice, provides custodial services, and acts as trustee for various types of employee benefit plans and corporate pension and profit sharing trusts. The aggregate market value of the assets under trust, custody, or management of the trust department of the Bank was approximately $996.7 million as of December 31, 2020.

The daily operations of the Bank remain the responsibility of its officers, subject to the oversight of its Board of Directors and overall supervision by TrustCo. The activities of the Bank are included in TrustCo's consolidated financial statements.

ORE Subsidiary Corp.

In 1993, TrustCo created ORE Subsidiary Corp., a New York corporation, to hold and manage certain foreclosed properties acquired by the Bank. The accounts of this subsidiary are included in TrustCo's consolidated financial statements.

Competition

TrustCo faces strong competition in its market areas, both in attracting deposits and making loans. The Company's most direct competition for deposits, historically, has come from commercial banks, savings associations, and credit unions that are located or have branches in the Bank's market areas. The competition ranges from other locally based commercial banks, savings banks, and credit unions to branch offices of the largest financial institutions in the United States. In its principal market areas, the Capital District area of New York State and Central Florida, TrustCo's principal competitors are local branch operations of super-regional banks, branch offices of money center banks, and locally based commercial banks and savings institutions. The Bank is the largest depository institution headquartered in the Capital District area of New York State. The Company also faces competition for deposits from national brokerage houses, short-term money market funds, and other corporate and government securities mutual funds.

Factors affecting the acquisition of deposits include pricing, office locations and hours of operation, the variety of deposit accounts offered, and the quality of customer service provided. Competition for loans has remained strong with current rates at historic lows. Commercial banks, savings institutions, traditional mortgage brokers affiliated with local offices, and nationally franchised real estate brokers are all active and aggressive competitors. The Company competes in this environment by providing a full range of financial services based on a tradition of financial strength and integrity dating from its inception. The Company competes for loans principally through the interest rates and loan fees it charges and the efficiency and quality of services it provides to borrowers.

Supervision and Regulation

Banking is a highly regulated industry, with numerous federal and state laws and regulations governing the organization and operation of banks and their affiliates. As a savings and loan holding company, TrustCo and its non-bank subsidiaries are supervised and regulated by the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). The OCC is the Bank's primary federal regulator and supervises and examines the Bank. Under the Home Owners' Loan Act of 1934 and OCC regulations, Trustco Bank must obtain prior OCC approval for acquisitions, and its business operations and activities are restricted. Because the FDIC provides deposit insurance to the Bank, the Bank is also subject to its supervision and regulation even though the FDIC is not the Bank's primary federal regulator.

The following summary of laws and regulations applicable to the Company or the Bank is not intended to be a complete description of those laws and regulations or their effects on the Company and the Bank, and it is qualified in its entirety by reference to the particular statutory and regulatory provisions described.

Key Legislation

Certain Regulatory Developments Relating to the COVID-19 Pandemic

In response to the COVID-19 pandemic, the U.S. government enacted several fiscal stimulus measures, including the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which was signed into law on March 27, 2020 and the Consolidated Appropriations Act, 2021 ("CAA"), which was signed into law on December 27, 2020 and extends certain provisions under the CARES Act. Among other things, the legislation includes the following provisions affecting financial institutions like us:

The CARES Act authorized the Small Business Administration's Payment Protection Program ("PPP"), which allowed the SBA to guarantee small business loans to pay for payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on other debt. The loans are provided through participating financial institution, such as TrustCo, that process loan applications and service the loans.

The CARES Act also allowed banks to elect to suspend requirements under accounting principles generally accepted in the United States of America ("GAAP") for loan modifications related to the COVID-19 pandemic (for loans that were not more than 30 days past due as of December 31, 2019) that would otherwise be categorized as a troubled debt restructurings ("TDRs"), including impairment for accounting purposes, until the earlier of 60 days after the termination date of the national emergency or January 1, 2022 (as amended by the CAA). Federal banking agencies are required to defer to the determination of the banks making such suspension.

Section 4012 of the CARES Act directed federal regulatory agencies to temporarily reduce the community bank leverage ratio. In April 2020, the regulatory agencies published a final rule reducing the ratio to 8% through the end of 2020. Beginning in 2021, the ratio will increase to 8.5% for the calendar year before returning to 9% in 2022. A qualifying institution utilizing the community bank leverage ratio framework that fails to maintain a leverage ratio greater than the required percentage is allowed a two-quarter grace period in which to increase its leverage ratio back above the required percentage. During the grace period, a qualifying institution will be considered well capitalized so long as it maintains a leverage ratio of no more than one percent less than the required percentage. If an institution either fails to meet all the qualifying criteria within the grace period, or fails to maintain a leverage ratio of no more than one percent less than the required percentage, it becomes ineligible to use the community bank leverage ratio framework and must instead comply with generally applicable capital rules, sometimes referred to as Basel III rules.

The CARES Act allowed banks to temporarily postpone the adoption of ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("CECL"). The provision applies during the period beginning March 27, 2020 to the earlier of (1) the first date of an eligible financial institution's fiscal year that begins after the date when the COVID-19 nationally emergency is terminated, or (2) January 1, 2022 (as amended by the CAA).

Dodd-Frank Wall Street Reform and Consumer Protection Act and Economic Growth, Regulatory Relief and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") created dramatic changes across the financial regulatory system. Among other matters, the Dodd-Frank Act created the Bureau of Consumer Financial Protection (the "BCFP"), to centralize responsibility for consumer financial protection and be responsible for implementing, examining and enforcing compliance with major federal consumer financial laws, imposed new consumer protection requirements in mortgage loan transactions and increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor.

In May 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the "Regulatory Relief Act"), was enacted to modify or remove certain financial reform rules and regulations. The Regulatory Relief Act amends certain aspects of the regulatory framework for small depository institutions with assets of less than $10 billion and for large banks with assets of more than $50 billion. Many of these changes could result in meaningful regulatory changes for community banks such as the Bank, and their holding companies.

The Regulatory Relief Act also expanded the definition of qualified mortgages that may be held by a financial institution and simplifies the regulatory capital rules for financial institutions and their holding companies with total consolidated assets of less than $10 billion by instructing the federal banking regulators to establish a single "Community Bank Leverage Ratio" of 9 percent. Any qualifying depository institution or its holding company that exceeds the "community bank leverage ratio" will be considered to have met generally applicable leverage and risk-based regulatory capital requirements and any qualifying depository institution that exceeds the ratio will be considered to be "well capitalized" under the prompt corrective action rules. In addition, the Regulatory Relief Act included regulatory relief for community banks regarding regulatory examination cycles, call reports, the Volcker Rule (proprietary trading prohibitions), mortgage disclosures and risk weights for certain high-risk commercial real estate loans.

Dividends

Most of TrustCo's revenues consist of cash dividends paid to TrustCo by the Bank, payment of which is subject to various regulatory limitations. The payment of dividends by the Bank to TrustCo is subject to continued compliance with minimum regulatory capital requirements, and the receipt of regulatory approval (or non-objection) from the Bank's and the Company's regulators.

OCC regulations impose limitations upon all capital distributions by the Bank, including cash dividends. Under the regulations, an application to and the approval of the OCC is required prior to any capital distribution if the institution does not meet the criteria for "expedited treatment" of applications under OCC regulations (generally, examination ratings in the two top categories), the total capital distributions for the calendar year exceed net income for that year plus the amount of retained net income for the preceding two years, the institution would be undercapitalized following the distribution or the distribution would otherwise be contrary to a statute, regulation, or agreement with the OCC. If an application is not required, the institution must still provide prior notice of the capital distribution to the OCC and the Federal Reserve Board if, like the Bank, the institution is a subsidiary of a savings and loan holding company. The OCC may disapprove a dividend if the institution would be undercapitalized following the distribution, the proposed capital distribution raises safety and soundness concerns, or the capital distribution would violate a prohibition contained in any statue, regulation or agreement between the bank and a regulator or a condition imposed in a previously approved application or notice.

As noted above, a savings institution, such as the Bank, that is a subsidiary of a savings and loan holding company and that proposes to make a capital distribution must also submit written notice to the Federal Reserve Board prior to such distribution, and Federal Reserve Board may object to the distribution based on safety and soundness or other concerns. The Federal Reserve Board may deny a dividend notice if following the dividend, the savings association will be less than adequately capitalized, the proposed dividend raises safety and soundness concerns or the proposed dividend violates a prohibition contained in any statute, regulation, enforcement action or agreement between the association or holding company and an appropriate federal banking agency, a condition imposed on the association or holding company in an application or notice approved by an appropriate federal banking agency, or any formal or informal enforcement action involving the association or holding company.

Compliance with regulatory standards regarding capital distributions could also limit the amount of dividends that TrustCo may pay to its shareholders.

See Note 14 to the consolidated financial statements contained in TrustCo's Annual Report to Shareholders for the year ended December 31, 2020 for information concerning the Bank's regulatory capital requirements.

Regulatory Capital Requirements and Prompt Corrective Action.

Regulatory Capital Rules. The Company and the Bank are subject to regulatory capital requirements contained in rules published by the Federal Reserve Board, OCC, and FDIC. The rules establish a comprehensive capital framework for all U.S. banking organizations and were effective for the Company and the Bank on January 1, 2015, with full compliance with all of the final rule's requirements being phased in over a multi-year schedule. The capital rules were fully phased in effective January 1, 2019.

The capital rules, among other things, provide a "Common Equity Tier 1" ("CET1") capital measure. CET1 capital is generally defined as common stock instruments that meet eligibility criteria in the final capital rule (generally, instruments representing the most subordinated claim upon liquidation, having no maturity date and being redeemable via discretionary purchases only with regulatory approval, not being subject to any expectations that the stock will be repurchased, redeemed, or cancelled, and not being secured by the banking organization or any related entity), retained earnings, accumulated other comprehensive income, and common equity Tier 1 minority interests, subject to certain limitations. Tier 1 capital for the Company and the Bank consists of CET1 capital plus "additional Tier 1 capital," which generally includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Also under the capital rules, total capital includes Tier 1 capital and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock, and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of accumulated other comprehensive income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). The Company has made this opt-out election. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

Under the capital rules, the minimum capital ratios are:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital to risk-weighted assets;
- 8.0% Total capital to risk-weighted assets; and
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (the "leverage ratio").

At December 31, 2020, the Bank had a Tier 1 leverage ratio (Tier 1 capital to total average consolidated assets) of 9.38%, CET1 capital ratio (CET1 capital to risk-weighted assets) of a 18.65%, Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) of 18.65%, and a total capital ratio (total capital to risk-weighted assets) of 19.90%. Also at December 31, 2020, the Company had a Tier 1 leverage ratio (Tier 1 capital to total average consolidated assets) of 9.65%, CET1 capital ratio (CET1 capital to risk-weighted assets) of 19.19%, a Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) of 19.19% and a total capital ratio (total capital to risk-weighted assets) of 20.44%.

The capital rules require the Company's and the Bank's capital to exceed the regulatory standards plus a capital conservation buffer in order to avoid constraints on dividends, equity repurchases and certain compensation. To meet the requirement, the organization must maintain an amount of CET1 capital that exceeds the buffer level of 2.5% above each of the minimum risk-weighted asset ratios, (1) CET1 to risk-weighted assets of more than 7.0%, (ii) Tier 1 capital to risk-weighted assets of more than 8.5%, and (iii) total capital (Tier 1 plus Tier 2) to risk-weighted assets of more than 10.5%.

The OCC has the ability to establish an individual minimum capital requirement for a particular institution, which would vary from the capital levels that would otherwise be required under the capital regulations, based on such factors as concentrations of credit risk, levels of interest rate risk, and the risks of non-traditional activities, as well as others. The OCC has not imposed any such requirement on the Bank.

The capital rules contain standards for the calculation of risk-weighted assets. The exposure amount for on-balance sheet assets is generally the carrying value of the exposure as determined under GAAP. A bank may assign a 50% risk weight to a first-lien residential mortgage exposure that:

- is secured by property that is owner-occupied or rented,
- is made in accordance with "prudent underwriting standards," including loan-to-value ratios,
- is not 90 days or more past due or in nonaccrual status, and
- is not restructured or modified.

Other first-lien residential exposures, as well as junior-lien exposures if the bank does not hold the first lien, are assigned a 100% risk weight.

If a banking organization has elected to opt out of the AOCI provisions discussed above, the exposure amount for available for sale or held-to-maturity debt securities is the carrying value (including accrued but unpaid interest and fees) of the exposure, less any net unrealized gains plus any unrealized losses. Exposures to debt directly and unconditionally guaranteed by the U.S. federal government and its agencies receive a 0% risk weight. Exposures conditionally guaranteed by the federal government, Federal Reserve Board, or a federal government agency would receive a 20% risk weight. Further, the capital rules assign a 20% risk weight to non-equity exposures to government-sponsored entities ("GSEs") and a 100% risk weight to preferred stock issued by a GSE. A GSE is defined as an entity established or chartered by the federal government to serve public purposes but whose debt obligations are not "explicitly guaranteed" by the full faith and credit of the federal government. Banking organizations must assign a 20% risk weight to general obligations of a public sector entity (for example, a state, local authority or other governmental subdivision below the sovereign level) that is organized under U.S. law and a 50% risk weight for a revenue obligation of such an entity.

Prompt Corrective Action. Federal banking regulations also establish a "prompt corrective action" capital framework for the classification of insured depository institutions, such as Trustco Bank, into five categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. The federal banking agencies are required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution or its holding company. Such actions could have a direct material effect on an institution's or its holding company's financial condition and activities. Under the prompt corrective action rules currently in effect, an institution is deemed to be (a) "well-capitalized" if it has total risk-based capital of 10.0% or more, has a Tier 1 risk-based capital ratio of 8.0% or more, has a CET1 risk based capital ratio of 6.5% or more, and has leverage capital ratio of 5.0% or more and is not subject to any order or final capital directive to meet and maintain a specific capital level for any capital measure; (b) "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or more, a Tier 1 risk-based capital ratio of 6.0% or more, a CET1 risk based capital ratio of 4.5% or more and has a leverage capital ratio of 4.0% or more (3.0% under certain circumstances) and does not meet the definition of well-capitalized; (c) "undercapitalized" if it has a total risk-based capital ratio that is less than 8.0%, a Tier 1 risk-based capital ratio that is less than 6.0%, a CET1 capital ratio less than 4.5% or a Tier 1 leverage capital ratio that is less than 4.0%; (d) "significantly undercapitalized" if it has a total risk-based capital ratio that is less than 6.0%, a Tier 1 risk-based capital ratio that is less than 4.0%, a CET1 capital ratio less than 3% or a Tier 1 leverage capital ratio that is less than 3.0%; and (e) "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%. In certain situations, a federal banking agency may reclassify a well-capitalized institution as adequately capitalized and may require an adequately capitalized or undercapitalized institution to comply with supervisory actions as if the institution were in the next lower category.

A depository institution is generally prohibited from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be undercapitalized. Undercapitalized institutions also are subject to growth limitations and are required to submit a capital restoration plan to the regulatory agencies. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. In addition, for a capital restoration plan to be acceptable, the depository institution's parent holding company must guarantee that the institution will comply with such capital restoration plan. The aggregate liability of the parent holding company is limited to the lesser of (i) an amount equal to 5.0% of the depository institution's total assets at the time it became undercapitalized and (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized."

"Significantly undercapitalized" depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become "adequately capitalized," requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. "Critically undercapitalized" institutions are subject to the appointment of a receiver or conservator.

At December 31, 2020 and 2019, each of TrustCo and Trustco Bank met all capital adequacy requirements to which it was subject under the OCC and FRB regulations.

Holding Company Activities

The activities of savings and loan holding companies are governed, and limited, by the Home Owners' Loan Act and the Federal Reserve Board's regulations. In general, TrustCo's activities are limited to those permissible for "multiple" savings and loan holding companies (that is, savings and loan holding companies owning more than one savings association subsidiary) as of March 5, 1987, activities permitted for bank holding companies as of November 12, 1999, and activities permissible for "financial holding companies" (which are described below). Activities permitted to multiple savings and loan holding companies include certain real estate investment activities, and other activities permitted to bank holding companies under the Bank Holding Company Act. Activities permissible for a financial holding company are those considered financial in nature (including securities and insurance activities) or those incidental or complementary to financial activities.

A savings and loan holding company is prohibited from, directly or indirectly, acquiring more than 5% of the voting stock of another financial institution or savings and loan holding company without the prior written approval of the Federal Reserve Board. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board considers the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the deposit insurance fund, the convenience and needs of the community and competitive factors.

The financial impact of a holding company on its subsidiary institution is a matter that is evaluated by the Federal Reserve Board, and the Federal Reserve Board has authority to order cessation of activities or divestiture of subsidiaries deemed to pose a threat to the safety and soundness of the institution. The Federal Reserve's long-standing "source of strength" doctrine requires that bank or thrift holding companies serve as a source of financial strength for their depository institution subsidiaries. The phrase "source of financial strength" is defined as "the ability of a company that directly or indirectly owns or controls an insured depository institution to provide financial assistance to such insured depository institution in the event of the financial distress of the insured depository institution." The federal banking agencies are authorized to adopt regulations with respect to this requirement.

Securities Regulation and Corporate Governance

The Company's common stock is registered with the SEC under Section 12(b) of the Securities Exchange Act of 1934, and the Company is subject to restrictions, reporting requirements and review procedures under federal securities laws and regulations. The Company is also subject to the rules and reporting requirements of The NASDAQ Stock Market LLC, on which its common stock is traded.

Like other issuers of publicly traded securities, the Company must also comply with provisions of the Dodd-Frank Act that require publicly traded companies to give stockholders a non-binding vote on executive compensation, and the Company will also be subject to the Dodd-Frank Act provisions that authorize the SEC to promulgate rules that would allow stockholders to nominate their own candidates using a company's proxy materials.

The Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") implemented legislative reforms intended to address corporate and accounting fraud and contained reforms of various business practices and numerous aspects of corporate governance. For example, Sarbanes-Oxley addresses accounting oversight and corporate governance matters, including the creation of the PCDOB to set and enforce auditing, quality control and independence standards for accountants and have investigative and disciplinary powers; increased responsibilities and codified requirements relating to audit committees of public companies and how they interact with a company's public accounting firm; the prohibition of accounting firms from providing various types of consulting services to public clients and requiring accounting firms to rotate partners among public client assignments every five years; expanded disclosure of corporate operations and internal controls and certification by chief executive officers and chief financial officers to the accuracy of periodic reports filed with the SEC; and prohibitions on public company insiders from trading during retirement plan "blackout" periods, restrictions on loans to company executives and enhanced controls on and reporting of insider trading.

Although the Company has and will continue to incur additional expense in complying with the corporate governance provisions of federal law and the resulting regulations, management does not expect that such compliance will have a material impact on the Company's financial condition or results of operations.

Federal Savings Institution Regulation

Business Activities. Federal law and regulations govern the activities of federal savings banks such as the Bank. These laws and regulations delineate the nature and extent of the activities in which federal savings banks may engage. In particular, certain lending authority for federal savings banks, *e.g.*, commercial, non-residential real property loans and consumer loans, is limited to a specified percentage of the institution's capital or assets.

Insurance of Deposit Accounts. Deposits of Trustco Bank are insured by the Deposit Insurance Fund ("DIF") of the FDIC, and the Bank is subject to deposit insurance assessments to maintain the DIF. The FDIC determines insurance premiums based on a number of factors, primarily the risk of loss that insured institutions pose to the DIF. Deposit insurance assessments are based on average consolidated total assets minus average tangible equity. Under the FDIC's risk-based assessment system, insured institutions with less than $10 billion in assets, such as the Bank, are assigned to one of three categories based on their composite examination ratings, with higher-rated, less risky institutions paying lower assessments. A range of initial base assessment rates applies to each category, adjusted downward based on unsecured debt issued by the institution to produce total base assessment rates. Total base assessment rates currently range from 1.5 to 16 basis points banks in the least risky category to 11 to 30 basis points for banks in the most risky category, all subject to further adjustment upward if the institution holds more than a limited amount of unsecured debt issued by another FDIC-insured institution.

The FDIC has the authority to raise or lower assessment rates, subject to limits, and to impose special additional assessments. The Dodd-Frank Act set the minimum reserve ratio to not less than 1.35% of estimated insured deposits or the comparable percentage of the FDIC's assessment base. The act also required the FDIC to take the steps necessary to attain the 1.35 percent ratio by September 30, 2020, subject to an offsetting requirement for certain institutions. As of September 30, 2020, the FDIC had announced that the ratio declined to 1.30% due largely to consequences of the COVID-19 pandemic. The FDIC adopted a plan to restore the fund to the 1.35% ratio within eight years but did not change its assessment schedule.

FDIC deposit insurance expense totaled $1.0 million, $624 thousand, and $1.5 million, in 2020, 2019, and 2018, respectively. FDIC deposit insurance expense includes deposit insurance assessments and, until 2019, Financing Corporation ("FICO") assessments related to outstanding bonds issued by FICO in the late 1980s to recapitalize the now defunct Federal Savings & Loan Insurance Corporation. The final FICO assessment was collected in 2019.

Future changes in insurance premiums could have an adverse effect on the operating expenses and results of operations of Trustco Bank, and the Bank cannot predict what insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the OCC. The Bank does not know of any practice, condition or violation that might lead to termination of its deposit insurance.

Assessments. The Bank is required to pay assessments to the OCC to fund the agency's operations. The general assessments, paid on a semi-annual basis, is computed upon the Bank's total assets, including consolidated subsidiaries, as reported in the Bank's latest quarterly financial report. The OCC's assessment schedule includes a surcharge for institutions that require increased supervisory resources. The assessments paid by the Bank for the year ended December 31, 2020 totaled approximately $750 thousand.

Community Reinvestment Act. The Community Reinvestment Act ("CRA") requires each savings institution, as well as commercial banks and certain other lenders, to identify the communities served by the institution's offices and to identify the types of credit the institution is prepared to extend within those communities. The CRA also requires the OCC to assess an institution's performance in meeting the credit needs of its identified communities as part of its examination of the institution, and to take such assessments into consideration in reviewing applications with respect to branches, mergers and other business combinations, including acquisitions by savings and loan holding companies. In May 2020, the OCC released a final rule amending its regulations under the CRA. The final rule clarifies and expands the activities that qualify for CRA credit, updates where activities count for such credits and seeks to provide more consistent and objective measures for evaluating performance. The final rule became effective on October 1, 2020 but compliance with the amended requirements is not mandatory for the Bank until January 1, 2023. An unsatisfactory CRA rating may be the basis for denying such an application and community groups have successfully protested applications on CRA grounds. In connection with its assessment of CRA performance, the OCC assigns CRA ratings of "outstanding," "satisfactory," "needs to improve" or "substantial noncompliance." The Bank was rated "satisfactory" in its last CRA examination. Institutions are evaluated based on (i) its record of helping to meet the credit needs of its assessment area through lending activities; (ii) its qualified investments; and (iii) the availability and effectiveness of the institution's system for delivering retail banking services. An institution that is found to be deficient in its performance in meeting its community's credit needs may be subject to enforcement actions, including cease and desist orders and civil money penalties.

Qualified Thrift Lender Test. As a savings institution regulated by the OCC, the Bank must be a “qualified thrift lender” under either the Qualified Thrift Lender (“QTL”) test under the Home Owners’ Loan Act or the Internal Revenue Code’s Domestic Building and Loan Association (“DBLA”) test to avoid certain restrictions on its and the Company’s operations and activities. A savings institution may use either test to qualify and may switch from one test to the other; however, the institution must meet the time requirements of the respective test, that is, nine out of the preceding 12 months for the QTL test and at the close of the taxable year for the DBLA test.

Under the QTL test, the savings institution must hold qualified thrift investments equal to at least 65% of the institution’s portfolio assets. The savings institution’s actual thrift investment percentage is the ratio of its qualified thrift investments divided by its portfolio assets. Portfolio assets are total assets minus goodwill and other intangible assets, office property, and liquid assets not exceeding 20% of total assets. An institution ceases to meet the QTL test when its actual thrift investment percentage falls below 65% of portfolio assets for four months within any 12-month period. To be a qualified thrift lender under the DBLA test, a savings association must meet a “business operations test” and a “60% of assets test.” The business operations test requires the business of a DBLA to consist primarily of acquiring the savings of the public and investing in loans. An institution meets the public savings requirement when it meets one of two conditions: (i) the institution acquires its savings accounts in conformity with OCC rules and regulations and (ii) the general public holds more than 75% of its deposits, withdrawable shares, and other obligations. An institution meets the investing in loans requirement when more than 75% of its gross income consists of interest on loans and government obligations, and various other specified types of operating income that financial institutions ordinarily earn. The 60% of assets test requires that at least 60% of a DBLA’s assets must consist of assets that thrifts normally hold, except for consumer loans that are not educational loans.

These are significant consequences for failing the QTL Test, including activities limitations and branching restrictions. In addition, an institution that fails the QTL test would be prohibited from paying dividends, except under circumstances that are permissible for a national bank, that are necessary to meet the obligations of the institution’s holding company, and that are specifically approved by both the OCC and Federal Reserve Bank after a written request submitted by the thrift at least 30 days in advance of the proposed payment. Finally, failure of the QTL Test will subject the institution to enforcement action. If the Bank fails the qualified thrift lender test, within one year of such failure the Company must register as, and will become subject to, the activities restrictions applicable to bank holding companies, unless the Bank requalifies within the year. The activities authorized for a bank holding company are generally more limited than are the activities authorized for a savings and loan holding company. If the Bank fails the test a second time, the Company must immediately register as, and become subject to, the restrictions applicable to a bank holding company. The Bank is currently, and expects to remain, in compliance with the qualified thrift lender test.

Transactions with Related Parties. The Bank’s transactions with “affiliates” (generally, any company that controls or is under common control with the Bank, including TrustCo) is limited by Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve Board’s implementing Regulation W. Under these laws, the aggregate amount of “covered transactions” between the Bank and any one affiliate is limited to 10% of the Bank’s capital stock and surplus, and the aggregate amount of covered transactions by the Bank with all of its affiliates is limited to 20% of capital stock and surplus. Certain covered transactions (primarily credit-related transactions) are required to be secured by collateral in an amount and of a type described in Section 23A and Regulation W. Transactions by the Bank with its affiliates must be on terms and under circumstances that are at least as favorable to the Bank as those prevailing at the time for comparable transactions with non-affiliates. In addition, savings institutions are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies, and no savings institution may purchase the securities of any affiliate other than a subsidiary.

The definition of “covered transactions” as used in Section 23A includes credit exposure on derivatives transactions and securities lending and borrowing transactions, as well as the acceptance of affiliate-issued debt obligations as collateral for a loan or an extension of credit.

The Bank also is restricted in its ability to extend credit to its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons. Extensions of credit to those insiders must be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons; may not involve more than the normal risk of repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate. In addition, extensions of credit in excess of certain limits must be approved by the Bank’s board of directors.

Certain non-credit transactions between an insured depository institution and its insiders, such as asset purchase and sales, are prohibited unless the transaction is on market terms and, if the transaction represents more than 10% of the capital stock and surplus of the institution, has been approved in advance by a majority of the disinterested members of the board of directors of the institution.

Safety and Soundness Regulations. The federal banking agencies (including the OCC) have adopted certain safety and soundness standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and internal audit systems; loan documentation; credit underwriting; interest rate risk exposure; asset growth; asset quality; earnings and compensation, fees, and benefits, as well as other operational and managerial standards as the agency deems appropriate. Interagency Guidelines Establishing Standards for Safety and Soundness set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency (the OCC in the case of the Bank) determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard.

Enforcement. The Federal Reserve Board and the OCC have extensive enforcement authority over savings institutions and their holding companies, including the Bank and TrustCo. This includes enforcement authority with respect to the actions of the Bank’s and TrustCo’s directors, officers and other “institution-affiliated parties,” including attorneys and auditors. This enforcement authority also includes, among other things, the ability to assess civil money penalties, issue cease-and-desist or removal orders and initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Public disclosure of final enforcement actions by the OCC and the Federal Reserve is required.

Institutions in Troubled Condition. Certain events, including entering into a formal written agreement with a bank’s regulator or being informed by the regulator that the bank is in troubled condition, will require that a bank give prior notice to their primary regulator before adding or replacing any member of the board of directors, employing any person as a senior executive officer, or changing the responsibilities of any senior executive officer so that the person would assume a different senior executive position. Troubled condition banks are prohibited from making, or agreeing to make, certain “golden parachute payments” to institution-affiliated parties, subject to certain exceptions.

Consumer Laws and Regulations. In addition to the other laws and regulations discussed above, the Bank is subject to consumer laws and regulations designed to protect consumers in transactions with financial institutions. These laws and regulations include, among others, the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Fair Credit Reporting Act and the Real Estate Settlement Procedures Act. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits from, making loans to, or engaging in other types of transactions with, such customers.

The BCFP has adopted rules related to mortgage loan origination and mortgage loan servicing. In particular, the BCFP has issued a rule implementing the ability-to-repay and qualified mortgage ("QM") provisions of the Truth in Lending Act, as amended by the Dodd-Frank Act (the "QM Rule"). The ability-to-repay provision requires creditors to make reasonable, good faith determinations that borrowers are able to repay their mortgages before extending the credit based on a number of factors and consideration of financial information about the borrower from reasonably reliable third-party documents. Under the Dodd-Frank Act and the QM Rule, loans meeting the definition of "qualified mortgage" are entitled to a presumption that the lender satisfied the ability-to-repay requirements. The presumption is a conclusive presumption/safe harbor for prime loans meeting the QM requirements, and a rebuttable presumption for higher-priced/subprime loans meeting the QM requirements. The definition of a "qualified mortgage" incorporates the statutory requirements, such as not allowing negative amortization or terms longer than 30 years. The QM Rule also adds an explicit maximum 43% debt-to-income ratio for borrowers if the loan is to meet the QM definition, though some mortgages that meet GSE, FHA and VA underwriting guidelines may, for a period not to exceed seven years, meet the QM definition without being subject to the 43% debt-to-income limits. The QM Rule became effective in January 2014.

Bank Secrecy Act/Anti-Money Laundering and Customer Identification. The Bank is subject to the Bank Secrecy Act ("BSA") and other anti-money laundering provisions and requirements, which generally require that it implement a comprehensive customer identification program and an anti-money laundering program and procedures. All financial institutions, including the Company and the Bank, are required to take certain measures to identify their customers, prevent money laundering, monitor certain customer transactions and report suspicious activity to U.S. law enforcement agencies, and scrutinize or prohibit altogether certain transactions of special concern. Financial institutions are also required to respond to requests for information from federal banking regulatory agencies and law enforcement agencies concerning their customers and their transactions. Information Sharing among financial institutions concerning terrorist or money laundering activities is encouraged by an exemption provided from the privacy provisions of the GLB Act (described below) and other laws. Further, the effectiveness of a financial institution in combating money-laundering activities is a factor to be considered in applications submitted by a financial institution for merger or acquisition proposals. The Company has in place a Bank Secrecy Act compliance program, and it engages in very few transactions of any kind with foreign financial institutions or foreign persons. The Anti-Money Laundering Act of 2020 ("AMLA"), which amends the Bank Secrecy Act of 1970, was enacted in January 2021. The AMLA is intended to be a comprehensive reform and modernization to U.S. bank secrecy and anti-money laundering laws. Among other things, it codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards for evaluating technology and internal processes for BSA compliance; expands enforcement-and-investigation-related authority, including increasing available sanctions for certain BSA violations and instituting BSA whistleblower incentives and protections.

Consumer Privacy. The federal banking agencies have prohibited rules regarding the confidential treatment of nonpublic personal information about consumers. These rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. The privacy rules affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. Because the Company does not sell customer information or give customer information to outside third parties or its affiliates except under limited circumstances (e.g., providing customer information to the Company's data processing provider), the rules have not had a significant impact on the Company's results of operations or financial condition.

Federal Reserve System

Federal Reserve Board regulations require savings institutions to maintain reserves against their transaction accounts. The reserve for transaction accounts effective as of January 14, 2021 was as follows:

Amount of transaction accounts	Reserve Requirement
$0 to $21.1 million	0% of amount.
Over $21.1 million and up to $182.9 million	3% of amount.
Over $182.9 million	10% of amount over $182.9 million

The Bank is in compliance with these requirements.

Federal Home Loan Bank of New York. The Bank is a member of Federal Home Loan Bank ("FHLB") of New York, which is one of 11 regional FHLBs that serve as reserve or central banks for their members. The FHLBs are funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB system and makes loans or advances to members. The Bank is also required to purchase and maintain stock in the FHLB of New York at or above levels specified in the FHLB of New York capital plan. As of December 31, 2020, the Bank owned $5.5 million in FHLB of New York stock, which was in compliance with its obligations.

Human Capital Resources

Our Human Capital Strategic Plan guides us on our journey to foster a multicultural, collaborative, and inclusive work environment that promotes the exchange of different ideas, philosophies and perspectives, which continues to be a top priority at TrustCo.

Headcount

As of December 31, 2020, we had 881 employees, all based in the United States, with 619 employees (70%) at bank branches, 246 (28%) located in corporate offices and 16 (2%) in call centers.

We have not experienced any employment-related work stoppages due to the Covid-19 pandemic and consider relations with our employees to be good. Specifically, in response to local government and health guidelines around the Covid-19 pandemic, some departmental staff members have been approved to work remotely, and remaining internal staff have been relocated to separate offices, while other offices have been reorganized accordingly. Glass barriers have been installed where necessary, and staff has regularly been encouraged to utilize video conferencing platforms. All branches and internal corporate offices have been provided with face coverings and cleaning supplies, and staff are encouraged to disinfect surface areas consistently.

Hiring & Promotion Practices

At TrustCo we are continuously educating our hiring managers about recruitment and selection processes, and we strive to build our workforce from within when possible. All employees are eligible to apply for open department and branch positions following their introductory period, and during 2020, 155 (roughly 18%) of our employees were promoted within the Bank. If the best candidate for an available position is not identified from within our existing talent pool, we will look externally for the best talent, and our recruitment strategy focuses on searching for candidates directly through our participation in job fairs and social media advertising, and through our professional networks and other associations that represent diverse groups. Additionally, we have an active recruitment incentive program which awards existing employees for referring new employees to the Bank, which in turn helps us diversify our workforce.

Talent Development

We believe in investing for the future which includes the future of our workforce, and we actively encourage and support the growth of our employees throughout their educational and career development, ensuring employees are given opportunities to develop and refine their skills to be successful within the Bank's competitive environment. We aim to accomplish this through a multitude of training and development programs, which include opportunities to engage in interdepartmental experiential learning, voluntary training seminars, ongoing training through our Cornerstone platform, tuition reimbursement program, BSA-AML certificate program with Schenectady County Community College and certification reimbursement for certain levels of employment. Currently, we have 58 (6.5%) employees that hold professional certificates and/or licenses. Additionally, our employees participated in over 16,400 hours of training, which included a recently expanded course on Diversity in the Workplace. We take great pride in our mentoring program which was started by our CEO and was structured to allow newly hired assistant managers to report directly to the CEO for their first 10 weeks, and then met regularly for one-on-one mentoring sessions and professional development. The mentoring program has been expanded so that in addition to the CEO, all of the Bank's executive vice presidents now mentor new assistant manager-level employees in the same manner. The professional success, job satisfaction, and retention of program graduates has been monitored and preliminary results are excellent. Currently, more than 40 people have been mentored through the program.

Employee Feedback

Through our training and mentoring programs, we actively encourage employee feedback. Following each training session, employees complete evaluations designed to provide constructive feedback on their trainer's knowledge, the overall training structure, and the employee's confidence in their ability to be successful in their new role. We are also gathering data on an ongoing basis which focuses on the tenure of current staff. We've consistently improved our average tenure over the past four years, with an average tenure of about 5 years currently Furthermore, the Human Resources Department conducts stay and exit interviews, which capture feedback from high turnover positions. These interviews are used to improve processes and procedures and inform future policy.

Diversity and Inclusion

We recognize that everyone deserves respect and equal treatment, regardless of race, color, religion, sex (including gender identity, sexual orientation, and pregnancy), national origin, age (40 or older), disability or genetic information. TrustCo is committed to creating an inclusive environment that promotes diversity, equity and inclusion through training, recruiting and recognition practices to support our employees. Our Human Capital Strategic Plan focuses on identifying areas of opportunity to further diversify our workforce over time. As of December 2020, approximately 65% of our workforce is female, 35% is male, with 38% from minorities (defined as those who identify as Black or African American, Hispanic or Latino, American Indian or Alaska Native, Asian, Native Hawaiian or other Pacific Islander, and/or two or more races). Additionally, our inclusion efforts focus on age, where we seek to recruit younger candidates to create long-term career potential, while seeking to retain our experienced team members for the many benefits their presence yields.

Employee Compensation and Benefits

Our human capital strategy objectives include identifying, recruiting, retaining, incentivizing and integrating our existing and future employees. We strive to attract and retain the most talented employees by offering compensation and benefit structures that support their health, financial and emotional well-being, which includes competitive base salaries, annual bonuses, generous paid time off balances and Holiday Pay, an Employee Stock Purchase Club Program, life insurance, a 401(k) plan, the Trustco Bank Scholarship Program, a Tuition Reimbursement Program, a Student Loan Benefit Program, an Employee Assistance Program for mental and emotional support and various Company-organized wellness competitions.

Foreign Operations

Neither TrustCo nor the Bank engage in any operations in foreign countries or have outstanding loans to foreign debtors.

Statistical Information Analysis

The "Management's Discussion and Analysis of Financial Condition and Results of Operations" are included in TrustCo's Annual Report to Shareholders for the year ended December 31, 2020, which contains a presentation and discussion of statistical data relating to TrustCo, is hereby incorporated by reference. This information should not be construed to imply any conclusion on the part of the management of TrustCo that the results, causes, or trends indicated therein will continue in the future. The nature and effects of governmental monetary policy, supervision and regulation, future legislation, inflation and other economic conditions and many other factors which affect interest rates, investments, loans, deposits, and other aspects of TrustCo's operations are extremely complex and could make historical operations, earnings, assets, and liabilities not indicative of what may occur in the future.

Critical Accounting Policies

Pursuant to recent SEC guidance, management of the Company is encouraged to evaluate and disclose those accounting policies that are judged to be critical policies, or those most important to the portrayal of the Company's financial condition and results of operations, and that require management's most difficult subjective or complex judgments. Management considers the accounting policy relating to the allowance for loan losses to be a critical accounting policy given the inherent subjectivity and uncertainty in estimating the levels of the allowance required to cover credit losses in the portfolio and the material effect that such judgments can have on the results of operations. Included in Note 1 to the Consolidated Financial Statements contained in TrustCo's Annual Report to Shareholders for the year ended December 31, 2020, is a description of this critical policy and the other significant accounting policies that are utilized by the Company in the preparation of the Consolidated Financial Statements.

Availability of Reports

TrustCo's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports can be obtained free of charge from its Internet site, www.trustcobank.com under the "Investor Relations" tab. These reports are available on the Internet site as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The information found on the Company's website is not incorporated by reference in this or any other report the Company files or furnishes to the SEC. These reports are also available on the SEC's website at http://www.sec.gov.

Forward-Looking Statements

Statements included in this report and in future filings by TrustCo with the SEC, 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. Forward-looking statements can be identified by the use of such words as may, will, should, could, would, estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. TrustCo wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

TrustCo's 2021 Annual Report to Shareholders, which is included as Exhibit 13 hereto, contains a list of certain important factors, in addition to the factors described under Item 1A. Risk Factors that 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. The list should not be construed as exhaustive, and TrustCo 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.

Investors should not rely upon forward-looking statements as predictions of future events. Although TrustCo believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur.

Item 1A. Risk Factors

The following are general risk factors affecting the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business operations. Any of these risks could materially and adversely affect our business, financial condition or results of operations. In such cases, you may lose all or part of your investment.

Risks Related to the COVID-19 Pandemic

The COVID-19 outbreak could adversely affect our business activities, financial condition and results of operations.

Our banking business, and the business of our industry generally, is dependent upon the willingness and ability of customers to conduct banking and other financial transactions. The spread of COVID-19 has caused, and we expect it to continue to cause, severe disruptions in the U.S. economy, including in the geographic areas in which we operate. Such economic disruptions could result in increased risk of delinquencies, defaults, foreclosures, and losses on our loans, negatively impact national and regional economic conditions, result in declines in loan demand and originations, the value of loan collateral (particularly in our home mortgage loan portfolio), and deposit availability, and negatively impact the implementation of our growth strategy. The spread of COVID-19 may result in a significant decrease in business and/or cause customers to be unable to meet existing payment or other obligations. The effects of the economic disruptions created by the COVID-19 pandemic, depending on their extent, could materially and adversely affect our liquidity and financial condition, and the results of our operations could be materially and adversely affected.

While the spread of COVID-19 has minimally affected our operations as of December 31, 2020, we may experience temporary closures of offices and/or suspension of certain services. Although we maintain contingency plans for a pandemic, the spread of COVID-19 could negatively affect key employees, including operational management personnel and those charged with preparing, monitoring, and evaluating our financial reporting and internal controls. Such a spread or outbreak could also negatively impact the business and operations of third-party service providers who perform critical services for us. If COVID-19, or another highly infectious or contagious disease, spreads or the response to contain COVID-19 is unsuccessful, we could experience a material adverse effect to our business, financial condition, and results of operations.

Additionally, the COVID-19 pandemic has significantly affected the financial markets and has resulted in a number of Federal Reserve actions. Market interest rates have declined significantly. Yields on the 30-year Treasury notes and 10-year Treasury notes, which significantly influence home mortgage interest rates, are at historic lows. On March 3, 2020, the Federal Reserve reduced the target federal funds rate by 50 basis points to 1.00% to 1.25%, and on March 15, 2020, it further reduced the target federal funds rate by 100 basis points to 0.00% to 0.25% and announced a quantitative easing program in response to the expected economic downturn caused by the COVID-19 pandemic. The Federal Reserve reduced the interest that it pays on excess reserves from 1.60% to 1.10% on March 3, 2020, and then to 0.10% on March 15, 2020. We expect that these reductions in interest rates, especially if prolonged, could adversely affect net interest income and margins and profitability.

The extent to which the COVID-19 pandemic affects our business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, we may continue to experience materially adverse impacts to our business as a result of the virus's global economic impact, including the availability of credit, adverse impacts on our liquidity and any recession that has occurred or may occur in the future.

As a participating lender in the SBA's Paycheck Protection Program, the Company and the Bank are subject to additional risks of litigation from the Bank's customers or other parties regarding the Bank's processing of loans for the Payment Protection Program and risks that the SBA may not fund some or all Payment Protection Program loan guaranties.

The COVID-19 pandemic and its impact on the economy have led to actions including the enactment of the CARES Act, which included the establishment of a loan program administered through the SBA referred to as the Payment Protection Program ("PPP"). Under the PPP, small businesses and other entities and individuals can apply for loans from existing SBA lenders and other approved regulated lenders that enroll in the program, subject to numerous limitations and eligibility criteria.

We have experienced increased volume of loan originations, particularly SBA loans pursuant to the PPP. Certain of these SBA loans have mandated interest rates that are lower than our usual rates and may not be purchased by the SBA or other third parties within expected timeframes. In addition, borrowers may draw on existing lines of credit or seek additional loans to finance their businesses. These factors may result in reduced levels of capital and liquidity being available to originate more profitable loans, which will negatively impact our ability to serve our existing customers and our ability to attract new customers.

We may be exposed to the risk of litigation, from both customers and non-customers that approached us regarding PPP loans, regarding our process and procedures used in processing applications. If any such litigation is filed against us and is not resolved in a manner favorable to us, it may result in significant financial liability or adversely affect our reputation. In addition, litigation can be costly, regardless of outcome. Any financial liability, litigation costs or reputational damage caused by related litigation could have a material adverse impact on our business, financial condition and results of operations.

We also have credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded or serviced by us, such as an issue with the eligibility of the borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded or serviced by us, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid the guaranty, seek recovery of any loss related to the deficiency from us.

Risks Related to Our Business

Certain interest rate movements may hurt earnings and asset values.

Like other financial institutions, we are subject to interest rate risk. Our primary source of income is net interest income, which is the difference between interest earned on loans and investments, and interest paid on deposits and borrowings. Over any specific period of time, our interest-earning assets may be more sensitive to changes in market interest rates than our interest-bearing liabilities, or vice-versa. In addition, the individual market interest rates underlying our loan and deposit products may not change to the same degree over a given time period. In any event, if market interest rates should move contrary to our position, earnings may be negatively affected. Interest rates have in recent years hit historical low levels. From December 2015 through December 2018, the U.S. Federal Reserve increased its federal funds target rate from a range of 0.00% - 0.25% to a range of 2.25% - 2.50%. However, beginning in June 2019, the Federal Reserve began lowering the target rate in response to a slowing economy and in March 2020 quickly lowered the target rate back to 0.00% - 0.25% in response to the COVID-19 pandemic and the objective of injecting liquidity into the banking system and stimulating the credit markets. Lower rates have helped lead to a lower cost of funds, but have also lowered the yields we earn on loans, securities, and short-term investments. To the extent that the Federal Reserve or general market conditions for deposits change rates further, our cost of funds may rise faster than the rates we earn on loans and investments, potentially causing a compression of our interest rate spread and net interest margin, which would have a negative effect on Trustco Bank’s profitability.

We also are subject to reinvestment risk associated with changes in interest rates. Changes in interest rates may affect the average life of loans and mortgage-related securities. Increases in interest rates may decrease loan demand and/or may make it more difficult for borrowers to repay adjustable rate loans. Decreases in interest rates often result in increased prepayments of loans and mortgage-related securities, as borrowers refinance their loans to reduce borrowing costs. Under these circumstances, we are subject to reinvestment risk to the extent that we are unable to reinvest the cash received from such prepayments in loans or other investments that have interest rates that are comparable to the interest rates on existing loans and securities. Conversely, increases in interest rates often result in slowed prepayments of loans and mortgage-related securities, reducing cash flows and reinvestment opportunities.

Changes in interest rates also affect the value of the Bank’s interest-earning assets, and in particular the Bank’s securities portfolio. Generally, the value of fixed-rate securities fluctuates inversely with changes in interest rates. Unrealized gains and losses on securities available for sale are reported as a separate component of equity, net of tax. Decreases in the fair value of securities available for sale resulting from increases in interest rates could have an adverse effect on shareholders’ equity.

We are exposed to credit risk in our lending activities.

There are inherent risks associated with our lending and trading activities. Loans to individuals and business entities, our single largest asset group, depend for repayment on the willingness and ability of borrowers to perform as contracted. A material adverse change in the ability of a significant portion of our borrowers to meet their obligation to us, due to changes in economic conditions, interest rates, natural disaster, acts of war, or other causes over which we have no control, could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans, and could have a material adverse impact on our earnings and financial condition.

If our allowance for loan losses (“ALLL”) is not sufficient to cover actual loan losses, our earnings could decrease, and a new accounting standard may require us to increase our ALLL.

Our borrowers may not repay their loans according to the terms of the loans, and, as a result of the declines in home prices, the collateral securing the payment of these loans may be insufficient to pay any remaining loan balance. We may experience significant loan losses, which could have a material adverse effect on our operating results. When determining the amount of the ALLL, we make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In deciding on the adequacy of the allowance for loan losses, management reviews past due information, historical charge-off and recovery data, and nonperforming loan activity. Also, there are a number of other factors that are taken into consideration, including: the magnitude, nature and trends of recent loan charge-offs and recoveries, the growth in the loan portfolio and the implication that it has in relation to the economic climate in the Bank's market territories, and the economic environment in the Upstate New York territory primarily (the Company's largest geographical area) over the last several years, as well as in the Company's other market areas. A significant portion of the allowance is determined using qualitative factors. The determination of qualitative factors involves subjective judgement and subjective measurement. If our assumptions and analysis prove to be incorrect, our ALLL may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to our allowance which is maintained through provisions for loan losses. Material additions to our allowance would materially decrease our net income.

Additionally, TrustCo will adopt ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("CECL") effective January 1, 2022, as provided by the CARES Act and further extended under the COVID-19 Relief Bill, which became law in December 2020. This standard will require financial institutions to determine periodic estimates of lifetime expected credit losses on financial instruments and other commitments to extend credit. This will change the current method of providing allowances for credit losses that are probable, which may require us to increase our allowance for loan losses, and may greatly increase the types of data we would need to collect and review to determine the appropriate level of the allowance for credit losses.

We may not be able to meet the cash flow requirements of our depositors or borrowers or meet our operating cash needs to fund corporate expansion and other activities.

Liquidity is the ability to meet cash flow needs on a timely basis at a reasonable cost. The liquidity of Trustco Bank is used to make loans and to repay deposit liabilities as they become due or are demanded by customers. Liquidity policies and limits have been established by our board of directors, and our management monitors the overall liquidity position of Trustco Bank to ensure that various alternative strategies exist to cover unanticipated events that could affect liquidity. Trustco Bank is also a member of the Federal Home Loan Bank which provides funding to members through advances and other extensions of credit that are typically collateralized with securities or mortgage-related assets. Our securities portfolio can be used as a secondary source of liquidity, and additional liquidity could be obtained from securities sold under repurchase agreements, non-core deposits, and debt or equity securities issuances in public or private transactions. If we were unable to access any of these funding sources when needed, we might not be able to meet the needs of our customers, which could adversely affect our financial condition, our results of operations, cash flows and our level of regulatory capital.

We are subject to claims and litigation pertaining to fiduciary responsibility and lender liability.

Some of the services we provide, such as trust and investment services, require us to act as fiduciaries for our customers and others. In addition, loan workout and other activities may expose us or Trustco Bank to legal actions, including lender liability or environmental claims. From time to time, third parties make claims and take legal action against us pertaining to the performance of our fiduciary responsibilities or loan-related activities. If these claims and legal actions are not resolved in a manner favorable to us, we may be exposed to significant financial liability and/or our reputation could be damaged. Either of these results may adversely impact demand for our products and services or otherwise have a harmful effect on our business and, in turn, on our financial condition, results of operations and prospects.

Risks Related to Market Conditions

A prolonged economic downturn, especially one affecting our geographic market area, will adversely affect our operations and financial results.

Our primary lending emphasis is the origination of one-to-four family first mortgage loans on residential properties; therefore, we are particularly exposed to downturns in the U.S. housing market. The primary risks inherent in our one- to four-family loan portfolio are declines in economic conditions, elevated levels of unemployment or underemployment, and declines in residential real estate values. Any one or a combination of these events may have an adverse impact on borrowers' ability to repay their loans, which could result in increased delinquencies, non-performing assets, loan losses, and future loan loss provisions.

Additionally, we have a concentration of loans secured in New York and Florida. Approximately 72.1% of our loan portfolio is comprised of loans secured by property located in our markets in and around of New York, and approximately 27.9% is comprised of loans secured by property located in Florida. This makes us vulnerable to a downturn in the local economy and real estate markets. Adverse conditions in the local economy such as inflation, unemployment, recession, natural disasters, or other factors beyond our control could impact the ability of our borrowers to repay their loans. Decreases in local real estate values could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. Currently, there is not a single employer or industry in the area on which the majority of our customers are dependent.

Market volatility levels have experienced significant variations in recent years and a return to very high volatility levels could adversely affect us.

The stock and credit markets have been experiencing significant variations in volatility levels in recent years. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. Current volatility levels have diminished significantly from the peak, but a return to higher levels could cause the Company to experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition, and results of operations.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, banks, investment banks, mutual funds, and other institutional entities. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. Any such losses could be material and could materially and adversely affect our business, financial condition and results of operations.

The trust wealth management fees we receive may decrease as a result of poor investment performance, in either relative or absolute terms, which could decrease our revenues and net earnings.

Our Trustco Financial Services department derives its revenues primarily from investment management fees based on assets under management. Our ability to maintain or increase assets under management is subject to a number of factors, including investors' perception of our past performance, in either relative or absolute terms, market and economic conditions, and competition from investment management companies. Financial markets are affected by many factors, all of which are beyond our control, including general economic conditions, securities market conditions, the level and volatility of interest rates and equity prices, competitive conditions, monetary and fiscal policy and investor sentiment. A decline in the value of the assets under management would decrease our income. Further certain of our investment advisory and wealth management clients can terminate, with little or no notice, their relationships with us, reduce their aggregate assets under management, or shift their funds to other types of accounts with different rate structures.

Risks Related to Compliance and Regulation

The regulatory capital rules could slow our growth, cause us to seek to raise additional capital, or both.

As discussed under "Regulation and Supervision - Regulatory Capital Requirements and Prompt Corrective Action," the Company and the Bank are subject to regulatory capital requirements. The new capital rules impose stringent capital requirements on the Company and the Bank and generally require banking organizations to hold high-quality capital to act as a financial cushion to absorb losses and help banking organizations better withstand periods of financial stress. The rules include required minimum capital ratios for all banking organizations and a "capital conservation buffer" that is in addition to each capital ratio.

The application of these stringent capital requirements for us could, among other things, result in lower returns on equity, require us to limit the growth we may otherwise seek, require the raising of additional capital, and result in regulatory actions such as prohibitions on the payment of dividends, the payment of bonuses to employees or the repurchase of shares if we were unable to comply with such requirements. If Trustco Bank fails to comply with its capital requirements, the OCC will have the authority to take "prompt corrective action," depending on the Bank's capital level. Currently, the Bank is considered "well-capitalized" for prompt corrective action purposes. If it were 22 to be designated by the OCC in one of the lower capital levels - "undercapitalized," "significantly undercapitalized" or "critically undercapitalized" - the Bank would be required to raise additional capital and also would be subject to progressively more severe restrictions on operations, management, and capital distributions; replacement of senior executive officers and directors; and, if it became "critically undercapitalized," to the appointment of a conservator or receiver.

We currently anticipate that we will continue to be well-capitalized in accordance with the regulatory standards.

Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and our income.

We are subject to extensive regulation, supervision, and examination by the OCC, FRB, and FDIC. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on a bank's operations, reclassify assets, determine the adequacy of a bank's loss allowances, and determine the level of deposit insurance premiums assessed. The Dodd-Frank Act significantly affected the lending, deposit, investment, trading, and operating activities of financial institutions and their holding companies and will continue to do so. Any change in banking regulations and oversight, and the regulation of other agencies, such as the BCFP and the U.S. Department of Housing and Urban Development, whether in the form of regulatory policy, new regulations or legislation, or additional deposit insurance premiums, could have a material impact on our operations. New or revised rules may increase our regulatory compliance burden and costs and restrict the financial products and services we offer to our customers.

Further, there may be additional laws and regulations, or changes in policy, affecting lending and funding practices, regulatory capital limits, interest rate risk management, and liquidity standards and the legislative and regulatory responses to the COVID-19 pandemic have resulted, and future responses may result in significant changes. The federal bank regulatory agencies may require us to maintain capital ratios in excess of regulatory requirements, and new laws and regulations may increase our costs of regulatory compliance and of doing business, and otherwise affect our operations. New laws and regulations may significantly affect the markets in which we do business, the markets for and value of our loans and investments, the products we offer, the fees we can charge and our ongoing operations, costs, and profitability.

Changes in tax laws may adversely affect us, and the Internal Revenue Service or a court may disagree with our tax positions, which may result in adverse effects on our business, financial condition, results of operations or cash flows.

The Company operates in an environment that imposes income taxes on its operations at both the federal and state levels to varying degrees. Strategies and operating routines have been implemented to minimize the impact of these taxes. Consequently, any change in tax legislation could significantly alter the effectiveness of these strategies. The Tax Cuts and Jobs Act (which we refer to as the "Tax Act"), enacted on December 22, 2017, significantly affected United States tax law, including by changing how the United States imposes tax on certain types of income of corporations and by reducing the United States federal corporate income tax rate to 21%. It also imposed new limitations on a number of tax benefits, including certain executive compensation deductions, deductions for certain transportation fringe benefits provided to employees and entertainment expenses, among others. There can be no assurance that future tax law changes will not increase the rate of the corporate income tax significantly; impose new limitations on deductions, credits or other tax benefits; or make other changes that may adversely affect the performance of an investment in our stock. In addition, we have taken and may in the future take positions with respect to a number of unsettled issues for which Internal Revenue Services ("IRS") guidance is unavailable. There is no assurance that the IRS or a court will agree with the positions taken by us, in which case tax penalties and interest may be imposed that could adversely affect our business, financial condition, results of operations and cash flows.

The recent changes in the federal tax laws may have an adverse effect on the market for, and the valuation of, residential properties, and on the demand for such loans in the future, and could make it harder for borrowers to make their loan payments. In addition, these recent changes may also have a disproportionate effect on taxpayers in states with high residential home prices and high state and local taxes, like New York. If home ownership becomes less attractive, demand for mortgage loans could decrease. The value of the properties securing loans in our loan portfolio may be adversely impacted as a result of the changing economics of home ownership, which could require an increase in our provision for loan losses, which would reduce our profitability and could materially adversely affect our business, financial condition and results of operations.

Our ability to pay dividends is subject to regulatory limitations and other limitations that may affect our ability to pay dividends to our stockholders or to repurchase our common stock.

TrustCo is a separate legal entity from its subsidiary Trustco Bank, and does not have significant operations of its own. The availability of dividends from Trustco Bank is limited by various statutes and regulations. It is possible, depending upon the financial condition of the Bank and other factors that the OCC or the Federal Reserve Board could assert that payment of dividends or other payments may result in an unsafe or unsound practice. In addition, TrustCo is subject to consolidated capital requirements and is required to serve as a source of strength to Trustco Bank. If the Bank is unable to pay dividends to TrustCo, or if TrustCo is required to retain capital or contribute capital to the Bank, we may not be able to pay dividends on our common stock or to repurchase shares of common stock.

We may be subject to a higher effective tax rate if Trustco Realty Corp. ("Trustco Realty") fails to qualify as a real estate investment trust ("REIT").

Trustco Realty, a subsidiary of Trustco Bank, operates as a REIT for tax purposes. Trustco Realty was established to acquire, hold and manage mortgage assets and other authorized investments to generate net income for distribution to its shareholders.

For an entity to qualify as a REIT, it must meet certain organizational tests and it must satisfy the following six asset tests under the Internal Revenue Code each quarter: (1) at least 75% of the value of the REIT's total assets must consist of real estate assets, cash and cash items, and government securities; (2) not more than 25% of the value of the REIT's total assets may consist of securities, other than those includible under the 75% test; (3) not more than 5% of the value of its total assets may consist of securities of any one issuer, other than those securities includible under the 75% test or securities of a taxable REIT subsidiary; (4) not more than 10% of the outstanding voting power of any one issuer may be held, other than those securities includible under the 75% test or securities of a taxable REIT subsidiary; (5) not more than 10% of the total value of the outstanding securities of any one issuer may be held, other than those securities includible under the 75% test or securities of a taxable REIT subsidiary; and (6) a REIT cannot own securities in one or more taxable REIT subsidiaries which comprise more than 25% of the value of its total assets. At December 31, 2020, Trustco Realty met all six quarterly asset tests.

Also, a REIT must satisfy the following two gross income tests each year: (1) at least 75% of its gross income must be from qualifying income closely connected with real estate activities; and (2) 95% of its gross income must be derived from sources qualifying for the 75% test and dividends, interest, and gains from the sale of securities. In addition, a REIT must distribute at least 90% of its taxable income for the taxable year, excluding any net capital gains, to maintain its non-taxable status for federal income tax purposes. For 2020, Trustco Realty had met the two annual income tests and the distribution test.

If Trustco Realty fails to meet any of the required provisions and, therefore, does not qualify to be a REIT, our effective tax rate would increase.

Changes in accounting standards could impact reported earnings.

The accounting standard setting bodies, including the Financial Accounting Standards Board, the Securities and Exchange Commission and other regulatory bodies, periodically change financial accounting and reporting standards that govern the preparation of our consolidated statements. These changes can be hard to predict and can materially impact how the Company records and reports its financial condition and results of operations. In some cases, we could be required to apply a new or revised accounting standard retroactively, which could affect beginning of period financial statement amounts.

Risks Related to Competition

Strong competition within the Bank's market areas could hurt profits and slow growth.

The Bank faces intense competition both in making loans and attracting deposits. This competition comes principally from other banks, savings and loan associations, credit unions, mortgage companies, other lenders, and institutions offering uninsured investment alternatives. Many of our competitors have competitive advantages, including greater financial resources and higher lending limits, a wider geographic presence, more accessible branch office locations, more aggressive marketing campaigns and better brand recognition, and the ability to offer a wider array of services or more favorable pricing alternatives, as well as lower origination and operating costs.

Competition has made it more difficult for the Bank to make new loans and at times has forced the Bank to offer higher deposit rates. Price competition for loans and deposits might result in the Bank earning less on loans and paying more on deposits, which would reduce net interest income. Competition also makes it more difficult to grow loans and deposits and to hire and retain experienced employees. Management expects competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. The Bank's profitability depends upon its continued ability to compete successfully in its market areas.

Consumers and businesses are increasingly using non-banks to complete their financial transactions, which could adversely affect our business and results of operations.

Technology and other changes are allowing consumers and businesses to complete financial transactions that historically have involved banks through alternative methods. For example, the wide acceptance of Internet-based commerce has resulted in a number of alternative payment processing systems and lending platforms in which banks play only minor roles. Customers can now maintain funds in prepaid debit cards or digital currencies, and pay bills and transfer funds directly without the direct assistance of banks. The diminishing role of banks as financial intermediaries has resulted and could continue to result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the potential loss of lower cost deposits as a source of funds could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Cybersecurity, Third Parties, and Technology

Our business could be adversely affected by third-party service providers, data breaches, and cyber-attacks.

We face the risk of operational disruption, failure, or capacity constraints due to our dependency on third-party vendors for components of our business infrastructure. While we have selected these third-party vendors through our vendor management process, we do not control their operations. As such, any failure on the part of these business partners to perform their various responsibilities could also adversely affect our business and operations. Our assets that are at risk for cyber-attacks include financial assets and non-public information belonging to customers. We use several third-party vendors who have access to our assets via electronic media. Certain cyber security risks arise due to this access, including cyber espionage, blackmail, ransom, and theft. We employ many preventive and detective controls to protect our assets and provide recurring information security training to all employees. To date, we have not experienced any material losses relating to cyber-attacks or other information security breaches, but there can be no assurance that we will not suffer such attacks or attempted breaches, or incur resulting losses, in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, our plans to continue to implement Internet and mobile banking to meet customer demand, and the current economic and political environment. As cyber and other data security threats continue to evolve, we may be required to expend significant additional resources to continue to modify and enhance our protective measures or to investigate and remediate any security vulnerabilities.

A failure in or breach of our operational or security systems or infrastructure, or those of third parties, could disrupt our businesses, and adversely impact our results of operations, liquidity and financial condition, as well as cause reputational harm.

The potential for operational risk exposure exists throughout our organization and, as a result of our interactions with, and reliance on, third parties, is not limited to our own internal operational functions. Our operational and security systems, infrastructure, including our computer systems, data management, and internal processes, as well as those of third parties, are integral to our performance. We rely on our employees and third parties in our day-to-day and ongoing operations, who may, as a result of human error, misconduct, malfeasance or failure, or breach of third-party systems or infrastructure, expose us to risk. We have taken measures to implement backup systems and other safeguards to support our operations, but our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact and rely. For example, strategic technology project implementation challenges may cause business interruptions. In addition, our ability to implement backup systems and other safeguards with respect to third-party systems is more limited than with respect to our own systems. Our financial, accounting, data processing, backup or other operating or security systems and infrastructure may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control which could adversely affect our ability to process these transactions or provide these services. There could be sudden increases in customer transaction volume; electrical, telecommunications, or other major physical infrastructure outages; natural disasters such as earthquakes, tornadoes, hurricanes, and floods; disease pandemics; and events arising from local or larger scale political or social matters, including terrorist acts. We continuously update these systems to support our operations and growth and to remain compliant with all applicable laws, rules and regulations globally. This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones, including business interruptions. Operational risk exposures could adversely impact our results of operations, liquidity and financial condition, as well as cause reputational harm.

Unauthorized disclosure of sensitive or confidential client or customer information, whether through a breach of our computer systems or otherwise, could severely harm our business.

As part of our financial institution business, we collect, process, and retain sensitive and confidential customer information. Despite the security measures we have in place, our facilities and systems, and those of our third-party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. If information security is breached, information can be lost or misappropriated, resulting in financial loss or costs to us. Any security breach involving confidential customer information, whether by us or by our vendors, could severely damage our reputation, expose us to the risks of litigation and liability or disrupt our operations and have a material adverse effect on our business.

We could suffer a material adverse impact from interruptions in the effective operation of, or security breaches affecting, our computer systems.

We rely heavily on information systems to conduct our business and to process, record, and monitor our transactions. Risks to the systems result from a variety of factors, including the potential for bad acts on the part of hackers, criminals, employees and others. As one example, in recent years, some banks have experienced denial of service attacks in which individuals or organizations flood the bank's website with extraordinarily high volumes of traffic, with the goal and effect of disrupting the ability of the bank to process transactions. We are also at risk for the impact of natural disasters, terrorism, and international hostilities on our systems or for the effects of outages or other failures involving power or communications systems operated by others. These risks also arise from the same types of threats to businesses with which we deal.

Potential adverse consequences of attacks on our computer systems or other threats include damage to our reputation, loss of customer business, litigation, and increased regulatory scrutiny, which might also result in financial loss and require additional efforts and expense to attempt to prevent such adverse consequences in the future.

We rely on communications, information, operating and financial control systems, and technology from third-party service providers, and we may suffer an interruption in those systems that may result in lost business. Further, we may not be able to substitute providers on terms that are as favorable if our relationships with our existing service providers are interrupted.

We rely heavily on third-party service providers for much of our communications, information, operating and financial controls systems, and technology. Any failure or interruption or breach in security of these systems could result in failures or interruptions in our customer relationships management, general ledger, deposit, servicing, and/or loan origination systems. We cannot assure you that such failures or interruptions will not occur or, if they do occur, that they will be adequately addressed by us or the third parties on which we rely. The occurrence of any failure or interruption could have a material adverse effect on our business, financial condition, results of operations, and cash flows. If any of our third-party service providers experience financial, operational, or technological difficulties, or if there is any other disruption in our relationships with them, we may be required to locate alternative sources of such services, We cannot assure you that we could negotiate terms that are as favorable to us, or could obtain services with similar functionality as found in our existing systems, without the need to expend substantial resources, if at all. Any of these circumstances could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Other Risks

Our proposed reverse stock split may not result in a proportional increase in the per share price of our common stock.

On February 16, 2021, we announced that our Board of Directors plans to seek approval at our 2021 annual shareholder meeting for a reverse stock split of our common stock at a ratio of 1 for 5, as determined by our Board of Directors, and to reduce the number of authorized shares of our common stock from 150,000,000 to 30,000,000. The effect of the reverse stock split on the market price for our common stock cannot be accurately predicted. In particular, we cannot assure you that, if our Board of Directors decides to proceed with the reverse stock split, the price of shares of the common stock after the reverse stock split will increase proportionately to the price of shares of our common stock immediately before the reverse stock split. The market price of our common stock may also be affected by other factors which may be unrelated to the reverse stock split or the number of shares issued and outstanding.

Furthermore, even if the market price of our common stock does rise following the reverse stock split, we cannot assure you that the market price of our common stock immediately after the proposed reverse stock split will be maintained for any period of time. Moreover, because some investors may view the reverse stock split negatively, we cannot assure you that the reverse stock split will not adversely impact the market price of our common stock. There is also the possibility that liquidity may be adversely affected by the reduced number of shares which would be issued and outstanding when the reverse stock split is effected. Accordingly, our total market capitalization after the reverse stock split may be lower than the market capitalization before the reverse stock split.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may develop and grow new lines of business or offer new products and services within our existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, results of operations and financial condition. All service offerings, including current offerings and those which may be provided in the future, may become more risky due to changes in economic, competitive and market conditions beyond our control.

Provisions in our articles of incorporation and bylaws and New York law may discourage or prevent takeover attempts, and these provisions may have the effect of reducing the market price of our stock.

Our articles of incorporation and bylaws include several provisions that may have the effect of discouraging or preventing hostile takeover attempts, and therefore, making the removal of incumbent management difficult. The provisions include requirements of supermajority votes to approve certain business transactions. In addition, New York law contains several provisions that may make it more difficult for a third party to acquire control of us without the approval of the board of directors, and may make it more difficult or expensive for a third party to acquire a majority of our outstanding stock. To the extent that these provisions are effective in discouraging or preventing takeover attempts, they may tend to reduce the market price for our stock.

We are dependent upon the services of our management team.

We are dependent upon the ability and experience of a number of our key management personnel who have substantial experience with our operations, the financial services industry and the markets in which we offer our services. It is possible that the loss of the services of one or more of our senior executives or key managers would have an adverse effect on our operations. Our success also depends on our ability to continue to attract, manage and retain other qualified middle management personnel as we grow. We cannot assure you that we will continue to attract or retain such personnel.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by TrustCo in reports we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, and recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be detected.

If the business continuity and disaster recovery plans that we have in place are not adequate to continue our operations in the event of a disaster, the business disruption can adversely impact our operations.

External events, including terrorist or military actions, or an outbreak of disease, and resulting political and social turmoil could cause unforeseen damage to our physical facilities or could cause delays or disruptions to operational functions, including information processing and financial market settlement functions. Additionally, our customers, vendors and counterparties could suffer from such events. Should these events affect us, or our customers, or vendors or counterparties with which we conduct business, our results of operations could be adversely affected.

The Company’s risk management framework may not be effective in mitigating risk and loss.

The Company maintains an enterprise risk management program that is designed to identify, quantify, monitor, report, and control the risks that it faces. These risks include interest rate, credit, liquidity, operations, reputation, compliance, and litigation. While the Company assesses and improves this program on an ongoing basis, there can be no assurance that its approach and framework for risk management and related controls will effectively mitigate all risk and limit losses in its business. If conditions or circumstances arise that expose flaws or gaps in the Company’s risk management program, or if its controls break down, the performance and value of its business could be adversely affected.

Item 1B Unresolved Staff Comments

None.

Item 2. Properties

TrustCo’s executive offices are located at 5 Sarnowski Drive, Glenville, New York, 12302, in a facility owned by the Company. The Company operates 148 banking offices, of which 25 are owned and 123 are leased from others on market terms.

In the opinion of management, the physical properties of TrustCo and the Bank are suitable and adequate to meet our requirements and are being fully utilized. These properties are located in New York, New Jersey, Vermont, Massachusetts and Florida.

Item 3. Legal Proceedings

The nature of TrustCo's business generates a certain amount of litigation against TrustCo and its subsidiaries involving matters arising in the ordinary course of business. In the opinion of management of TrustCo, there are no proceedings pending to which TrustCo or any of its subsidiaries is a party, or of which its property is the subject which, if determined adversely to TrustCo or such subsidiaries, would be material in relation to TrustCo's consolidated shareholders' equity and financial condition.

Item 4. Mine Safety Disclosure

Not applicable.

Information about our Executive Officers

The following is a list of the names and ages of the executive officers of TrustCo and their business history for the past five years:

Name, Age and Position With Trustco	Principal Occupations Or Employment Since January 1, 2008	Year First Became Executive of TrustCo
Robert J. McCormick, Age 57, President and Chief Executive Officer	Chairman, President and Chief Executive Officer of TrustCo from January 2009 to December 2010, President and Chief Executive Officer of TrustCo since January 2004, Executive Officer of TrustCo since 2001 and President and Chief Executive Officer of Trustco Bank since November 2002. Chairman of TrustCo and Trustco Bank from November 2008 to December 2010. Director of TrustCo and Trustco Bank since 2005. Robert J. McCormick is the son of Robert A. McCormick. Joined Trustco Bank in 1995.	2001
Scot R. Salvador, Age 54, Executive Vice President and Chief Lending Officer	Executive Vice President and Chief Lending Officer of TrustCo and Trustco Bank since January 2004. Executive Officer of TrustCo and Trustco Bank since 2004. Joined Trustco Bank in 1995.	2004
Robert M. Leonard, Age 58, Executive Vice President and Chief Risk Officer	Secretary or Assistant Secretary of TrustCo and Trustco Bank since 2003. Executive Vice President of TrustCo and Trustco Bank since 2013. Senior Vice President of TrustCo and Trustco Bank from 2010 to 2013. Administrative Vice President of TrustCo and Trustco Bank from 2004 to 2010. Executive Officer of TrustCo and Trustco Bank since 2003. Joined Trustco Bank in 1986.	2003
Michael M. Ozimek Age 46, Executive Vice President and Chief Financial Officer	Executive Vice President of TrustCo and Trustco Bank since December 2018. Senior Vice President and Chief Financial Officer since December 2014. Administrative Vice President of TrustCo and Trustco Bank from June 2010 to December 2014. Vice President of Trustco Bank from 2004 to June 2010.	2014
Eric W. Schreck Age 54, Senior Vice President and Treasurer	Treasurer of TrustCo since 2010. Senior Vice President and Florida Regional President since 2009. Executive Officer of TrustCo and Trustco Bank since 2010. Joined Trustco Bank in 1989.	2010
Michael Hall Age 55, General Counsel and Corporate Secretary	Secretary of TrustCo and Trustco Bank since 2016. Vice President of Trustco Bank since 2015. Joined Trustco Bank in 2015. Prior to 2015, attorney in private practice.	2016
Kevin M. Curley Age 55, Executive Vice President and Chief Operations Officer	Executive Vice President and Chief Operations Officer of TrustCo and Trustco Bank since December 2018. Joined Trustco Bank in 1990.	2018

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

TrustCo's common stock is traded on The NASDAQ Stock Market, LLC under the symbol "TRST." TrustCo had approximately 11,014 shareholders of record as of February 22, 2021, and the closing price of TrustCo's common stock on that date was $6.95.

The following details the purchase of shares of TrustCo's common stock made by or on behalf of TrustCo in the fourth quarter of the year ended December 31, 2020.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased*	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 to October 31, 2020	-	$ -	-	-
November 1 to November 30, 2020	-	$ -	-	-
December 1 to December 31, 2020	-	$ -	-	-
Total	-	$ -	-	-

*Purchase relates to an employee exercise of incentive stock options.

The TrustCo Annual Report to Shareholders for the year ended December 31, 2020, which is filed as Exhibit 13 hereto, contains a graph comparing the yearly percentage change in the Company's cumulative total shareholder return on its common stock with the cumulative return of the Russell 2000 and the SNL Bank and Thrift indices. Such graph is incorporated herein by reference.

Item 6. Selected Financial Data

The information required by this this Item 6 is incorporated herein by reference from the table captioned "FIVE YEAR SUMMARY OF FINANCIAL DATA" in TrustCo's Annual Report to Shareholders for the year ended December 31, 2020, which is filed as Exhibit 13 hereto.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this this Item 7 is contained in TrustCo's Annual Report to Shareholders for the year ended December 31, 2020, which is filed as Exhibit 13 hereto and incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information required by this Item 7A is contained in TrustCo's Annual Report to Shareholders for the year ended December 31, 2020, which is filed as Exhibit 13 hereto and incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements, together with the report thereon of Crowe LLP, and the required supplementary financial data are included in TrustCo's Annual Report to Shareholders for the year ended December 31, 2020, which is filed as Exhibit 13 hereto and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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. Disclosure controls and procedures are procedures that are designed with the objective of ensuring that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, such as this Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to satisfy the objectives for which they are designed.

Management's Report on Internal Control over Financial Reporting, together with the report thereon of Crowe LLP is included in TrustCo's Annual Report to Shareholders for the year ended December 31, 2020, which is filed as Exhibit 13 hereto, are incorporated herein by reference.

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the Company's quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 is incorporated herein by reference to the disclosure under the headings "Information on TrustCo Directors and Nominees" and "Information on TrustCo Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement (Schedule 14A) for its 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the Company's fiscal year-end. TrustCo has adopted a code of conduct that applies to all employees, including its principal executive, financial and accounting officers. A copy of this code of conduct will be provided without charge upon written request. Requests and inquiries should be directed to: Robert M. Leonard, Executive Vice President, TrustCo Bank Corp NY, P.O. Box 1082, Schenectady, New York 12301-1082. The required information regarding TrustCo's executive officers is contained in PART I in the item captioned "Executive Officers of TrustCo."

Item 11. Executive Compensation

The information required by this Item 11 is incorporated herein by reference to the Company's Proxy Statement (Schedule 14A) for its 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the Company's fiscal year-end.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item 12 is incorporated herein by reference to the Company's Proxy Statement (Schedule 14A) for its 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the Company's fiscal year-end. Additional information concerning the Company's equity compensation plans is set forth in Part II, Item 5 hereof.

The following table provides information, as of December 31, 2020, regarding securities authorized for issuance under TrustCo's equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	519,091	$ 6.67	1,242,793
Equity compensation plan not approved by security holders	N/A	N/A	N/A
Total	519,091	$ 6.67	1,242,793

Item 13. Certain Relationships, Related Transactions and Director Independence

The information required by this Item 13 is incorporated herein by reference to the Company's Proxy Statement (Schedule 14A) for its 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the Company's fiscal year-end.

Item 14. Principal Accountant Fees and Services

The information required by this Item 14 is incorporated herein by reference to the Company's Proxy Statement (Schedule 14A) for its 2021 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the Company's fiscal year-end.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following financial statements of TrustCo and its consolidated subsidiaries, and the accountants’ report thereon are filed as a part of this report.

Consolidated Statements of Condition -- December 31, 2020 and 2019.

Consolidated Statements of Income -- Years Ended December 31, 2020, 2019 and 2018.

Consolidated Statements of Comprehensive Income -- Years Ended December 31, 2020, 2019 and 2018.

Consolidated Statements of Changes in Shareholders’ Equity -- Years Ended December 31, 2020, 2019 and 2018.

Consolidated Statements of Cash Flows -- Years Ended December 31, 2020, 2019 and 2018.

Notes to Consolidated Financial Statements.

Financial Statement Schedules

Not Applicable. All required schedules for TrustCo and its subsidiaries have been included in the consolidated financial statements or related notes thereto.

Supplementary Financial Information

Summary of Unaudited Quarterly Financial Information for the years ended December 31, 2020 and 2019.

Exhibits

Exhibit No.	Description
3(i)	Amended and Restated Certificate of Incorporation of TrustCo Bank Corp NY, incorporated by reference to Exhibit 3.1 to TrustCo Bank Corp NY’s Quarterly Report on Form 10-Q, filed August 8, 2019.
3(ii)	Amended and Restated Bylaws of TrustCo Bank Corp NY, dated May 23, 2019, incorporated by reference to Exhibit 3.2 to TrustCo Bank Corp NY’s Quarterly Report on Form 10-Q, filed August 8, 2019.
4(a)	Description of Capital Stock incorporated by reference to Exhibit 4(a) to Amendment No. 1 to TrustCo Bank Corp NY Annual Report in Form 10-K/A, filed May 12, 2020.
10(a)*	Amended and Restated Trust For Deferred Benefits Provided under Employment Agreements of Trustco Bank, National Association and TrustCo Bank Corp NY, dated September 18, 2001 incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY’s Annual Report on Form 10-K, for the year ended December 31, 2001.
10(b)*	Amended and Restated Trust Under Non-Qualified Deferred Compensation Plans of Trustco Bank, National Association and TrustCo Bank Corp NY, dated September 18, 2001, incorporated by reference to, Exhibit 10(c) to TrustCo Bank Corp NY’s Annual Report on Form 10-K, for the year ended December 31, 2001.

10(c)*	Amended and Restated Trustco Bank and TrustCo Bank Corp NY Supplemental Retirement Plan, effective as of January 1, 2008, incorporated by reference to Exhibit 99.6 to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 22, 2008.
10(d)*	Second Amended and Restated TrustCo Bank Corp NY Performance Bonus Plan, effective as of January 1, 2008, incorporated by reference to Exhibit 99.5 to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 22, 2008.
10(e)*	Amendment No. 1 to Second Amended and Restated TrustCo Bank Corp NY Performance Bonus Plan, effective January 1, 2010, incorporated by reference to Exhibit 99(e) to TrustCo Bank Corp NY's Current Report on Form 8-K filed January 19, 2010.
10(f)*	Form of 2008 Amended and Restated Employment Agreement between Trustco Bank, TrustCo Bank Corp NY and Robert J. McCormick, Robert T. Cushing and Scot R. Salvador, effective as of January 1, 2008, incorporated by reference to Exhibit 99.8 to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 22, 2008.
10(g)*	Second Amended and Restated TrustCo Bank Corp NY Directors Performance Bonus Plan, effective as of January 1, 2008, incorporated by reference to Exhibit 99.4 to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 22, 2008.
10(h)*	Amendment No. 1, Second Amended and Restated TrustCo Bank Corp NY Directors Performance Bonus Plan, effective January 1, 2010, incorporated by reference to Exhibit 99(f) to TrustCo Bank Corp NY's Current Report on Form 8-K filed January 19, 2010.
10(i)*	Service Bureau Processing Agreement by and between Fidelity Information Services, Inc. and TrustCo Bank Corp NY dated March 3, 2004 incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Quarterly Report on Form 10-Q, for the quarter ended March 31, 2004.
10(j)*	Agreement between Fiserv Solutions, Inc. and Trustco Bank, National Association, dated November 14, 2001 incorporated by reference to Exhibit 10(o) to TrustCo Bank Corp NY's Annual Report on Form 10-K, for the year ended December 31, 2001.
10(k)*	Restatement of Trustco Bank Senior Incentive Plan, effective as of January 1, 2008, incorporated by reference to Exhibit 99.9 to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 22, 2008.
10(l)*	Form of Amendments to 2008 Amended and Restated Employment Agreement between Trustco Bank, TrustCo Bank Corp NY and each of Robert J. McCormick, Robert T. Cushing and Scot R. Salvador, incorporated by reference to Exhibit 99.1 to TrustCo Bank Corp NY's Current Report on Form 8-K filed March 17, 2009.
10(m)*	First Amendment to Restatement of Trustco Bank Senior Incentive Plan, incorporated by reference to Exhibit 99.2 to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 18, 2009.
10(n)*	Amended and Restated TrustCo Bank Corp NY 2010 Equity Incentive Plan dated as of March 21, 2017, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed March 24, 2017.
10(o)*	Amended and Restated 2010 Directors Equity Incentive Plan dated March 17, 2015, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K filed March 23, 2015.

10(p)*	Form of Incentive Stock Option Award Agreement under the TrustCo Bank Corp NY Amended and Restated 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 20, 2015.
10(q)*	Director Incentive Stock Option Award Agreement dated November 15, 2011, incorporated by reference to Exhibit 10(c) to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 18, 2011.
10(r)*	Employment Agreement among Trustco Bank, TrustCo Bank Corp NY And Robert M. Leonard, effective November 19, 2013, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 25, 2013.
10(s)*	Performance-Based Stock Appreciation Unit Agreement dated as of January 21, 2014, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed January 24, 2014.
10(t)*	Trustco Bank Executive Officer Incentive Plan (Amended and Restated as of February 16, 2016), incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Form 8-K filed February 17, 2016.
10(u)*	Consulting Agreement between TrustCo Bank Corp NY and Robert T. Cushing effective December 22, 2017, incorporated by reference to Exhibit 10.1 to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 22, 2017.
10(v)*	Form of 2017 Performance Share Award Agreement under the TrustCo Bank Corp NY Amended and Restated 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 27, 2017.
10(w)*	Form of 2017 Restricted Stock Unit Award Agreement under the TrustCo Bank Corp NY Amended and Restated 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 27, 2017.
10(x)*	Form of 2017 Directors Restricted Stock Unit Award Agreement under the TrustCo Bank Corp NY Amended and Restated 2010 Directors Equity Incentive Plan, incorporated by reference to Exhibit 10(c) to TrustCo Bank Corp NY's Current Report on Form 8-K filed on November 27, 2017.
10(y)*	Form of 2018 Performance Share Award Agreement under the TrustCo Bank Corp NY Amended and Restated 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 23, 2018.
10(z)*	Form of 2018 Restricted Stock Unit Agreement under the TrustCo Bank Corp NY Amended and Restated 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 23, 2018.
10(aa)*	Form of 2018 Directors Restricted Stock Unit Agreement under the TrustCo Bank Corp NY Amended and Restated 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10(c) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 23, 2018.
10(bb)*	Form of Employment Agreement between TrustCo Bank Corp NY and each of Kevin M. Curley and Michael M. Ozimek, effective December 18, 2018, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 18, 2018.

10(cc)*	Form of 2019 Performance Share Award Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 20, 2019.
10(dd)*	Form of 2019 Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 20, 2019.
10(ee)*	Form of 2019 Directors Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(c) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 20, 2019.
10(ff)*	Form of 2020 Performance Share Award Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 18, 2020.
10(gg)*	Form of 2020 Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 18, 2020.
10(hh)*	Form of 2020 Directors Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(c) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 18, 2020.
13**	Portions of Annual Report to Security Holders of TrustCo for the year ended December 31, 2020.
21**	List of Subsidiaries of TrustCo.
23**	Consent of Independent Registered Public Accounting Firm.
24**	Power of Attorney.
31(i)(a)**	Rule 13a-14(a)/15d-14(a) Certification of Robert J. McCormick, principal executive officer.
31(i)(b)**	Rule 13a-14(a)/15d-14(a) Certification of Michael M. Ozimek, principal financial officer.
32**	Section 1350 Certifications of Robert J. McCormick, principal executive officer and Michael M. Ozimek, principal financial officer.
101.INS	XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and Contained in Exhibit 101)

* Management contract or compensatory plan or arrangement.

** Filed herewith.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Date: February 26, 2021

By: /s/ Michael M. Ozimek
Michael M. Ozimek
Executive Vice President and Chief Financial Officer

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name and Signature	Title	Date
/s/ Robert J. McCormick Robert J. McCormick	Chairman, President and Chief Executive Officer (principal executive officer)	February 26, 2021
/s/ Michael M. Ozimek Michael M. Ozimek	Executive Vice President and Chief Financial Officer (principal financial and accounting officer)	February 26, 2021
* Dennis A. DeGennaro	Chairman	February 26, 2021
* Brian C. Flynn	Director	February 26, 2021
* Thomas O. Maggs	Director	February 26, 2021
* Dr. Anthony J. Marinello	Director	February 26, 2021
* Kimberly A. Russell	Director	February 26, 2021
* Lisa M. Lucarelli	Director	February 26, 2021
* Frank B. Silverman	Director	February 26, 2021

* By: /s/ Robert M. Leonard
Robert M. Leonard, as Agent
Pursuant to Power of Attorney

TRUSTCO Bank Corp NY

TrustCo Bank Corp NY (the "Company," or "TrustCo") is a savings and loan holding company headquartered in Glenville, New York. The Company is the largest financial services company headquartered in the Capital Region of New York State, and its principal subsidiary, Trustco Bank (the "Bank" or "Trustco"), operates 148 community banking offices and 164 Automatic Teller Machines throughout the Bank's market areas. The Company serves 5 states and 33 counties with a broad range of community banking services.

Financial Highlights

(dollars in thousands, except per share data)	Years ended December 31,		
	2020	2019	Percent Change
Income:			
Net interest income	**$ 153,580**	$ 155,807	(1.43)%
Net Income	**52,452**	57,840	(9.32)
Per Share:			
Basic earnings	**0.544**	0.597	(8.88)
Diluted earnings	**0.543**	0.597	(9.05)
Book value at period end	**5.89**	5.55	6.13
Average Balances:			
Assets	**5,553,636**	5,161,820	7.59
Loans, net	**4,163,399**	3,926,199	6.04
Deposits	**4,742,452**	4,409,060	7.56
Shareholders' equity	**553,632**	513,489	7.82
Financial Ratios:			
Return on average assets	**0.94 %**	1.12 %	(16.07)
Return on average equity	**9.47**	11.26	(15.90)
Consolidated tier 1 capital to:			
Total assets (leverage)	**9.65**	10.25	(5.85)
Risk-adjusted assets	**19.19**	18.99	1.05
Common equity tier 1 capital ratio	**19.19**	18.99	1.05
Total capital to risk-adjusted assets	**20.44**	20.24	0.99
Net loans charged off to average loans	**0.0001**	0.0002	(50.00)
Allowance for loan losses to nonperforming loans	**2.35 x**	2.12 x	10.85
Efficiency ratio*	**56.38 %**	56.13 %	0.45
Dividend Payout ratio	**50.12**	45.60	9.91

Per Share information of common stock

	Basic Earnings	Diluted Earnings	Cash Dividend	Book Value	Range of Stock Price	
					High	Low
2020						
First quarter	**$ 0.138**	**$ 0.138**	**$ 0.0681**	**$ 5.68**	**$ 8.77**	**$ 4.52**
Second quarter	**0.117**	**0.117**	**0.0681**	**5.73**	**7.23**	**4.92**
Third quarter	**0.146**	**0.146**	**0.0681**	**5.81**	**6.27**	**5.07**
Fourth quarter	**0.143**	**0.143**	**0.0681**	**5.89**	**6.69**	**5.30**
2019						
First quarter	$ 0.150	$ 0.150	$ 0.0681	$ 5.18	$ 8.60	$ 6.91
Second quarter	0.152	0.151	0.0681	5.32	8.22	7.38
Third quarter	0.152	0.152	0.0681	5.42	8.34	7.48
Fourth quarter	0.143	0.143	0.0681	5.55	9.03	7.89

*The Efficiency Ratio is determined by a method other than in accordance with generally accepted accounting principles ("GAAP"), which is presented in the Non-GAAP Financial Measures Reconciliation presented herein.

TrustCo Bank Corp NY Mission

The Mission of TrustCo Bank Corp NY is to provide an above-average return to our owners in a manner consistent with our commitment to all stakeholders of the Company and its primary subsidiary, Trustco Bank, including customers, employees, community, regulators and shareholders.

TRUSTCO
Bank Corp NY

Dear fellow shareholders,

Good teams become great because they have solid fundamentals. Great teams become extraordinary by having something extra that even the great teams don't have. Exactly what that is varies greatly, but I am proud to say that the people who make up the team at Trustco Bank have demonstrated over the past year that they possess that something extra.

In terms of fundamentals, Trustco Bank offers one of the best residential mortgage products in the market and maintains the highest level of customer service. We also have made substantial investment in technology that has greatly enhanced our online and mobile banking offerings, rolling out a completely updated customer experience that includes real-time account alerts, secure messaging, enhanced bill pay, and more. Our commercial loan portfolio is based upon deep and long-standing relationships and is built upon the highest standards of underwriting and credit quality. Our Financial Services Department offers investment products with Trustco's trademark personal touch.

This year our team proved that it has that "something extra" and demonstrated beyond question that the people of Trustco Bank are extraordinary. Banks were deemed essential in the context of the COVID-19 pandemic and the resulting business shutdown. Our team members embraced this critical role and quickly developed innovative ways to fulfil our mission safely. The Hometown Bank continued to meet the needs of our customers and the communities that we serve in the face of the greatest challenges we have faced as a society. Our diverse team was able to excel in the face of hardship because, by the time we faced adversity, we had already built a robust and sustainable organization.

We crossed a major milestone this year. In the great state of Florida, we now have over $1 billion in deposits. While 31 of the largest banks have left this region, since entering the market in 2003, Trustco's hometown approach to banking has been embraced by this new and expanding market.

The success in the Florida market also was realized company-wide. The bank's strong performance overall is detailed in the financials reported. Both loans and deposits were up in 2020 over 2019. Average loans were up 6.0% and average deposits were up 7.6%. The gains were made up primarily of low-cost core accounts, which lead to the decrease in our cost of interest bearing liabilities from 0.88% in 2019 to 0.57% in 2020. Despite the difficult economic conditions of 2020, we still posted a strong return on average equity at 9.47% and return on average assets at 0.94%.

The skill and resiliency of our management team also has enabled us to maintain our focus on the future of both this venerable institution and the communities that we serve. Like many of you, our shareholders, we are mindful of the need to reduce our exposure to climate- change risks in lending, among other important social and governance matters. Comprehensive and detailed information about our many and varied efforts on these fronts can be found on our corporate sustainability page at www.trustcobank.com/sustainability. There also is a new human capital management section in our 10-K filing.

We are excited to announce the promotion of our Florida Regional President Eric W. Schreck to Executive Vice President. We are all very proud of Eric's success in spearheading our highly successful expansion into the Sunshine State. We also added to our management team by promoting Suzanne Breen to Vice President of our Retail Lending Department. Also in 2020, we note the retirement of a great friend and colleague, Mary-Jean Riley. Her more than 40-year career stands as an inspiration to us all.

It is traditional in this letter to note the passing of members of the Trustco family. This year, that tradition strikes close to home for me. My father, the first McCormick to serve as Chairman, President, and CEO of this great company, died peacefully in August. He is sorely missed.

Thank you for the trust you have placed in the Trustco team. We move forward with enthusiasm and readiness for the challenges and opportunities ahead.

Yours sincerely,

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial review which follows will focus on the factors affecting the financial condition and results of operations of TrustCo during 2020 and, in summary form, the two preceding years. Unless otherwise indicated, net interest income and net interest margin are presented in this discussion on a non-GAAP, taxable equivalent basis. Balances discussed are daily averages unless otherwise described. The consolidated financial statements and related notes and the quarterly reports to shareholders for 2020 should be read in conjunction with this review. Reclassifications of prior year data are made where necessary to conform to the current year's presentation.

COVID-19 Impact

Beginning in March 2020, we experienced negative impacts to our business in the form of requests for loan deferrals of principal and interest due to the business disruption caused by COVID-19. In March 2020, the World Health Organization categorized COVID-19 as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The Company has evaluated the impact of the effects of COVID-19 and determined that there were no material or systematic adverse impacts on the Company's balance sheets and results of operations as of and for the year ended December 31, 2020, except for an increase in the provision for loan losses as a result of the increased risk inherent in the loan portfolio resulting from the pandemic. At this time, it is difficult to quantify the impact COVID-19 will have on future periods.

The following is a description of the impact the COVID-19 global pandemic is having on certain elements of our business:

Loan modifications

We began receiving requests from our borrowers for loan deferrals in March 2020 and agreed with many borrowers to modify their loans. Modifications included the deferral of principal and/or interest payments for terms generally up to 90 days. Requests are evaluated individually and approved modifications are based on the unique circumstances of each borrower. We are committed to working with our clients to allow time to work through the challenges of this pandemic. At this time, it is uncertain what future impact loan modifications related to COVID-19 difficulties will have on our financial condition, results of operations and provision for loan losses. Loan modifications and payment deferrals as a result of COVID-19 that meet the criteria established under Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") or under applicable interagency guidance of the federal banking regulators are excluded from evaluation of troubled debt restructuring ("TDR") classification and will continue to be reported as current during the payment deferral period. The Company's policy is to continue to accrue interest during the deferral period. Loans not meeting the CARES Act or regulatory guidance are evaluated for TDR and non-accrual treatment under the Company's existing policies and procedures.

The following table shows the number of loans and the outstanding loan balances of borrowers in payment deferral, as a result of COVID-19, at December 31, 2020, September 30, 2020 and June 30, 2020**:**

(Dollars In Thousands)	December 31, 2020		September 30, 2020		June 30, 2020	
New York and Other states*:	Number of loans	Outstanding loan balance	Number of loans	Outstanding loan balance	Number of loans	Outstanding loan balance
Commercial	-	$ -	5	$ 1,351	79	$ 39,630
Residential mortgage loans	6	1,264	13	2,780	441	94,028
Home equity line of credit	-	-	-	-	13	641
Installment loans	-	-	1	88	5	150
Total	6	$ 1,264	19	$ 4,219	538	$ 134,449
Florida:	Number of loans	Outstanding loan balance	Number of loans	Outstanding loan balance	Number of loans	Outstanding loan balance
Commercial	-	$ -	1	$ 574	5	$ 5,392
Residential mortgage loans	2	600	10	2,387	205	49,745
Home equity line of credit	-	-	-	-	1	9
Installment loans	-	-	-	-	3	86
Total	2	$ 600	11	$ 2,961	214	$ 55,232
Total:	Number of loans	Outstanding loan balance	Number of loans	Outstanding loan balance	Number of loans	Outstanding loan balance
Commercial	-	$ -	6	$ 1,925	84	$ 45,022
Residential mortgage loans	8	1,864	23	5,167	646	143,773
Home equity line of credit	-	-	-	-	14	650
Installment loans	-	-	1	88	8	236
Total	8	$ 1,864	30	$ 7,180	752	$ 189,681

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

As of December 31, 2020, of the loans that are no longer in deferral, 13 loans totaling $1.4 million are delinquent over 30 days, and 7 loans totaling $770 thousand are in non-accrual status.

The commercial loans that were granted payment deferral due to COVID-19 in 2020 included various types of businesses. As of December 31, 2020 there were no commercial loans in deferral; however, the following table shows the commercial loans and the outstanding loan balances, by industry, at the time the principal and interest deferrals were approved as of September 30, 2020 and June 30, 2020:

(Dollars In Thousands)	September 30, 2020		June 30, 2020	
New York and Other states*	Number of loans	Outstanding loan balance	Number of loans	Outstanding loan balance
Fitness and Recreational Sports Centers	-	$ -	7	$ 11,534
Lessors and Property Managers of Nonresidential Buildings	-	-	7	6,551
Lessors and Property Managers of Residential Buildings	-	-	31	9,818
Other various businesses	-	-	14	2,558
Lessors of Nonresidential Buildings - Self Storage Units	-	-	2	2,238
New Single-Family Housing Construction	-	-	3	1,921
Food Service	5	1,351	5	1,351
Retail	-	-	4	1,349
New Single-Family Housing Construction - Land Development	-	-	3	1,260
Commercial Construction	-	-	3	1,050
	5	$ 1,351	79	$ 39,630
Florida:	Number of loans	Outstanding loan balance	Number of loans	Outstanding loan balance
Fitness and Recreational Sports Centers	-	$ -	-	$ -
Lessors and Property Managers of Nonresidential Buildings	-	-	2	4,533
Lessors and Property Managers of Residential Buildings	-	-	1	46
Other various businesses	-	-	1	319
Lessors of Nonresidential Buildings - Self Storage Units	-	-	1	494
New Single-Family Housing Construction	-	-	-	-
Food Service	1	574	-	-
Retail	-	-	-	-
New Single-Family Housing Construction - Land Development	-	-	-	-
Commercial Construction	-	-	-	-
	1	$ 574	5	$ 5,392
Total:	Number of loans	Outstanding loan balance	Number of loans	Outstanding loan balance
Fitness and Recreational Sports Centers	-	$ -	7	$ 11,534
Lessors and Property Managers of Nonresidential Buildings	-	-	9	11,084
Lessors and Property Managers of Residential Buildings	-	-	32	9,864
Other various businesses	-	-	15	2,877
Lessors of Nonresidential Buildings - Self Storage Units	-	-	3	2,732
New Single-Family Housing Construction	-	-	3	1,921
Food Service	6	1,925	5	1,351
Retail	-	-	4	1,349
New Single-Family Housing Construction - Land Development	-	-	3	1,260
Commercial Construction	-	-	3	1,050
	6	$ 1,925	84	$ 45,022

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

Paycheck Protection Program (PPP) and Liquidity

As part of the CARES Act, approved by the President on March 27, 2020 the Small Business Administration (SBA) was authorized to guarantee loans under the PPP for small businesses that meet the necessary eligibility requirements in order to keep their workers on the payroll. The Company began accepting applications on April 3, 2020. During the year, the Company granted 663 PPP loans totaling $46 million of which 514 PPP loans totaling $29 million remain outstanding at December 31, 2020. The Company received loan origination fees from the SBA which are being recognized over the life of the loan using the effective yield method.

On April 9, 2020, the FDIC, Federal Reserve and OCC created the Paycheck Protection Program Liquidity Facility (PPPLF) to bolster the effectiveness of the PPP by providing liquidity to and neutralizing the regulatory capital effects on participating financial institutions. We do not intend to utilize the liquidity relief offered by the PPPLF as we do not expect our participation in the PPP to have a negative impact on our liquidity position, capital resources, financial condition or results of operations.

Asset impairment

At this time, we do not believe there exists any impairment to our goodwill, long-lived assets, right of use assets, held to maturity investment securities or available-for-sale investment securities due to the COVID-19 pandemic. It is uncertain whether prolonged effects of the COVID-19 pandemic will result in future impairment charges related to any of the aforementioned assets.

Provision for loan losses

See “Allowance for Loan Losses” for more information.

Preventative measures

The Company has instituted preventative measures at branch and back office locations to protect the health of both our customers and employees, including regular deep cleaning of facilities, adhering to CDC guidelines, and practicing “social distancing.” These additional expenses did not have a material impact on the Company for the year ended December 31, 2020.

Federal Reserve Board Actions

The Federal Reserve Board has taken several actions to support the flow of credit to households and businesses. Some of these pertinent actions include:

- The establishment of the Commercial Paper Funding Facility, the Money Market Mutual Fund Liquidity Facility, and the Primary Dealer Credit Facility;
- The expansion of central bank liquidity swap lines;
- Steps to enhance the availability and ease terms for borrowing at the discount window;
- The elimination of reserve requirements;
- Guidance encouraging banks to be flexible with customers experiencing financial challenges related to the COVID-19 and to utilize their liquidity and capital buffers in doing so;
- expanding access to its PPPLF for additional SBA-qualified lenders;
- Statements encouraging the use of daylight credit at the Federal Reserve Board.

Financial Review

TrustCo made significant progress in 2020 despite a challenging operating environment and mixed economic conditions as a result of the current pandemic. Among the key results for 2020, in management’s view:

- Net income after taxes was $52.5 million or $0.543 diluted earnings per share in 2020;
- Period-end loans were up $182 million for 2020 compared to the prior year;
- Period-end deposits were up $587 million for 2020 compared to the prior year;
- Nonperforming assets declined $823 thousand or 3.7% to $21.6 million from year-end 2019 to year-end 2020;
- At 56.38%, the efficiency ratio remained better than our peer-group levels (see Non-GAAP Financial Measures Reconciliation), and;

- The regulatory capital levels of both the Company and the Bank continued to remain very strong at December 31, 2020 and the Bank continues to meet the definition of "well capitalized" for regulatory purposes.

Management believes that the Company was able to achieve these accomplishments, despite a continued mixed economy as a result of the pandemic and increased regulatory expectations, by executing its long-term plan focused on traditional lending criteria and balance sheet management. Achievement of specific business goals such as the continued expansion of loans and deposits, along with tight control of operating expenses and manageable levels of nonperforming assets, is fundamental to the long-term success of the Company as a whole.

Return on average equity was 9.47% in 2020 compared to 11.26% in 2019, while return on average assets was 0.94% in 2020 as compared to 1.12% in 2019.

During the first quarter of 2020 financial markets were drastically influenced by the economic conditions that resulted from the COVID-19 pandemic. Stocks suffered their worst quarterly declines since the financial crisis in late 2008 as the pandemic led to shutdowns of significant portions of the global economy. For the first quarter of 2020, the S&P 500 Index was down 19.6% and the Dow Jones Industrial Average was down 11.15%. By the end of the year both of these indexes ended at all-time highs, and posted double-digit gains in the fourth quarter of 2020. For the year ending 2020, the Dow Jones Industrial Average ended up rebounding with growth of 7.25%, as compared to growth of 25.3% in 2019. The S&P 500 Index likewise rebounded with growth of 16.26% for the year, compared to growth of 33.1% in 2019. Continued uncertainty relative to the pandemic hung over markets throughout the year. United States Three Month Treasury Bills experienced a significant decline in rates in the beginning of the year as a result of drastic rate reductions, ending at 0.09%, 84 basis points behind the ten-year Treasury yield at year-end of 0.93%. These yields were down from 2019 year-end yields of 1.55% for the three month Treasury and 1.92% for the ten-year Treasury yields. These rates are important to the banking industry because deposit rates tend to track the changes in the shorter term treasury markets and the mortgage loans products tend to track with the ten-year Treasury yields. Beginning in 2020 the yield on the two year Treasury bond was 1.58% and decreased 145 basis points during the year to close 2020 at 0.13% whereas the ten-year Treasury bond began 2020 at 1.92% and closed the year down 99 basis points to 0.93% at year-end. These rate changes have a significant implication to the broader economic cycle and reflect the Federal Reserve Board's desire to decrease shorter term rates to help economic expansion and provide for target levels of employment as a result of the pandemic.

The outlook for the United States economy is anticipated to bring continued economic recovery. Growth in business operations and expansion of corporate activities will be necessary for broad range increases in revenues and profits.

Unemployment increased significantly during the first half of 2020 as a result of government mandates affecting certain industries and the uncertainties of the pandemic and declined by the end of the year, but did not return to the historical lows reached a year earlier. The Federal Reserve Board action to decrease short term rates was to help offset the impact of the pandemic on the economy, including unemployment.

Generally, a steady increase in economic activities is viewed as a positive for the banking and finance industries as economic growth creates additional demand for goods and services, which in turn result in increased revenues and profits. TrustCo like most other banking organizations prices many of their liabilities (deposits and short term debt) off of the shorter end of the Treasury maturity curve. The average for the three month Treasury was 175 basis points lower in 2020 than in 2019, with the median yield of 0.12% in 2020 down 205 basis points over 2019. These trends generally reflect a decrease in the cost for deposit products that price off of the short term treasury market yields. At the same time the average yield of the ten-year Treasury has decreased to 0.89% in 2020, down 125 basis points from 2019 when the average was 2.14%. Generally longer term loans are priced consistent with the changes in the ten-year treasury markets. These two trends – the decline in shorter term rates coupled with less of a decline in longer term rates – result in the spread of these yields widening, which is a positive trend to the banking industry, but did not mitigate historical low rates putting pressure on banking net interest margins.

Management believes that TrustCo's long-term focus on traditional banking services has enabled the Company to avoid significant impact from asset quality problems, and the Company's strong liquidity and solid capital positions have allowed the Company to continue to conduct business in a manner consistent with past practices even in these uncertain times. While we continue to adhere to prudent underwriting standards, as a lender, we may be adversely impacted by general economic weaknesses and by a downturn in the housing markets in the areas we serve.

Overview

The 2020 results were marked by continued growth in the Company's loan portfolio. The loan portfolio grew to a total of $4.24 billion, an increase of $182 million or 4.5% over the 2019 year-end balance. Deposits ended 2020 at $5.04 billion, up from $4.45 billion the prior year-end. The year-over-year increases in loans and deposits reflect the success the Company has had in attracting customers to the Bank, as well as the belief that in the current pandemic environment there is a desire of customers to have additional funds in the safety and security offered by TrustCo's long history of conservative banking. Also contributing to the increase in retail deposits was federal stimulus checks sent to eligible customers from the Internal Revenue Service. Management believes that TrustCo's success is predicated on providing core banking services to a wider number of customers and continuing to provide added services to existing customers where possible. Growing the customer base should contribute to continued growth of loans and deposits, as well as net interest income and non-interest income.

TrustCo recorded net income of $52.5 million or $0.543 of diluted earnings per share for the year ended December 31, 2020, compared to $57.8 million or $0.597 of diluted earnings per share for the year ended December 31, 2019. Net income before taxes was $69.4 million in 2020 compared to $76.5 million in 2019.

During 2020, the following had a significant effect on net income:

- a decrease of $2.2 million in net interest income from 2019 to 2020 primarily as a result of the cut in the federal funds rate;
- an increase of $5.4 million in the provision for loan losses to $5.6 million in 2020;
- a decrease in non-interest income of $1.4 million, and;
- a decrease in non-interest expense of $2.0 million.

TrustCo performed well in comparison to its peers with respect to a number of key performance ratios during 2020 and 2019, including:

- return on average equity of 9.47% for 2020 and 11.26% for 2019, compared to medians of 9.11% in 2020 and 10.51% in 2019 for a peer group comprised of all publicly traded banks and thrifts tracked by S&P Global Market Intelligence with assets of $2 billion to $10 billion, and
- an efficiency ratio, as calculated by S&P Global Market Intelligence, of 56.38% for 2020 and 56.13% for 2019, compared to the peer group medians of 57.45% in 2020 and 57.84% in 2019.

During 2020, TrustCo's results were affected by the growth of deposits, strong loan growth and a shift in asset mix. Despite the changes in the interest rate environment and the effects from the pandemic during 2020, the Company was able to continue to attract and retain deposits. On average for 2020, non-maturity deposits were 71.5% of total deposits, up from 67.9% in 2019. Overall, the cost of interest bearing liabilities decreased 31 basis points to 0.57% in 2020 as compared to 2019. Average loan balances increased 6.0% from 2019 to 2020, while the total of federal funds sold and other short-term investments, available for sale securities and held to maturity securities increased 13.2%, average net loans decreased to 77.1% of average earning assets in 2020 from 78.2% in 2019. The Company has traditionally maintained a high liquidity position and taken a conservative stance in its investment portfolio through the use of relatively short-term securities. The changing rate environment in 2020 as well as the current pandemic resulted in maturing and called securities being reinvested in loans and bonds, with any remaining funds continuing to be held in Federal funds sold and other short-term investments.

As discussed previously, market interest rates moved significantly during the course of 2020, with both shorter term and longer term rates decreasing versus year-end 2019. Overall, trends in market rates caused a steepening of the yield curve, on average, during the year. The average daily spread between the ten-year Treasury and the two-year Treasury was 50 basis points in 2020, up from an average of 17 basis points in 2019 and 38 basis points in 2018. The spread increased later in the year, ending 2020 at 80 basis points. Generally, a more positive slope in the yield curve is generally beneficial for the Company's earnings derived from its core mix of loans and deposits.

The tables below illustrate the range of key Treasury bond interest rates during 2019 and 2020.

	3 Month T Bill (BEY) Yield(%)	2 Year T Note Yield(%)	5 Year T Note Yield(%)	10 Year T Note Yield(%)	10 Year - 2 Year Spread(%)
2020					
Beginning of Year	1.55	1.58	1.69	1.92	0.34
Peak	1.59	1.58	1.67	1.88	0.83
Trough	-	0.11	0.19	0.52	0.12
End of Year	0.09	0.13	0.36	0.93	0.80
Average	0.36	0.39	0.53	0.89	0.50
Median	0.12	0.17	0.36	0.74	0.52
2019					
Beginning of Year	2.45	2.48	2.51	2.69	0.21
Peak	2.49	2.62	2.62	2.79	0.34
Trough	1.52	1.39	1.32	1.47	(0.04)
End of Year	1.55	1.58	1.69	1.92	0.34
Average	2.11	1.97	1.95	2.14	0.17
Median	2.17	1.83	1.84	2.07	0.17

Source: www.treasury.gov

In addition to changes in interest rates, deterioration in economic conditions as a result of the pandemic have impacted the allowance for loan losses. The increase in the provision for loan losses from $159 thousand in 2019 to $5.6 million in 2020 negatively affected net income. Net charge-offs decreased from $608 thousand in 2019 to $322 thousand in 2020. Total nonperforming loans increased $215 thousand from 2019. Details on nonperforming loans and net charge-offs are included in the notes to the financial statements. The increase in the provision for loan losses is primarily driven by the continued uncertainty in the current economic environment resulting from COVID-19.

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

The Company remains focused on building its customer relationships, deposits and loans throughout its branch network, with a particular emphasis on the newest branches added to our “network.”

The Company continually looks for opportunities to open new offices each year by filling in or extending existing markets. The Company has experienced continued growth in all markets as measured by the growth in deposit and loan balances. All branches have the same products and features found at other Trustco Bank locations. Additionally, the Company has made significant investments in the online and mobile banking platforms, including new automated tools. With a combination of competitive rates, excellent service and convenient locations, management believes that as branches mature, they will continue to attract deposit and loan customers. As expected, some branches have grown more rapidly than others. Generally, new bank branches continue to grow for years after being opened, although there is no specific time frame that could be characterized as typical.

Asset/Liability Management

In managing its balance sheet, TrustCo utilizes funding and capital sources within sound credit, investment, interest rate, and liquidity risk guidelines established by management and approved by the Board of Directors. Loans and securities (including Federal Funds sold and other short-term investments) are the Company’s primary earning assets. Average interest earning assets were 97.3% of average total assets for 2020 and 2019.

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

TrustCo's objectives in managing its balance sheet are to limit the sensitivity of net interest income to actual or potential changes in interest rates and to enhance profitability through strategies that should provide sufficient reward for predicted and controlled risk. The Company is deliberate in its efforts to maintain adequate liquidity under prevailing and projected economic conditions and to maintain an efficient and appropriate mix of core deposit relationships. The Company relies on traditional banking investment instruments and its large base of core deposits to help in asset/liability management. Predicting the impact of changing rates on the Company's net interest income and net fair value of its balance sheet is complex and subject to uncertainty for a number of reasons. For example, in making a general assumption that rates will rise, a myriad of other assumptions regarding whether the slope of the yield curve remains the same or changes, whether the spreads of various loans, deposits and investments remain unchanged, widen or narrow and what changes occur in customer behavior all need to be made. The Company routinely models various rate changes and monitors basis changes that may be incorporated into that modeling.

Interest Rates

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

Interest rates have a significant impact on the operations and financial results of all financial services companies. One of the most important interest rates used to control national economic policy is the "Federal Funds" rate. This is the interest rate utilized within the banking system for overnight borrowings for institutions with the highest credit rating. From December 2015 through December 2018, the U.S. Federal Reserve Board increased its federal funds target rate from a range of 0.00% - 0.25% to a range of 2.25% - 2.50%. Beginning in the second half of 2019, the Federal Reserve Board began lowering the rate in response to a slowing economy. During the first quarter of 2020 the rate was significantly decreased again as a result of the global pandemic related to COVID-19, and has returned the range of 0.00% to 0.25%.

The yield on the ten-year Treasury bond decreased by 99 basis points from 1.92% at the beginning of 2020 to the year-end level of 0.93%. The rate on the ten-year Treasury bond and other long-term interest rates have a significant influence on the rates offered for new residential real estate loans. These changes in interest rates have an effect on the Company relative to the interest income on loans, securities, and Federal Funds sold and on other short-term instruments as well as the interest expense on deposits and borrowings. Residential real estate loans and longer-term investments are most affected by the changes in longer term market interest rates such as the ten-year Treasury. The Federal Funds sold portfolio and other short-term investments are affected primarily by changes in the Federal Funds target rate. Deposit interest rates are most affected by short term market interest rates. Also, changes in interest rates have an effect on the recorded balance of the securities available for sale portfolio, which are recorded at fair value. Generally, as market interest rates decrease, the fair value of the securities will increase and the reverse is also generally applicable. Interest rates on new residential real estate loan originations are also influenced by the rates established by secondary market participants such as Freddie Mac and Fannie Mae. Because TrustCo is a portfolio lender and does not sell loans into the secondary market, the Company establishes rates that management determines are appropriate in light of the long-term nature of residential real estate loans while remaining competitive with the secondary market rates. Higher market interest rates also generally increase the value of retail deposits.

The decrease in the Federal Funds target range had a negative impact on earnings on the Company's cash position. The net effect of market changes in interest rates during 2020 was that yields earned on both the investment portfolios and loans remained quite low in 2020 relative to historic levels, which also drove down deposit costs.

Earning Assets

Average earning assets during 2020 were $5.4 billion, which was an increase of $379.1 million from 2019. This increase was primarily the result of growth in the average balance of net loans of $237.2 million and in Federal Funds sold and other short-term investments of $270.9 million, offset by decreases of $123.0 million in securities available for sale and $4.3 million in held-to-maturity securities between 2019 and 2020. The increase in the loan portfolio is the result of a significant increase in residential mortgage loans, which more than offset net decreases in the other loan categories. The increase in residential real estate loans is a result of a strategic focus on growth of this product throughout the Trustco Bank branch network through an effective marketing campaign and competitive rates and closing costs. The decrease in securities available for sale is primarily the result of increased calls as a result of the current interest rate environment as described above.

Total average assets were $5.6 billion for 2020 and $5.2 billion for 2019.

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

MIX OF AVERAGE EARNING ASSETS

(dollars in thousands)				**2020 vs.**	2019 vs.	Components of Total Earning Assets		
	2020	2019	2018	**2019**	2018	**2020**	2019	2018
Loans, net	**$4,163,399**	3,926,199	3,746,082	**237,200**	180,117	**77.2%**	78.1%	77.7
Securities available for sale (1):								
U.S. government sponsored enterprises	**38,508**	156,292	155,381	**(117,784)**	911	**0.7**	3.1	3.2
State and political subdivisions	**111**	167	414	**(56)**	(247)	**-**	-	-
Mortgage-backed securities and collateralized mortgage obligations-residential	**333,093**	345,718	294,732	**(12,625)**	50,986	**6.2**	6.9	6.1
Corporate bonds	**50,982**	34,637	30,310	**16,345**	4,327	**0.9**	0.7	0.6
Small Business Administration-guaranteed participation securities	**44,379**	53,269	63,430	**(8,890)**	(10,161)	**0.8**	1.1	1.3
Mortgage-backed securities and collateralized mortgage obligations-commercial	**-**	-	2,769	**-**	(2,769)	**-**	-	0.1
Other	**686**	685	685	**1**	-	**-**	-	-
Total securities available for sale	**467,759**	590,768	547,721	**(123,009)**	43,047	**8.6**	11.8	11.3
Held-to-maturity securities:								
Mortgage-backed securities and collateralized mortgage obligations	**16,376**	20,643	24,801	**(4,267)**	(4,158)	**0.3**	0.4	0.5
Total held-to-maturity securities	**16,376**	20,643	24,801	**(4,267)**	(4,158)	**0.3**	0.4	0.5
Federal Reserve Bank and Federal Home Loan Bank stock	**7,381**	9,123	8,907	**(1,742)**	216	**0.1**	0.2	0.2
Federal funds sold and other short-term investments	**748,085**	477,181	495,066	**270,904**	(17,885)	**13.8**	9.5	10.3
Total earning assets	**$5,403,000**	5,023,914	4,822,577	**379,086**	201,337	**100.0%**	100.0%	100.0

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

Loans

In 2020, the Company experienced another year of solid loan growth despite the challenges of the pandemic. The $182.3 million increase or 4.5% in the Company's gross loan portfolio from December 31, 2019 to December 31, 2020 was due to higher residential and commercial balances, which offset lower balances in other loan categories. Average loans increased $237.2 million during 2020 to $4.16 billion. Interest income on the loan portfolio decreased to $166.0 million in 2020 from $166.6 million in 2019. The average yield decreased 25 basis points to 3.99% in 2020 compared to 4.24% in 2019.

LOAN PORTFOLIO

(dollars in thousands)	As of December 31,					
	2020		2019		2018	
	Amount	Percent	Amount	Percent	Amount	Percent
Commercial	**$ 198,328**	**4.7%**	$ 181,635	4.5%	$ 183,598	4.7%
Real estate - construction	**24,749**	**0.6**	28,532	0.7	26,717	0.7
Real estate - mortgage	**3,769,582**	**88.8**	3,573,106	87.9	3,362,539	86.8
Home equity lines of credit	**242,194**	**5.7**	267,922	6.6	289,540	7.5
Installment loans	**9,617**	**0.2**	11,001	0.3	11,702	0.3
Total loans	**4,244,470**	**100.0%**	4,062,196	100.0%	3,874,096	100.0%
Less: Allowance for loan losses	**49,595**		44,317		44,766	
Net loans (1)	**$4,194,875**		$4,017,879		$3,829,330	

	Average Balances									
	2020		2019		2018		2017		2016	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial	**$ 203,314**	**4.9%**	$ 176,165	4.5%	$ 175,814	4.7%	$ 175,596	5.0%	$ 186,800	5.6%
Real estate - construction	**26,641**	**0.6**	27,728	0.7	26,717	0.7	26,616	0.8	23,645	0.7
Real estate - mortgage	**3,667,909**	**88.2**	3,433,683	87.4	3,236,631	86.5	2,985,870	84.9	2,779,451	83.0
Home equity lines of credit	**255,583**	**6.1**	277,905	7.1	297,678	7.9	318,660	9.1	350,004	10.5
Installment loans	**9,952**	**0.2**	10,718	0.3	9,242	0.2	8,158	0.2	8,424	0.3
Total loans	**4,163,399**	**100.0%**	3,926,199	100.0%	3,746,082	100.0%	3,514,900	100.0%	3,348,324	100.0%
Less: Allowance for loan losses	**47,330**		44,639		44,651		44,319		44,718	
Net loans (1)	**$4,116,069**		$3,881,560		$3,701,431		$3,470,581		$3,303,606	

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

Through marketing, pricing and a customer-friendly service delivery network, TrustCo has attempted to distinguish itself from other mortgage lenders by highlighting the uniqueness of its loan products. Specifically, low closing costs, no escrow or private mortgage insurance, quick loan decisions and fast closings were identified and marketed. The fact that the Company holds mortgages in its loan portfolio rather than selling them into secondary markets was also highlighted to customers. The average balance of residential real estate mortgage loans was approximately $3.68 billion in 2020 and approximately $3.45 billion in 2019. Income on real estate loans increased to $144.2 million in 2020 from $142.0 million in 2019. The yield on the portfolio decreased from 4.12% in 2019 to 3.92% in 2020. The vast majority of TrustCo's real estate loans are secured by properties within the Bank's market area.

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

Average commercial loans of $219.3 million in 2020 increased by $27.7 million from $191.6 million in 2019, primarily as a result of the issuance of PPP loans. Average commercial loans included $14.2 million and $17.9 million of commercial real estate construction loans in 2020 and 2019, respectively. The average yield on the commercial loan portfolio decreased to 4.92% for 2020 from 5.35% in 2019, which was offset by higher average balance resulting in interest income on commercial loans of $10.8 million in 2020 compared to $10.2 million in 2019.

TrustCo's commercial lending activities are focused on balancing the Company's commitment to meeting the credit needs of businesses in its market areas with the necessity of managing its credit risk. In accordance with these goals, the Company has consistently emphasized the origination of loans within its market areas. TrustCo's commercial loan portfolio contains no foreign loans, nor does it contain any significant concentrations of credit to any single borrower or industry. The Capital Region commercial loan portfolio reflects the diversity of businesses found in the market area, including light manufacturing, retail, service, and real estate-related businesses. Commercial loans made in the downstate New York market area and in the central Florida market area also reflect the businesses in those areas, with a focus on real estate. TrustCo strives to maintain strong asset quality in all segments of its loan portfolio, especially commercial loans. There is significant competition for commercial loans in the Bank's market regions.

TrustCo has a strong position in the home equity credit line product in its market area. During 2020, the average balance of home equity credit lines was $255.6 million, a decrease from $277.9 million in 2019. Trustco Bank competes with both regional and national concerns for these lines of credit and faces stiff competition with respect to interest rates, closing costs, and customer service for these loans. TrustCo continuously reviews changes made by competitors with respect to the home equity credit line product and adjusts its offerings to remain competitive while meeting evolving needs. Changes in tax law and consumer behavior have resulted in this product being somewhat less popular in recent years. TrustCo's average yield on this portfolio was 4.01% for 2020 and 4.88% for 2019. Interest income on home equity credit lines decreased from $13.6 million in 2019 to $10.3 million in 2020.

MATURITIES AND SENSITIVITIES OF LOANS TO CHANGE IN INTEREST RATES

(dollars in thousands)	December 31, 2020			
	In 1 Year or Less	After 1 Year But Within 5 Years	After 5 Years	Total
Commercial	**$ 31,358**	**74,822**	**92,148**	**198,328**
Real estate construction	**24,749**	**-**	**-**	**24,749**
Total	**56,107**	**74,822**	**92,148**	**223,077**
Predetermined rates	**29,175**	**74,822**	**92,148**	**196,145**
Floating rates	**26,932**	**-**	**-**	**26,932**
Total	**$ 56,107**	**74,822**	**92,148**	**223,077**

At December 31, 2020 and 2019, the Company had approximately $24.7 million and $28.5 million of real estate construction loans, respectively. Of the $24.7 million in real estate construction loans at December 31, 2020, approximately $10.5 million were secured by first mortgages to residential borrowers with the remaining $14.2 million were loans to commercial borrowers for residential construction projects. Of the $28.5 million in real estate construction loans at December 31, 2019, approximately $10.7 million were secured by first mortgages to residential borrowers while approximately $17.8 million were to commercial borrowers for residential construction projects. The vast majority of the Company's construction loans are in the Company's New York market.

INVESTMENT SECURITIES

(dollars in thousands)	As of December 31,					
	2020		2019		2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities available for sale:						
U. S. government sponsored enterprises	**$ 20,000**	**19,968**	104,895	104,512	154,868	152,160
State and political subdivisions	**103**	**103**	160	162	168	173
Mortgage backed securities and collateralized mortgage obligations-residential	**308,432**	**316,158**	388,537	389,517	271,386	262,032
Corporate bonds	**59,185**	**59,939**	30,164	30,436	30,048	29,938
Small Business Adminstration-guaranteed participation securities	**40,955**	**42,217**	48,991	48,511	58,376	56,475
Other	**685**	**686**	685	685	685	685
Total securities available for sale	**429,360**	**439,071**	573,432	573,823	515,531	501,463
Held to maturity securities:						
Mortgage backed securities and collateralized mortgage obligations-residential	**13,824**	**14,988**	18,618	19,680	22,501	22,924
Total held to maturity securities	**13,824**	**14,988**	18,618	19,680	22,501	22,924
Total investment securities	**$ 443,184**	**454,059**	592,050	593,503	538,032	524,387

Securities available for sale: The portfolio of securities available for sale is designed to provide a stable source of interest income and liquidity. The portfolio is also managed by the Company to take advantage of changes in interest rates and is particularly important in providing greater flexibility in the current low interest rate environment. The securities available for sale portfolio is managed under a policy detailing the types and characteristics acceptable in the portfolio. Mortgage backed securities and collateralized mortgage obligations held in the portfolio include only pass-throughs issued by United States government agencies or sponsored enterprises.

Holdings of various types of securities may vary from year-to-year depending on management's assessment of relative risk and reward, and also due to timing issues of calls, maturities, prepayments and purchases. Holdings of both municipal and corporate securities are subject to additional monitoring requirements under current regulations, adding to the costs of owning those securities.

Proceeds from sales, calls and maturities of securities available for sale have been invested in higher yielding assets, such as loans, or temporarily held in Federal Funds sold and other short-term investments until deployed to fund future loan growth or future investment opportunities.

The designation of securities as "available for sale" is made at the time of purchase, based upon management's intent and ability to hold the securities for an indefinite period of time. These securities are available for sale in response to changes in market interest rates, related changes in prepayment risk, needs for liquidity, or changes in the availability of and yield on alternative investments. At December 31, 2020, some securities in this portfolio had fair values that were less than the amortized cost due to changes in interest rates and market conditions and not related to the credit condition of the issuers. At December 31, 2020, the Company did not intend to sell, and it is not likely that the Company will be required to sell, these securities before market recovery. Accordingly, at December 31, 2020 the Company did not consider any of the unrealized losses to be other than temporary.

At December 31, 2020, the carrying value of securities available for sale amounted to $439.1 million, compared to $573.8 million at year-end 2019. For 2020, the average balance of securities available for sale was $467.8 million with an average yield of 2.00%, compared to an average balance in 2019 of $590.8 million with an average yield of 2.32%. The taxable equivalent income earned on the securities available for sale portfolio in 2020 was $9.4 million, compared to $13.7 million earned in 2019.

Securities available for sale are recorded at their fair value, with any unrealized gains or losses, net of taxes, recognized as a component of shareholders' equity. Average balances of securities available for sale are stated at amortized cost. At December 31, 2020, the fair value of TrustCo's portfolio of securities available for sale carried gross unrealized gains of approximately $9.9 million and gross unrealized losses of approximately $217 thousand. At December 31, 2019, the fair value of TrustCo's portfolio of securities available for sale carried gross unrealized gains of approximately $2.8 million and gross unrealized losses of approximately $2.4 million. As previously noted, in both periods, unrealized losses were related to market interest rate levels and were not credit related.

Held to Maturity Securities: At December 31, 2020, the Company held $13.8 million of held to maturity securities, compared to $18.6 million at December 31, 2019. For 2020, the average balance of held to maturity securities was $16.4 million, compared to $20.6 million in 2019. Similar to securities available for sale, cash flow from these securities has been reinvested in higher yielding assets, such as loans, or temporarily held in Federal Funds sold and other short-term investments to fund future loan growth or future investment opportunities. The average yield on held to maturity securities decreased slightly from 3.86% in 2019 to 3.69% in 2020 as the mix within the portfolio changed due primarily to normal pay downs and prepayments on the mortgage-backed securities held in the portfolio. Interest income on held to maturity securities declined from $797 thousand in 2019 to $604 thousand in 2020, reflecting the decline in average balances. Held to maturity securities are recorded at amortized cost. The fair value of these securities as of December 31, 2020 was $15.0 million.

The designation of securities as "held to maturity" is made at the time of purchase, based upon management's intent and ability to hold the securities until final maturity. At December 31, 2020 there were no unrecognized losses on securities in this portfolio.

Securities Gains: During 2020, TrustCo recognized approximately $1.2 million from net gains from securities transactions. During 2019 and 2018, TrustCo did not recognize any net gains from securities transactions. There were no sales or transfers of held to maturity securities in 2020, 2019 and 2018.

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

SECURITIES PORTFOLIO MATURITY DISTRIBUTION AND YIELD

(dollars in thousands)	As of December 31, 2020				
	Maturing:				
Debt securities available for sale:	Within 1 Year	After 1 But Within 5 Years	After 5 But Within 10 Years	After 10 Years	Total
U. S. government sponsored enterprises					
Amortized cost	$ -	**20,000**	**-**	**-**	**20,000**
Fair Value	**-**	**19,968**	**-**	**-**	**19,968**
Weighted average yield	**-%**	**0.40**	**-**	**-**	**0.40**
State and political subdivisions					
Amortized cost	$ **62**	**32**	**9**	**-**	**103**
Fair Value	**62**	**32**	**9**	**-**	**103**
Weighted average yield	**5.05%**	**5.24**	**5.27**	**-**	**5.13**
Mortgage backed securities and collateralized mortgage obligations-residential					
Amortized cost	$ **32**	**220,328**	**3,535**	**84,537**	**308,432**
Fair Value	**35**	**226,995**	**3,719**	**85,409**	**316,158**
Weighted average yield	**5.82%**	**2.04**	**4.20**	**1.75**	**1.99**
Corporate bonds					
Amortized cost	$ **8,477**	**50,708**	**-**	**-**	**59,185**
Fair Value	**8,572**	**51,367**	**-**	**-**	**59,939**
Weighted average yield	**2.84%**	**2.30**	**-**	**-**	**2.38**
Small Business Administration-guaranteed participation securities					
Amortized cost	$ **-**	**40,955**	**-**	**-**	**40,955**
Fair Value	**-**	**42,217**	**-**	**-**	**42,217**
Weighted average yield	**-%**	**2.09**	**-**	**-**	**2.09**
Other					
Amortized cost	$ **635**	**50**	**-**	**-**	**685**
Fair Value	**636**	**50**	**-**	**-**	**686**
Weighted average yield	**3.45%**	**2.83**	**-**	**-**	**3.41**
Total securities available for sale					
Amortized cost	**9,206**	**332,073**	**3,544**	**84,537**	**429,360**
Fair Value	**9,305**	**340,629**	**3,728**	**85,409**	**439,071**
Weighted average yield	**2.90%**	**1.99**	**4.20**	**1.75**	**2.08**
Held to maturity securities:					
Mortgage backed securities and collateralized mortgage obligations-residential					
Amortized cost	$ **-**	**81**	**519**	**13,224**	**13,824**
Fair Value	**-**	**84**	**543**	**14,361**	**14,988**
Weighted average yield	**-%**	**5.44**	**3.04**	**5.12**	**5.04**
Total held to maturity securities					
Amortized cost	$ **-**	**81**	**519**	**13,224**	**13,824**
Fair Value	**-**	**84**	**543**	**14,361**	**14,988**
Weighted average yield	**-%**	**5.44**	**3.04**	**5.12**	**5.04**

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

Maturity and call dates of securities: Many of the securities in the Company’s portfolios have a call date in addition to the stated maturity date. Call dates allow the issuer to redeem the bonds prior to maturity at specified dates and at predetermined prices. Normally, securities are redeemed at the call date when the issuer can reissue the security at a lower interest rate. Therefore, for cash flow, liquidity and interest rate management purposes, it is important to monitor both maturity dates and call dates. The level of calls in 2020 was higher than the 2019 level, as decreasing interest rates increase the probability of calls. The probability of future calls will change depending on market interest rate levels. The tables labeled “Securities Portfolio Maturity and Call Date Distribution,” show the distribution, based on both final maturity and call date of each security, broken out by the available for sale and held to maturity portfolios as of December 31, 2020. Mortgage backed securities, collateralized mortgage obligations and Small Business Administration securities are reported using an estimate of average life. Actual maturities may differ from contractual maturities because of securities’ prepayments and the right of certain issuers to call or prepay their obligations without penalty. The table, “Securities Portfolio Maturity Distribution and Yield,” shows the distribution of maturities for each of the securities portfolios, based on final maturity, as well as the average yields at December 31, 2020 on each type/maturity grouping.

SECURITIES PORTFOLIO MATURITY AND CALL DATE DISTRIBUTION

Debt securities available for sale:
(dollars in thousands)

	As of December 31, 2020			
	Based on Final Maturity		Based on Call Date	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ **9,174**	**9,270**	**29,207**	**29,273**
1 to 5 years	**70,821**	**71,453**	**312,072**	**320,661**
5 to 10 years	**18,438**	**19,077**	**3,544**	**3,728**
After 10 years	**330,927**	**339,271**	**84,537**	**85,409**
Total debt securities available for sale	$ **429,360**	**439,071**	**429,360**	**439,071**

Held to maturity securities:
(dollars in thousands)

	As of December 31, 2020				
	Based on Final Maturity			Based on Call Date	
	Amortized Cost	Fair Value		Amortized Cost	Fair Value
Within 1 year	$ **-**	**-**	**-**	**859**	**875**
1 to 5 years	**81**	**84**	**-**	**12,098**	**13,142**
5 to 10 years	**519**	**544**	**-**	**867**	**971**
After 10 years	**13,224**	**14,360**	**-**	**-**	**-**
Total held to maturity securities	$ **13,824**	**14,988**		**13,824**	**14,988**

Federal Funds Sold and Other Short-term Investments

During 2020, the average balance of Federal Funds sold and other short-term investments was $748.1 million, an increase from $477.2 million in 2019. The average rate earned on these assets was 0.26% in 2020 and 2.20% in 2019. The higher average balances did not offset several target rate decreases. TrustCo utilizes this category of earning assets as a means of maintaining strong liquidity. The Federal Funds sold and other short-term investments portfolio is significantly affected by changes in the target Federal Funds rate, as are virtually all short-term interest-sensitive instruments.

The year-end balance of Federal Funds sold and other short-term investments was approximately $1.1 billion for 2020, compared to $408.6 million at year-end 2019. While yields on investment securities with acceptable risk characteristics were insufficient to justify shifting overnight liquidity into other investment types during 2020, some funds were shifted into higher yielding loans. Management will continue to evaluate the overall level of Federal Funds sold and other short-term investments in 2021 and will make appropriate adjustments based upon market opportunities and interest rates.

Funding Sources

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

Deposits: Average total deposits were approximately $4.74 billion in 2020, compared to approximately $4.41 billion in 2019, an increase of $333.4 million. Changes in deposit categories (average balances 2020 versus 2019) included: demand deposits up $140.0 million, interest-bearing checking deposits up $96.7 million, savings up $57.5 million, money market up $106.6 million and time deposits down $67.3 million. While many customers remain in one product type for many years, others may move funds between product types to maximize the yield earned or as a result of increased or decreased liquidity needs. The increase in retail deposits reflects the focus on growing funding sources by providing core banking services better, faster and at competitive rates. Additionally, we also believe the increase in retail deposits continues to reflect of the desire of customers to have additional funds in the safety and security offered by TrustCo’s long history of conservative banking. Also contributing to the increase in retail deposits was federal stimulus checks sent to eligible customers from the Internal Revenue Service. The increase in time deposits over $250 thousand is not the result of any incentive pricing as TrustCo does not offer premium rates on large certificates of deposit.

MIX OF AVERAGE SOURCES OF FUNDING

(dollars in thousands)	**2020**	2019	2018	**2020 vs. 2019**	2019 vs. 2018	Components of Total Funding **2020**	2019	2018
Retail deposits								
Demand deposits	**$ 567,265**	427,276	396,367	**139,989**	30,909	**11.5%**	9.4	9.0
Savings	**1,191,532**	1,134,050	1,241,619	**57,482**	(107,569)	**24.2**	24.8	28.2
Time deposits under $250 thousand	**1,126,636**	1,189,901	967,765	**(63,265)**	222,136	**22.9**	26.0	22.0
Interest bearing checking accounts	**971,385**	874,700	897,378	**96,685**	(22,678)	**19.7**	19.1	20.4
Money market deposits	**662,107**	555,547	521,233	**106,560**	34,314	**13.5**	12.2	11.8
Total retail deposits	**4,518,925**	4,181,474	4,024,362	**337,451**	157,112	**91.8**	91.5	91.4
Time deposits over $250 thousand	**223,527**	227,586	182,215	**(4,059)**	45,371	**4.5**	5.0	4.1
Short-term borrowings	**180,065**	159,220	194,810	**20,845**	(35,590)	**3.7**	3.5	4.4
Total purchased liabilities	**403,592**	386,806	377,025	**16,786**	9,781	**8.2**	8.5	8.6
Total sources of funding	**$4,922,517**	4,568,280	4,401,387	**354,237**	166,893	**100.0%**	100.0	100.0

AVERAGE BALANCES, YIELDS AND NET INTEREST MARGINS

(dollars in thousands)	2020			2019			2018		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
Assets									
Loans, net	$4,163,399	165,964	3.99%	$3,926,199	166,610	4.24%	$3,746,082	158,304	4.23%
Securities available for sale:									
U.S. government sponsored enterprises	38,508	568	1.48	156,292	3,209	2.05	155,381	3,112	2.00
State and political subdivisions	111	9	7.82	167	13	7.78	414	34	8.21
Mortgage backed securities and collateralized mortgage obligations-residential	333,093	6,131	1.84	345,718	8,219	2.38	294,732	6,593	2.24
Corporate bonds	50,982	1,721	3.38	34,637	1,096	3.16	30,310	687	2.27
Small Business Administration- guaranteed participation securities	44,379	902	2.03	53,269	1,121	2.10	63,430	1,339	2.11
Mortgage backed securities and collateralized mortgage obligations-commercial	-	-	-	-	-	-	2,769	37	1.33
Other	686	23	3.35	685	22	3.21	685	18	2.63
Total securities available for sale	467,759	9,354	2.00	590,768	13,680	2.32	547,721	11,820	2.16
Held to maturity securities:									
Mortgage backed securities and collateralized mortgage obligations-residential	16,376	604	3.69	20,643	797	3.86	24,801	962	3.88
Total held to maturity securities	16,376	604	3.69	20,643	797	3.86	24,801	962	3.88
Federal Reserve Bank and Federal Home Loan Bank stock	7,381	421	5.70	9,123	568	6.23	8,907	564	6.33
Federal funds sold and other short-term investments	748,085	1,948	0.26	477,181	10,478	2.20	495,066	9,276	1.87
Total interest earning assets	5,403,000	178,291	3.30%	5,023,914	192,133	3.82%	4,822,577	180,926	3.75%
Allowance for loan losses	(47,330)			(44,639)			(44,651)		
Cash and noninterest earning assets	197,966			182,545			122,524		
Total assets	$5,553,636			$5,161,820			$4,900,450		
Liabilities and shareholders' equity									
Interest bearing deposits:									
Interest bearing checking accounts	$ 971,385	148	0.02%	$ 874,700	288	0.03%	$ 897,378	442	0.05%
Savings	1,191,532	716	0.06	1,134,050	1,338	0.12	1,241,619	1,657	0.13
Time deposits and money markets	2,012,270	22,834	1.13	1,973,034	33,227	1.68	1,671,213	16,859	1.01
Total interest bearing deposits	4,175,187	23,698	0.57	3,981,784	34,853	0.88	3,810,210	18,958	0.50
Short-term borrowings	180,065	1,010	0.56	159,220	1,468	0.92	194,810	1,270	0.65
Total interest bearing liabilities	4,355,252	24,708	0.57%	4,141,004	36,321	0.88%	4,005,020	20,228	0.51%
Demand deposits	567,265			427,276			396,367		
Other liabilities	77,487			80,051			28,249		
Shareholders' equity	553,632			513,489			470,814		
Total liabilities and shareholders' equity	$5,553,636			$5,161,820			$4,900,450		
Net interest income - tax equivalent		153,583			155,812			160,698	
Taxable equivalent adjustment		(3)			(5)			(12)	
Net interest income		153,580			155,807			160,686	
Net interest spread			2.73%			2.94%			3.25%
Net interest margin (net interest income to total interest earnings assets)			2.84			3.10			3.33

Portions of income earned on certain commercial loans, obligations of states and political subdivisions, and equity securities are exempt from federal and/or state taxation. Appropriate adjustments have been made to reflect the equivalent amount of taxable income that would have been necessary to generate an equal amount of after tax income. Federal and state tax rates used to calculate income on a tax equivalent basis were 21.0% and 6.0%, respectively, for 2020, 2019 and 2018. The average balances of securities available for sale and held to maturity were calculated using amortized costs. Included in the average balance of shareholders' equity is $7.1 million, ($3.6) million, and ($13.8) million in 2020, 2019, and 2018, respectively, of net unrealized income (loss), net of tax, in the available for sale securities portfolio. The gross amounts of the net unrealized loss has been included in cash and noninterest earning assets. Nonaccrual loans are included in average loans.

The overall cost of interest bearing deposits, as well as interest bearing assets and yields, decreased primarily as a result of the current economic environment resulting from the pandemic.

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

Other funding sources: The Company had $180.1 million of average short-term borrowings outstanding during 2020, compared to $159.2 million in 2019. These borrowings represent customer repurchase accounts, which behave more like deposit accounts than traditional borrowings. The average cost of short-term borrowings was 0.56% in 2020 and 0.92% in 2019. This resulted in interest expense of approximately $1.0 million in 2020, compared to $1.5 million in 2019.

AVERAGE DEPOSITS BY TYPE OF DEPOSITOR

(dollars in thousands)

	Years ended December 31,				
	2020	2019	2018	2017	2016
Individuals, partnerships and corporations	**$ 4,700,635**	4,380,866	4,184,850	4,149,832	4,127,587
U.S. Government	**-**	-	-	-	-
States and political subdivisions	**15,709**	8,663	3,007	2,765	3,085
Other (certified and official checks, etc.)	**26,108**	19,531	18,720	18,799	18,529
Total average deposits by type of depositor	**$ 4,742,452**	4,409,060	4,206,577	4,171,396	4,149,201

MATURITY OF TIME DEPOSITS OVER $250 THOUSAND

(dollars in thousands)

	As of December 31, 2020
Under 3 months	**$ 62,995**
3 to 6 months	**29,760**
6 to 12 months	**97,856**
Over 12 months	**29,264**
Total	**$ 219,875**

VOLUME AND YIELD ANALYSIS

(dollars in thousands)	**2020 vs. 2019**			2019 vs. 2018		
	Increase (Decrease)	Due to Volume	Due to Rate	Increase (Decrease)	Due to Volume	Due to Rate
Interest income (TE):						
Federal funds sold and other short-term investments	**$ (8,530)**	**3,909**	**(12,439)**	$ 1,202	(351)	$ 1,553
Securities available for sale:						
Taxable	**(4,322)**	**(1,853)**	**(2,469)**	1,881	1,092	789
Tax-exempt	**(4)**	**(4)**	**-**	(21)	(20)	(1)
Total securities available for sale	**(4,326)**	**(1,857)**	**(2,469)**	1,860	1,072	788
Held to maturity securities (taxable)	**(193)**	**(159)**	**(34)**	(165)	(160)	(5)
Federal Reserve Bank and Federal Home Loan Bank stock	**(147)**	**(102)**	**(45)**	4	34	(30)
Loans, net	**(646)**	**9,646**	**(10,292)**	8,306	7,400	906
Total interest income	**(13,842)**	**11,437**	**(25,279)**	11,207	7,995	3,212
Interest expense:						
Interest bearing checking accounts	**(140)**	**22**	**(162)**	(154)	(9)	(145)
Savings	**(622)**	**68**	**(690)**	(319)	(169)	(150)
Time deposits and money markets	**(10,393)**	**(611)**	**(9,782)**	16,368	4,178	12,190
Short-term borrowings	**(458)**	**172**	**(630)**	198	(261)	459
Total interest expense	**(11,613)**	**(349)**	**(11,264)**	16,093	3,739	12,354
Net interest income (TE)	**$ (2,229)**	**11,786**	**(14,015)**	$ (4,886)	4,256	(9,142)

Capital Resources

Consistent with its long-term goal of operating a sound and profitable financial organization, TrustCo strives to maintain strong capital ratios and to qualify Trustco Bank as a well-capitalized institution in accordance with federal regulatory requirements. Historically, most of the Company’s capital requirements have been provided through retained earnings.

Both TrustCo and Trustco Bank are subject to regulatory capital requirements. The regulatory capital rules contain a common equity Tier 1 minimum capital requirement of 4.5% of risk-weighted assets, a minimum Tier 1 capital to risk-based assets requirement of 6.0% of risk-weighted assets, and the risk-weight of certain assets. In addition, the Company and the Bank are required to maintain additional levels of Tier 1 common equity (known as the capital conservation buffer) above the minimum risk-based capital levels in order to avoid restrictions on dividends, repurchase shares, or payment of discretionary bonuses. The new rule was phased-in over several years and is fully in effect in 2020.

As of December 31, 2020, the capital levels of both TrustCo and the Bank exceeded the minimum standards, including with the capital conservation buffer taken into account.

Under the OCC's "prompt corrective action" regulations, a bank is deemed to be "well-capitalized" when its CET1, Tier 1, total risk-based, and leverage capital ratios are at least 6.5%, 8%, 10%, and 5%, respectively. A bank is deemed to be "adequately capitalized" or better if its capital ratios meet or exceed the minimum federal regulatory capital requirements, and "undercapitalized" if it fails to meet these minimal capital requirements. A bank is "significantly undercapitalized" if its CET1, Tier 1, total risk-based and leverage capital ratios fall below 3%, 4%, 6%, and 3%, respectively and "critically undercapitalized" if the institution has a ratio of tangible equity to total assets that is equal to or less than 2%. At December 31, 2020 and 2019, Trustco Bank met the definition of "well-capitalized."

The federal bank regulatory agencies have adopted rules creating a "community bank leverage ratio" framework designed to simplify capital requirements for qualifying banks and bank or thrift holding companies.

The new rule was effective as of January 1, 2020. Although TrustCo would qualify to take advantage of the community bank leverage ratio framework, it has decided it will not opt-in to the framework.

The Company's dividend payout ratio was 50.12% of net income in 2020 and 45.60% of net income in 2019. The per-share dividend paid was $0.2725 in 2020 and in 2019. The Company's ability to pay dividends to its shareholders is dependent upon the ability of the Bank to pay dividends to the Company. The payment of dividends by the Bank to the Company is subject to continued compliance with minimum regulatory capital requirements.

TrustCo's consolidated Tier 1 risk-based capital was 19.19% of risk-adjusted assets at December 31, 2020, and 18.99% of risk-adjusted assets at December 31, 2019. Consolidated Tier 1 capital to assets (leverage ratio) at December 31, 2020 was 9.65%, as compared to 10.25% at year-end 2019. Note 14 to the financial statements includes information on all regulatory capital ratios.

TrustCo maintains a dividend reinvestment plan (DRP) with approximately 9,354 participants. During 2020, $1.7 million of dividends paid on the shares held in this plan were reinvested in shares of the Company. The DRP also allows for additional purchases by participants and has a discount feature (up to 5%) that can be activated by management as a tool to raise capital. To date, the discount feature has not been utilized.

Risk Management

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

Credit Risk

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

Management has also developed policies and procedures to monitor the credit risk in relation to the Federal Funds sold portfolio. TrustCo maintains an approved list of third party banks to which Trustco can sell Federal Funds and monitors the credit rating and capital levels of those institutions. At December 31, 2020, virtually all of the Federal Funds sold and other short-term investments were funds on deposit at the Federal Reserve Bank of New York ("FRBNY") and the Federal Home Loan Bank of New York ("FHLBNY"). The Company also monitors the credit ratings on its investment securities and performs initial and periodic reviews of financial information for corporate and municipal bonds.

Nonperforming Assets

Nonperforming assets include loans in nonaccrual status, restructured loans, loans past due by three payments or more and still accruing interest, and foreclosed real estate properties.

Nonperforming assets at year-end 2020 and 2019 totaled $21.6 million and $22.4 million, respectively. Nonperforming loans as a percentage of the total loan portfolio were 0.50% in 2020 and 0.51% in 2019. As of December 31, 2020 and 2019, there were $7.1 million and $6.9 million, respectively, of loans in non-accruing status that were less than 90 days past due.

NONPERFORMING ASSETS

At December 31, 2020, nonperforming loans include a mix of commercial and residential loans. Of the total nonaccrual loans of $21.1 million, $20.6 were residential real estate loans and $452 thousand were commercial loans. It is the Company's policy to classify loans as nonperforming if three monthly payments have been missed. Economic conditions generally deteriorated as uncertainty surrounding COVID-19 developed and continued throughout the year. The majority of the Company's loan portfolio continues to come from its historical market area in Upstate New York. As of December 31, 2020, 72.1% of loans are in New York, including both the Upstate and Downstate areas, as well as nominal loan balances in adjoining states. The remaining 27.9% of the loan portfolio are Florida loans. At December 31, 2020, 5.6% of nonperforming loans were in Florida and 94.4% were in the Company's New York area markets. At December 31, 2020 nonperforming Florida loans amounted to $1.2 million compared to $1.6 million at December 31, 2019.

(dollars in thousands)	As of December 31,					
		2020	2019	2018	2017	2016
Loans in nonaccrual status	**$**	**21,061**	20,840	24,952	24,339	25,018
Restructured retail loans		**23**	29	34	38	42
Total nonperforming loans		**21,084**	20,869	24,986	24,377	25,060
Foreclosed real estate		**541**	1,579	1,676	3,246	4,268
Total nonperforming assets	**$**	**21,625**	22,448	26,662	27,623	29,328
Allowance for loan losses	**$**	**49,595**	44,317	44,766	44,170	43,890
Allowance coverage of nonperforming loans		**2.35x**	2.12	1.79	1.81	1.75
Nonperforming loans as a % of total loans		**0.50%**	0.51	0.64	0.67	0.73
Nonperforming assets as a % of total assets		**0.37%**	0.43	0.54	0.56	0.60

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

There were $1.0 and $1.4 million of commercial loans classified as impaired as of December 31, 2020 and 2019, respectively. In addition, there were $20.6 million and $19.5 million of residential TDRs classified as impaired at December 31, 2020 and 2019, respectively. Generally, residential TDRs involve the borrower filing for bankruptcy protection. The average balances of all impaired loans were $20.8 million during 2020, $21.0 million in 2019 and $23.1 million in 2018.

As noted above, Loan modifications and payment deferrals as a result of COVID-19 that meet the criteria established under Section 4013 of the CARES Act or under applicable federal banking agency guidance are excluded from evaluation of TDR classification and will continue to be reported as current during the payment deferral period. Loans not meeting the CARES Act or regulatory guidance are evaluated for TDR and non-accrual treatment under the Company's existing policies and procedures.

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

There are inherent risks associated with lending; however based on its review of the loan portfolio, including loans classified as nonperforming loans, TDRs, and impaired loans, management is aware of no other loans in the portfolio that pose significant risk of the eventual non-collection of principal and interest. As of December 31, 2020, there were no other loans classified for regulatory purposes that management reasonably expects will materially impact future operating results, liquidity, or capital resources. TrustCo has no advances to borrowers or projects located outside the United States. The Bank makes loans to executive officers, directors and to associates of such persons in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions. None of these loans involve more than normal risk of collectability or present other unfavorable features.

At year-end 2020 and 2019 there were $541 thousand and $1.6 million of foreclosed real estate, respectively. Although the length of time to complete a foreclosure has remained elevated in recent years, TrustCo, as a portfolio lender, has not encountered issues such as lost notes and other documents, which have been a problem in the foreclosure process for many other mortgagees.

Allowance for Loan Losses

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

The allowance for loan losses represents management's estimate of probable and reasonably estimable credit losses inherent in the held for investment loan portfolio. In determining the allowance, we estimate losses on specific loans, or groups of loans, where the probable loss can be identified and reasonably estimated. On a quarterly basis, we assess the risk inherent in our loan portfolio based on qualitative and quantitative trends in the portfolio, including the internal risk classification of loans, historical loss rates, changes in the nature of the portfolio, industry concentrations, delinquency trends, detailed reviews of significant loans with identified weaknesses, and the impacts of local, regional and national economic factors on the quality of the loan portfolio. Based on this analysis, we record a provision for loan losses in order to maintain the allowance at appropriate levels.

Determining the amount of the allowance is considered a critical accounting estimate, as it requires significant judgment and the use of subjective measurements, including management's assessment of overall portfolio quality. The allowance is maintained at an amount we believe is sufficient to provide for estimated losses inherent in our loan portfolio at each balance sheet date, and fluctuations in the provision for loan losses may result from management's assessment of the adequacy of the allowance. Changes in these estimates and assumptions are possible and may have a material impact on our allowance, and therefore our financial position, liquidity or results of operations.

The table, "Summary of Loan Loss Experience", includes an analysis of the changes to the allowance for the past five years. Net loans charged off in 2020 and 2019 were $322 thousand and $608 thousand, respectively. The decrease in net charge-offs was the primarily the result of lower gross charge offs in both the New York and Florida residential and commercial segments of the portfolio, partially offset by less recoveries in both the New York and Florida residential and commercial segments of the portfolio. New York commercial gross recoveries were down $36 thousand from 2019 to 2020, while residential gross recoveries were down $182 thousand in 2020 relative to 2019, and installment recoveries were down $9 thousand from 2019 to 2020. Total gross charge-offs in 2020 were $661 thousand versus $1.2 million in 2019. There were no Florida commercial charge-offs in either 2020 or 2019, and New York commercial charge-offs increased $16 thousand form 2019 to 2020. Residential gross charge-offs were down $570 thousand from 2019 to 2020 while total gross installment charge-offs increased $8 thousand from 2019 to 2020. The changes in gross and net charge-offs in these categories reflected economic and market changes. During 2020, 27.02% of net charge-offs were on residential real estate loans, 64.91% were on installment loans, and commercial loans were 8.07%, compared to an average loan mix of 5.3% commercial, 94.5% real estate (including home equity products) and 0.2% installment. The Company recorded a $5.6 million dollar provision for loan losses in 2020 compared to $159 thousand in 2019. The increase in the provision for loan losses in 2020 was primarily driven by the uncertainty in the current economic environment resulting from COVID-19.

The allowance for loan losses increased from $44.3 million at December 31, 2019, or 1.09% of total loans at that date, to $49.6 million at December 31, 2020, or 1.17% of total loans at that date.

Conditions in most of the Bank's market areas are stabilizing or improving from earlier in the year however, should general economic conditions weaken and/or real estate values begin to decline again, the level of problem loans may increase, as would the level of the provision for loan losses.

As noted in Note 18, in September 2016, the FASB released ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("CECL") which amended existing guidance to replace current generally accepted accounting principles used to measure a reporting entity's credit losses. As previously disclosed, the Company formed a cross-functional team to work through its implementation of the plan. The Company has selected the Discounted Cash Flow modeling method and is running parallel processes and is working to finalize assessment and documentation of processes, data and model validation testing, qualitative factors and forecast periods. The company has selected a third party software solution to assist in the application of the new standard. The ultimate impact upon adoption will depend on the characteristics of the Banks's portfolios, macroeconomic conditions, and the finalized validation of models and methodologies, as well as other management judgments. We do not expect any material allowance adjustments that will impact operations or any key performance indicators of the Company. The Company had previously elected to delay its adoption of CECL, as provided by the CARES Act until the date on which the National Emergency concerning COVID-19 was terminated or December 31, 2020, whichever occurred first. The December 31, 2020 adoption date under the CARES Act was extended to January 1, 2022 as a part of the COVID-19 Relief Bill, which became law in December 2020, and therefore the Company now intends to adopt CECL on January 1, 2022.

SUMMARY OF LOAN LOSS EXPERIENCE

(dollars in thousands)

	2020	2019	2018	2017	2016
Amount of loans outstanding at end of year (less unearned income)	$ 4,244,470	4,062,196	3,874,096	3,636,407	3,430,586
Average loans outstanding during year (less average unearned income)	4,163,399	3,926,199	3,746,082	3,514,900	3,348,324
Balance of allowance at beginning of year	44,317	44,766	44,170	43,890	44,762
Loans charged off:					
Commercial and commercial real estate	36	20	100	72	795
Real estate mortgage - 1 to 4 family	404	974	846	2,220	3,573
Installment	221	213	257	219	342
Total	661	1,207	1,203	2,511	4,710
Recoveries of loans previously charged off:					
Commercial and commercial real estate	10	46	10	96	207
Real estate mortgage - 1 to 4 family	317	532	351	669	617
Installment	12	21	38	26	64
Total	339	599	399	791	888
Net loans charged off	322	608	804	1,720	3,822
Provision for loan losses	5,600	159	1,400	2,000	2,950
Balance of allowance at end of year	$ 49,595	44,317	44,766	44,170	43,890
Net charge offs as a percent of average loans outstanding during year (less average unearned income)	0.01%	0.02	0.02	0.05	0.11
Allowance as a percent of loans outstanding at end of year	1.17	1.09	1.16	1.21	1.28

Allocation of the Allowance for Loan Losses

The allocation of the allowance for loans losses is as follows:

(dollars in thousands)	As of December 31, 2020		As of December 31, 2019	
	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans
Commercial	$ 3,975	4.67%	$ 3,805	4.47%
Real estate - construction	290	0.58%	311	0.70%
Real estate mortgage - 1 to 4 family	41,228	88.81%	35,632	87.96%
Home equity lines of credit	3,597	5.71%	3,999	6.60%
Installment Loans	505	0.23%	570	0.27%
	$ 49,595	100.00%	$ 44,317	100.00%

Market Risk

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

Quantitative and Qualitative Disclosure about Market Risk

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

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

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

Using this model, the fair values of capital projections as of December 31, 2020 are referenced below. The base case scenario shows the present estimate of the fair value of capital assuming no change in the operating environment or operating strategies and no change in interest rates from those existing in the marketplace as of December 31, 2020. The table indicates the impact on the fair value of capital assuming interest rates were to instantaneously increase by 100, 200, 300 and 400 basis points (BP) or to decrease by 100 basis points.

As of December 31, 2020	Estimated Percentage of Fair value of Capital to Fair value of Assets
+400 BP	**19.50%**
+300 BP	**19.50**
+200 BP	**19.40**
+100 BP	**19.40**
Current rates	**18.50**
-100 BP	**14.50**

At December 31, 2020, the Company's consolidated Tier 1 capital to assets ratio (leverage capital ratio) was 9.65%.

The fair value of capital is calculated as the fair value of assets less the fair value of liabilities in the interest rate scenario presented. The fair value of capital in the current rate environment is 18.50% of the fair value of assets, whereas the current Tier 1 capital to assets ratio was 9.65% at December 31, 2020, as noted. The significant difference between these two capital ratios reflects the impact that a fair value calculation can have on the capital ratios of a company. The fair value of capital calculations take into consideration the fair value of deposits, including those deposits considered core deposits, along with the fair value of assets such as the loan portfolio.

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

Static gap analysis has limitations because it cannot measure precisely the effect of interest rate movements and competitive pressures on the repricing and maturity characteristics of interest-earning assets and interest-bearing liabilities. In addition, a significant portion of the interest sensitive assets are fixed rate securities with relatively long lives whereas the interest-bearing liabilities are not subject to these same limitations. As a result, certain assets and liabilities may in fact reprice at different times and at different volumes than the static gap analysis would indicate. The Company deemphasized the use of gap analysis in favor of the more advanced methods provided by the previously noted model, including the sensitivity of the economic value of equity and net interest income.

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

The table, "Interest Rate Sensitivity," presents an analysis of the interest-sensitivity gap position at December 31, 2020. All interest-earning assets and interest-bearing liabilities are shown based upon their contractual maturity or repricing date adjusted for forecasted prepayment rates. Asset prepayment and liability repricing periods are selected after considering the current rate environment, industry prepayment and data specific to the Company. The interest rate sensitivity table indicates that TrustCo is asset sensitive on a cumulative basis when measured in the less than 1 year, 1-5 years, and the over 5 years buckets. The effect of being asset sensitive is that rising interest rates should result in assets repricing to higher levels faster than liabilities repricing to higher levels, thus increasing net interest income. Conversely, should interest rates decline, the Company's interest bearing assets would reprice down faster than liabilities, resulting in lower net interest income.

INTEREST RATE SENSITIVITY
(dollars in thousands)

	At December 31, 2020				
	Repricing in:				
	Less than 1 year	1-5 years	Over 5 years	Rate Insensitive	Total
Total assets	**$ 2,059,157**	**$ 2,099,005**	**$ 1,605,983**	**$ 137,651**	**$ 5,901,796**
Cumulative total assets	**$ 2,059,157**	**4,158,162**	**5,764,145**	**5,901,796**	
Total liabilities and shareholders' equity	**$ 2,005,997**	**237,298**	**3,008,709**	**649,792**	**5,901,796**
Cumulative total liabilities and shareholders' equity	**$ 2,005,997**	**2,243,295**	**5,252,004**	**5,901,796**	
Cumulative interest sensitivity gap	**$ 53,160**	**1,914,867**	**512,141**		
Cumulative gap as a % of interest earning assets for the period	**2.6%**	**46.1%**	**8.9%**		
Cumulative interest sensitive assets to liabilities	**102.7%**	**185.4%**	**109.8%**		

In practice, the optionality imbedded in many of the Company's assets and liabilities, along with other limitations such as differing timing between changes in rates on varying assets and liabilities limits the effectiveness of gap analysis. Thus, the table should be viewed as a rough framework in the evaluation of interest rate risk. Management takes these factors, and others, into consideration when reviewing the Bank's gap position and establishing its asset/liability strategy. As noted, the simulation model is better able to consider these aspects of the Bank's exposure to potential rate changes and thus is viewed as the more important of the two methodologies.

Liquidity Risk

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

The Company actively manages its liquidity position through target ratios established under its asset/liability management policies. Continual monitoring of these ratios, both historically and through forecasts under multiple interest rate scenarios, allows TrustCo to employ strategies necessary to maintain adequate liquidity levels as provided in its asset/liability management policies. Management has also developed various contingent liquidity alternatives, such as borrowings from the FHLBNY and the FRBNY, and through the utilization of brokered CDs, should the need develop.

The Company achieves its liability-based liquidity objectives in a variety of ways. Liabilities can be classified into three categories for the purposes of managing liability-based liquidity: retail deposits, purchased money, and capital market funds. TrustCo seeks deposits that are dependable and predictable and that are based as much on the level and quality of service as they are on interest rate. Average retail deposits (total deposits less time deposits greater than $250 thousand) amounted to $4.51 billion in 2020 and $4.18 billion in 2019. Average balances of core deposits are detailed in the table "Mix of Average Sources of Funding."

In addition to core deposits, another source of liability-based funding available to TrustCo is purchased money, which consists of long-term and short-term borrowings, Federal Funds purchased, securities sold under repurchase agreements, and time deposits greater than $250 thousand. The average balances of these purchased liabilities are detailed in the table "Mix of Average Sources of Funding." During 2020, the average balance of purchased liabilities was $415.9 million, compared with $386.8 million in 2019. Although classified as purchased liabilities for the purposes of this analysis the Company does not offer premium rates on large time deposits and thus views its time deposits as relatively stable funds. The increase in borrowed funds is wholly the result of customer's behavioral preferences in regard to managing their funds and does not reflect any decision by management to increase this category of funding. The classification of time deposits over $250 thousand as purchased liabilities is typical industry practice, partly reflecting that some banks pay premium rates for larger balance time deposits.

The Bank also has a line of credit available with the FHLBNY. The amount of that line is determined by the Bank's total assets and the amount and types of collateral pledged. Assets that are eligible for pledging include most loans and securities. The Bank can borrow up to 30% of its total assets from the FHLBNY without special approval and may apply to borrow up to 50% of its total assets. Securities and loans pledged as collateral against any borrowings must cover certain margin requirements. Eligible securities have a maximum lendable value of 67% to 97%, depending on the security type, with the securities in the Bank's investment portfolio generally having maximum lendable values of 80% to 95%. The maximum lendable value against loans is 90% for 1-4 family residential mortgages, 80% for multifamily mortgages and 75% for commercial mortgages. For both securities and loans, the maximum lendable limits are applied to the market value of the asset pledged. At December 31, 2020 there were no outstanding balances associated with this line of credit. In addition, the Bank has access to borrowings from the FRBNY. Borrowings from the FRBNY are subject to collateralization by securities or loans acceptable to the FRBNY and at collateral margins set by the FRBNY.

The Company's overall liquidity position is favorable compared to its peers. A simple liquidity proxy often used in the industry is the ratio of loans to deposits, with a lower number representing a more liquid institution. At December 31, 2020, TrustCo's loan to deposit ratio was 84.29% compared to 91.28% at December 31, 2019, while the median peer group of all publically traded banks and thrifts tracked by S&P Global Market Intelligence financial with assets between $2 billion and $10 billion had ratios of 86.22% and 93.21, respectively. In addition, at December 31, 2020 and 2019, the Company had cash and cash equivalents totaling $1.1 billion and $456.8 million, respectively, as well as unpledged securities available for sale with a fair value of $169.6 million and $327.9 million, respectively.

Off-Balance Sheet Risk

Commitments to extend credit: The Bank makes contractual commitments to extend credit, and extends lines of credit which are subject to the Bank's credit approval and monitoring procedures. At December 31, 2020 and 2019, commitments to extend credit in the form of loans, including unused lines of credit, amounted to $458.2 million and $424.0 million, respectively. In management's opinion, there are no material commitments to extend credit that represent unusual risk.

The Company has issued conditional commitments in the form of standby letters of credit to guarantee payment on behalf of a customer and guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under standby letters of credit totaled approximately $5.4 million and $9.6 million at December 31, 2020 and 2019, respectively, and represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of 12 months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios are generally consistent with loan-to-value requirements for other commercial loans secured by similar types of collateral. The fair value of the Company's standby letters of credit at December 31, 2020 and 2019 was insignificant.

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

Noninterest Income and Expense

Noninterest income: Noninterest income is an important source of revenue for the Company and a factor in overall results. Total noninterest income was $17.2 million in 2020, $18.6 million in 2019 and $18.1 million in 2018. There was $1.2 million from net gain on securities transactions in 2020. There was no net gain or loss on securities transactions in 2019 and 2018. Fees for services to customers was down $1.3 million in 2020 compared to 2019 primarily as a result of less overdraft fees. Other income was down $1.1 million in 2020 compared to 2019 primarily as a result of one time fees in 2019 of $176 thousand from the sale of the credit card portfolio, $349 thousand from the sale of non-performing loans, and $350 thousand from the recovery of a legal judgment.

Trustco Financial Services contributes a large recurring portion of noninterest income through fees generated by providing fiduciary and investment management services. Income from these fiduciary activities totaled $6.3 million in 2020, $6.4 million in 2019 and $6.3 million in 2018. Trust fees are generally calculated as a percentage of the assets under management by Trustco Financial Services. In addition, trust fees include fees for estate settlements, tax preparation, and other services. Assets under management by Trustco Financial Services are not included on the Company's Consolidated Financial Statements because Trustco Financial Services holds these assets in a fiduciary capacity. At December 31, 2020, 2019 and 2018, fair value of assets under management by the Trustco Financial Services were approximately $996.7 million, $927.5 million and $802.6 million, respectively. The changes in levels of assets under management reflects a combination of changing market valuations and the net impact of new customer asset additions, losses of accounts and the settlement of estates.

The Company routinely reviews its service charge policies and levels relative to its competitors. Reflecting those reviews, the Company makes changes in fees for services to customers in terms of both the levels of fees as well as types of fees where appropriate. The changes in reported noninterest income also reflect the volume of services customers utilized and regulatory changes governing overdrafts.

NONINTEREST INCOME

(dollars in thousands)	For the year ended December 31,			2020 vs. 2019	
	2020	2019	2018	Amount	Percent
Trustco Financial Services income	$ **6,279**	6,387	6,283	$ **(108)**	**(1.7)%**
Fees for services to customers	**8,779**	10,110	10,912	**(1,331)**	**(13.2)**
Net gain on securities transactions	**1,155**	-	-	**1,155**	**-**
Other	**957**	2,094	886	**(1,137)**	**(54.3)**
Total noninterest income	$ **17,170**	18,591	18,081	$ **(1,421)**	**(7.6)%**

Noninterest expense: Noninterest expense was $95.7 million in 2020, and $97.7 million in 2019 and 2018. TrustCo's operating philosophy stresses the importance of monitoring and controlling the level of noninterest expense. The efficiency ratio is a strong indicator of how well controlled and monitored these expenses are for a banking enterprise. A low ratio indicates highly efficient performance. The median efficiency ratio for a peer group composed of banking institutions with assets of $2 to $10 billion was 57.5% for 2020. TrustCo's efficiency ratio was 56.4% in 2020, 56.1% in 2019 and 54.0% in 2018. In 2020 the ratio excludes net gain on securities transactions. Other real estate owned expense or income is also excluded from this calculation for all periods presented.

NONINTEREST EXPENSE

(dollars in thousands)	For the year ended December 31,			2020 vs. 2019	
	2020	2019	2018	Amount	Percent
Salaries and employee benefits	$ **45,647**	46,630	42,107	$ **(983)**	**(2.1)%**
Net occupancy expense	**17,519**	16,666	17,213	**853**	**5.1**
Equipment expense	**6,636**	7,068	7,068	**(432)**	**(6.1)**
Professional services	**5,618**	6,174	6,555	**(556)**	**(9.0)**
Outsourced services	**7,750**	7,600	7,500	**150**	**2.0**
Advertising expense	**1,921**	2,521	3,020	**(600)**	**(23.8)**
FDIC and other insurance	**2,220**	1,787	2,741	**433**	**24.2**
Other real estate expense (income), net	**92**	(166)	1,231	**258**	**(155.4)**
Other	**8,301**	9,450	10,278	**(1,149)**	**(12.2)**
Total noninterest expense	$ **95,704**	97,730	97,713	$ **(2,026)**	**(2.1)%**

Salaries and employee benefits are the most significant component of noninterest expense. For 2020, these expenses amounted to $45.6 million, compared with $46.6 million in 2019 and $42.1 million in 2018. The decrease in salaries and benefits in 2020 was primarily due to fluctuations in headcount as well as a decrease in the Company's stock price which contributed to lower stock-based compensation expenses. Full time equivalent headcount decreased from 814 as of December 31, 2019 to 778 as of December 31, 2020. The reduction in headcount as compared to the prior year was not due to the effects of the pandemic. The Company constantly hires qualified candidates and from time-to-time experiences fluctuations in head count.

Net occupancy expense increased during 2020 compared to 2019 primarily as a result of an increase in maintenance and cleaning expenses incurred as a result of the pandemic.

Professional services expense was $5.6 million in 2020, compared to $6.2 million in 2019 and $6.6 million in 2018. The decrease in these costs in 2020 compared to 2019 was driven by the reduced use of various consultants and experts, as well as less legal fees relating to the foreclosure moratorium.

Advertising expense decreased during 2020 compared to 2019 primarily as a result of an increase in targeted digital marketing that has proven to be more effective and has reduced costs.

FDIC and other insurance expense was $2.2 million in 2020, $1.8 million in 2019 and $2.7 million in 2018. The increase in 2020 was primarily due to credits received in 2019 as a result of the FDIC reaching the Deposit Reserve Fund reserve ratio.

Other real estate expense was $92 thousand in 2020, compared to other real estate income of $166 thousand in 2019 and other real estate expense of $1.2 million in 2018. Included in ORE expense (income) during 2020, 2019 and 2018 were write downs of properties included in ORE totaling $120 thousand, $366 thousand and $769 thousand, respectively. Additionally, included in ORE expense (income) during 2020, 2019 and 2018 were gains of $347 thousand, $1.3 million and $614 thousand, respectively.

Changes in other noninterest expense items are the results of normal banking activities.

The overall decrease in expenses for the year ended December 31, 2020 as compared to 2019 and 2018 is primarily a result of the Company's continued efforts to control costs.

Income Tax

TrustCo recognized income tax expense of $17.0 million, $18.7 million and $18.2 million in 2020, 2019 and 2018, respectively. The effective tax rates were 24.5% in 2020, 24.4% in 2019, and 22.9% in 2018.

Contractual Obligations

The Company is contractually obligated to make the following payments on leases as of December 31, 2020:

(dollars in thousands)	Payments Due by Period:				
	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Operating leases	**$ 8,172**	**15,132**	**14,202**	**23,620**	**61,126**

In addition, the Company is contractually obligated to pay data processing vendors approximately $7 million to $8 million per year through 2025.

Also, the Company is obligated under its various employee benefit plans to make certain payments of approximately $1.9 to $2.1 million per year through 2030. Additionally, the Company is obligated to pay the accumulated benefits under the Company's post retirement pension plan which amounted to $6.6 million and $6.1 million, respectively, as of December 31, 2020 and 2019. Actual payments under the plan are made in accordance with the plan provisions.

Impact of Inflation and Changing Prices

The Consolidated Financial Statements for the years ended 2020, 2019 and 2018 have been prepared in accordance with U.S. generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increasing cost of operations.

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

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses.

Pursuant to recent Securities and Exchange Commission ("SEC") guidance, management of the Company is encouraged to evaluate and disclose those accounting policies that are judged to be critical policies – those most important to the portrayal of the Company's financial condition and results, and that require management's most difficult subjective or complex judgments. Management considers the accounting policy relating to the allowance for loan losses to be a critical accounting policy, given the inherent uncertainty in evaluating the levels of the allowance required to cover credit losses in the portfolio and the material effect that such judgments can have on the results of operations. Included in Note 1 to the Consolidated Financial Statements contained in the Company's 2020 Annual Report on Form 10-K is a description of the significant accounting policies that are utilized by the Company in the preparation of the Consolidated Financial Statements.

Management believes that the Company's policy with respect to the methodology for the determination of the allowance for loan losses involves a higher degree of complexity and requires management to make difficult and subjective judgments, which often require assumptions or estimates about highly uncertain matters. Changes in these judgments, assumptions or estimates could materially impact results of operations. This critical policy and its application are periodically reviewed with the Audit Committee and the Board of Directors.

The provision for loan losses is based upon Management's evaluation of the adequacy of the allowance, including an assessment of known and inherent risks in the portfolio, giving consideration to the size and composition of the loan portfolio, actual loan loss experience, level of delinquencies, detailed analysis of individual loans for which full collectability may not be assured, the existence and estimated fair value of any underlying collateral, guarantees securing the loans, and current economic and market conditions. Although Management uses current and relevant information available in relation to their loan portfolio, the adequacy of the allowance for loan losses remains an estimate, which is subject to significant judgment and short-term change. Various regulatory agencies, as an integral part of their examination process, periodically review the adequacy of the Company's allowance for loan losses. Such agencies may require the Company to make additional provisions for loan losses based upon information available to them at the time of their examination. Furthermore, the majority of the Company's loans are secured by real estate in primarily New York and Florida. Accordingly, the collectability of a substantial portion of the carrying value of the Company's loan portfolio is susceptible to changes in local market economic conditions and may experience adverse changes. Future adjustments to the provision for loan losses and allowance for loan losses may be necessary due to economic, operating, regulatory and other conditions beyond the Company's control.

Recent Accounting Pronouncements

Please refer to Note 18 to the consolidated financial statements for a detailed discussion of new accounting pronouncements and their impact on the Company.

Forward-Looking Statements

Statements included in this report and in future filings by TrustCo with the SEC, in TrustCo's press releases, and in oral statements made with the approval of an authorized executive officer, that 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. Forward-looking statements can be identified by the use of such words as may, will, should, could, would, estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. TrustCo wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

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

- The current COVID-19 pandemic, the effects of which could, and in some instances has, caused us to experience a decline in the demand for products and services; an increase in loan delinquencies; problem assets and foreclosures; a decline in collateral value; a work stoppage, forced quarantine, or other interruption or the unavailability of key employees; an increase in the allowance for loan losses; a reduction in wealth management revenues; an increase in Federal Deposit Insurance Corporation premiums; a reduction in the value of the securities portfolio; or a decline in the net worth and liquidity of loan guarantors;

- TrustCo's ability to continue to originate a significant volume of one- to- four family mortgage loans in its market areas and to otherwise maintain or increase its market share in the areas in which it operates;
- TrustCo's ability to continue to maintain noninterest expense and other overhead costs at reasonable levels relative to income;
- TrustCo's ability to make accurate assumptions and judgments regarding the credit risks associated with its lending and investing activities, including changes in the level and direction of loan delinquencies and charge-offs, changes in property values, and changes in estimates of the adequacy of the allowance for loan and lease losses;
- 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;
- restrictions or conditions imposed by TrustCo's and Trustco Bank's regulators on their operations that may make it more difficult to achieve TrustCo's and Trustco Bank's goals;
- the future earnings and capital levels of TrustCo and Trustco Bank and the continued non objection from TrustCo's and Trustco Bank's primary federal banking regulators under regulatory rules to distribute capital from Trustco Bank to TrustCo, which could affect the ability of TrustCo to pay dividends;
- the results of supervisory monitoring or examinations of Trustco Bank and the Company by their respective primary federal banking regulators, including the possibility that the regulators may, among other things, require us to increase our loss allowances or to take other actions that reduce capital or income;
- adverse conditions in the securities markets that lead to impairment in the value of securities in TrustCo's investment portfolio;
- the perceived overall value of TrustCo's products and services by users, including the features, pricing and quality, compared to competitors' products and services and the willingness of current and prospective customers to substitute competitors' products and services for TrustCo's products and services;
- changes in consumer spending, borrowing and savings habits;
- the effect of changes in financial services laws and regulations (including laws concerning taxation, banking and securities) and the impact of other governmental initiatives affecting the financial services industry, including regulatory capital requirements;
- changes in management personnel;
- real estate and collateral values;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies Financial Accounting Standards Board or the Public Company Accounting Oversight Board;
- disruptions, security breaches, or other adverse events affecting the third-party vendors who perform several of our critical processing functions;
- technological changes and electronic, cyber and physical security breaches;
- changes in local market areas and general business and economic trends;
- TrustCo's success at managing the risks involved in the foregoing and managing its business; and
- other risks and uncertainties included under "Risk Factors" in our Form 10-K for the year ended December 31, 2020.

You should not rely upon forward-looking statements as predictions of future events. Although TrustCo believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. The foregoing list should not be construed as exhaustive, and the Company disclaims any obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events.

SUMMARY OF UNAUDITED QUARTERLY FINANCIAL INFORMATION

(dollars in thousands, except per share data)

	2020					2019				
	Q1	**Q2**	**Q3**	**Q4**	**Year**	Q1	Q2	Q3	Q4	Year
Income statement:										
Interest and dividend income	**$ 46,611**	**44,569**	**43,988**	**43,120**	**178,288**	$ 47,413	48,664	48,528	47,523	192,128
Interest expense	**8,058**	**6,888**	**5,823**	**3,939**	**24,708**	7,681	9,473	9,885	9,282	36,321
Net interest income	**38,553**	**37,681**	**38,165**	**39,181**	**153,580**	39,732	39,191	38,643	38,241	155,807
Provision for loan losses	**2,000**	**2,000**	**1,000**	**600**	**5,600**	300	(341)	-	200	159
Net interest income after provison for loan losses	**36,553**	**35,681**	**37,165**	**38,581**	**147,980**	39,432	39,532	38,643	38,041	155,648
Noninterest income	**5,334**	**3,426**	**4,341**	**4,069**	**17,170**	4,637	4,914	4,925	4,115	18,591
Noninterest expense	**24,268**	**23,932**	**22,674**	**24,830**	**95,704**	24,867	24,902	24,070	23,891	97,730
Income before income taxes	**17,619**	**15,175**	**18,832**	**17,820**	**69,446**	19,202	19,544	19,498	18,265	76,509
Income tax expense	**4,306**	**3,921**	**4,761**	**4,006**	**16,994**	4,644	4,877	4,790	4,358	18,669
Net income	**$ 13,313**	**11,254**	**14,071**	**13,814**	**52,452**	$ 14,558	14,667	14,708	13,907	57,840
Per share data:										
Basic earnings	**$ 0.138**	**0.117**	**0.146**	**0.143**	**0.544**	$ 0.150	0.152	0.152	0.143	0.597
Diluted earnings	**0.138**	**0.117**	**0.146**	**0.143**	**0.543**	0.150	0.151	0.152	0.143	0.597
Cash dividends declared	**0.0681**	**0.0681**	**0.0681**	**0.0681**	**0.2725**	0.0681	0.0681	0.0681	0.0681	0.2725

FIVE YEAR SUMMARY OF FINANCIAL DATA

(dollars in thousands, except per share data)	Years ended December 31,				
	2020	2019	2018	2017	2016
Statement of income data:					
Interest and dividend income	**$ 178,288**	192,128	180,914	168,960	161,359
Interest expense	**24,708**	36,321	20,228	14,592	15,304
Net interest income	**153,580**	155,807	160,686	154,368	146,055
Provision for loan losses	**5,600**	159	1,400	2,000	2,950
Net interest income after provision for loan losses	**147,980**	155,648	159,286	152,368	143,105
Noninterest income	**16,015**	18,591	18,081	18,373	18,344
Net gain on securities transactions	**1,155**	-	-	-	668
Noninterest expense	**95,704**	97,730	97,713	93,994	93,827
Income before income taxes	**69,446**	76,509	79,654	76,747	68,290
Income taxes	**16,994**	18,669	18,209	33,602	25,689
Net income	**$ 52,452**	57,840	61,445	43,145	42,601
Share data:					
Average equivalent diluted shares (in thousands)	**96,517**	96,927	96,646	96,222	95,648
Book value	**$ 5.89**	5.55	5.07	4.75	4.52
Cash dividends	**0.273**	0.273	0.267	0.263	0.263
Basic earnings	**0.544**	0.597	0.637	0.449	0.446
Diluted earnings	**0.543**	0.597	0.636	0.448	0.445
Financial:					
Return on average assets	**0.94%**	1.12%	1.25	0.88	0.89
Return on average shareholders' equity	**9.47**	11.26	13.05	9.64	9.94
Cash dividend payout ratio	**50.12**	45.60	42.02	58.44	58.88
Tier 1 capital to assets (leverage ratio)	**9.65**	10.25	10.13	9.45	9.11
Tier 1 capital as a % of total risk adjusted assets	**19.19**	18.99	18.79	18.02	17.78
Common equity tier 1 capital ratio	**19.19**	18.99	18.79	18.02	17.78
Total capital as a % of total risk adjusted assets	**20.44**	20.24	20.05	19.28	19.04
Efficiency ratio*	**56.38**	56.13	53.97	53.75	55.67
Net interest margin	**2.84**	3.10	3.33	3.22	3.11
Average balances:					
Total assets	**$ 5,553,636**	5,161,820	4,900,450	4,875,668	4,790,701
Earning assets	**5,403,000**	5,023,914	4,822,577	4,790,890	4,698,630
Loans, net	**4,163,399**	3,926,199	3,746,082	3,514,900	3,348,324
Allowance for loan losses	**(47,330)**	(44,639)	(44,651)	(44,319)	(44,718)
Securities available for sale	**467,759**	590,768	547,721	617,180	627,341
Held to maturity securities	**16,376**	20,643	24,801	37,929	50,975
Federal Reserve Bank and Federal Home Loan Bank stock	**7,381**	9,123	8,907	9,295	9,554
Deposits	**4,742,452**	4,409,060	4,206,577	4,171,396	4,149,201
Short-term borrowings	**180,065**	159,220	194,810	228,086	185,672
Shareholders' equity	**553,632**	513,489	470,814	447,680	428,389

* Non-GAAP figure; refer to Non-gaap financial measures reconciliation section for definition

Non-GAAP Financial Measures Reconciliation

Certain of the financial measures used in this report, such as taxable equivalent net interest income and net interest margin, and efficiency ratio, are determined by methods other than in accordance with generally accepted accounting principles ("GAAP").

Taxable Equivalent Net Interest Income and Taxable Equivalent Net Interest Margin: Net interest income is commonly presented on a taxable equivalent basis. That is, to the extent that some component of the institution's net interest income will be exempt from taxation (e.g., was received by the institution as a result of its holdings of state or municipal obligations), an amount equal to the tax benefit derived from that component is added back to the net interest income total. Management considers this adjustment helpful to investors in comparing one financial institution's net interest income (pre-tax) to that of another institution, as each will have a different proportion of tax-exempt items in their portfolios. Moreover, net interest income is itself a component of a second financial measure commonly used by financial institutions, net interest margin, which is the ratio of net interest income to average earning assets. For purposes of this measure as well, taxable equivalent net interest income is generally used by financial institutions, again to provide investors with a better basis of comparison from institution to institution. We calculate the taxable equivalent net interest margin by dividing GAAP net interest income, adjusted to include the benefit of non-taxable interest income, by average interest earnings assets.

The Efficiency Ratio: Financial institutions often use an "efficiency ratio" as a measure of expense control. The efficiency ratio typically is defined as noninterest expense divided by the sum of taxable equivalent net interest income and noninterest income. As in the case of net interest income, generally, net interest income as utilized in calculating the efficiency ratio is typically expressed on a taxable equivalent basis. Moreover, many financial institutions, in calculating the efficiency ratio, also adjust both noninterest expense and noninterest income to exclude from these items (as calculated under GAAP) certain component elements, such as other real estate expense (deducted from noninterest expense) and securities transactions (excluded from noninterest income). We calculate the efficiency ratio by dividing total noninterest expenses as determined under GAAP, as adjusted, by net interest income (fully taxable equivalent) and total noninterest income as determined under GAAP, as adjusted, as stated in the table below.

We believe that these non-GAAP financial measures provide information that is important to investors and that is useful in understanding the Company's financial position, results and ratios. Management internally assesses our performance based, in part, on these measures. However, these non-GAAP financial measures are supplemental and are not a substitute for an analysis based on GAAP measures. As other companies may use different calculations for these measures, this presentation may not be comparable to other similarly titled measures reported by other companies. A reconciliation of the non-GAAP measures of tangible book value per share, efficiency ratio, and taxable equivalent net interest income and net interest margin to the underlying GAAP financial measures is set forth below.

(dollars in thousands, except per share amounts)
(Unaudited)

	Years ended				
	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
Taxable Equivalent Net Interest Margin					
Net interest income (GAAP)	**$ 153,580**	155,807	160,686	154,368	146,055
Taxable Equivalent Adjustment	**3**	5	12	45	54
Net interest income (Taxable Equivalent) (Non-GAAP)	**153,583**	155,812	160,698	154,413	146,109
Total Interest Earning Assets	**5,403,000**	5,023,914	4,822,577	4,790,890	4,698,630
Net Interest Margin (GAAP)	**2.84%**	3.10%	3.33%	3.22%	3.11%
Taxable Equivalent Net Interest Margin (Non-GAAP)	**2.84%**	3.10%	3.33%	3.22%	3.11%

	Years ended				
	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
Efficiency Ratio					
Net interest income (Taxable Equivalent) (Non-GAAP)	**$ 153,583**	155,812	160,698	154,413	146,109
Non-interest income (GAAP)	**17,170**	18,591	18,081	18,373	19,012
Less: Net gain on securities	**1,155**	-	-	-	668
Less: Net gain on sale of building and net gain on sale of nonperforming loans	**-**	-	-	84	493
Revenue used for efficiency ratio (Non-GAAP)	**169,598**	174,403	178,779	172,702	163,960
Total Noninterest expense (GAAP)	**95,704**	97,730	97,713	93,994	93,827
Less: Other real estate (income) expense, net	**92**	(166)	1,231	1,171	2,558
Expenses used for efficiency ratio (Non-GAAP)	**95,612**	97,896	96,482	92,823	91,269
Efficiency Ratio	**56.38%**	56.13%	53.97%	53.75%	55.67%

Glossary of Terms

Allowance for Loan Losses:

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

Basic Earnings Per Share:

Net income divided by the weighted average number of common shares outstanding (including participating securities) during the period.

Cash Dividends Per Share:

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

Common equity tier 1 capital ratio

Common equity Tier 1 capital to risk weighted assets

Comprehensive Income:

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

Core Deposits:

Deposits that are traditionally stable, including all deposits other than time deposits of $250,000 or more.

Derivative Investments:

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

Diluted Earnings Per Share:

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

Earning Assets:

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

Efficiency Ratio:

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

Federal Funds Sold:

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

Government Sponsored Enterprises ("GSE"):

Corporations sponsored by the United States government and include the Federal Home Loan Bank (FHLB), the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), the Federal National Mortgage Association (FNMA or Fannie Mae) and the Small Business Administration (SBA).

Impaired Loans:

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

Glossary of Terms *(continued)*

Interest Bearing Liabilities:

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

Interest Rate Spread:

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

Liquidity:

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

Net Interest Income:

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

Net Interest Margin:

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

Net Loans Charged Off:

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

Nonaccrual Loans:

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

Nonperforming Assets:

The sum of nonperforming loans plus foreclosed real estate properties.

Nonperforming Loans:

The sum of loans in a nonaccrual status (for purposes of interest recognition), plus accruing loans three payments or more past due as to principal or interest payments.

Parent Company:

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

Real Estate Owned:

Real estate acquired through foreclosure proceedings.

Return on Average Assets:

Net income as a percentage of average total assets.

Return on Average Equity:

Net income as a percentage of average equity.

Risk-Adjusted Assets:

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

Risk-Based Capital:

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

Subprime Loans:

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

Tangible Book Value Per Share:

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

Taxable Equivalent ("TE"):

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

Tier 1 Capital:

Total shareholders' equity excluding accumulated other comprehensive income.

Troubled Debt Restructurings (TDRs):

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

Management's Report on Internal Control over Financial Reporting

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

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

Management has completed an assessment of TrustCo Bank Corp NY's internal control over financial reporting as of December 31, 2020. In making this assessment, we used the criteria set forth by the 2013 Internal Control - Integrated Framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria. Based on our assessment, we believe that, as of December 31, 2020, the Company maintained effective internal control over financial reporting.

The Company's internal control over financial reporting as of December 31, 2020 has been audited by Crowe LLP, the Company's independent registered public accounting firm, as stated in their report which is included herein.

Robert J. McCormick

Chairman, President, and Chief Executive Officer

Michael M. Ozimek

Executive Vice President, and Chief Financial Officer

February 26, 2021

Crowe LLP
Independent Member Crowe Global

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and the Board of Directors of Trustco Bank Corp NY
Glenville, New York

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of condition of Trustco Bank Corp NY (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31,2020, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Losses – Qualitative Factors

The allowance for loan losses is a significant estimate that is a subjective determination of probable incurred credit losses in relation to the Company's loan portfolio. Refer to *Note 1 – Basis of Presentation* for the Company's accounting policy related to the allowance for loan losses and *Note 4 – Loans and Allowance for Loan Losses* for the Company's disclosures related to loans and the associated allowance for loan losses. The Company has identified the allowance for loan losses to be a critical accounting estimate.

The Company’s allowance for loan losses consists of allowance for loan losses for loans collectively evaluated for impairment (“general component”) and loans individually classified as impaired (“specific component”). The general component of the allowance for loan loss begins with a calculation of historical loss experience based on actual historical losses experienced by the Company. The historical loss experience is then supplemented for qualitative factors to arrive at the Company’s estimate of probable incurred losses on loans collectively evaluated for impairment.

The determination of qualitative factors related to the general component of the allowance for loan losses involves significant professional judgement and the use of subjective measurement by management. Evaluating management’s judgments in their determination of these qualitative factors required a high degree of auditor effort and judgment. Therefore, we considered the collective nature of the qualitative factors (assumptions) to be a critical audit matter due to: the subjective nature of the qualitative factors (assumptions), the resulting measurement uncertainty, and because significant portion of the allowance for loan losses is determined through qualitative factors.

The primary procedures we performed to address this critical audit matter included:

- Testing of design and operating effectiveness pertaining to (i) management’s internal controls over the reasonableness of assumptions used in the development of the qualitative factors; and (ii) management’s internal controls over the completeness and accuracy of the data used in the determination of the qualitative factors, including mathematical accuracy.

- Testing management’s process related to the qualitative factors within the general component of the allowance for loan losses. Procedures included (i) testing the completeness and accuracy of significant data, (ii) evaluating the reasonableness of significant assumption including the directional consistency and the magnitude of the changes in the qualitative factors (assumptions) compared to changes in the trends in the internal and external data; and (iii) evaluating the overall reasonableness of the allowance for loan losses.

/s/Crowe LLP

We have served as the Company's auditor since 2009.

New York, New York
February 26, 2021

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

	Years ended December 31, 2020	2019	2018
Interest and dividend income:			
Interest and fees on loans	$ **165,964**	166,610	158,304
Interest and dividends on securities available for sale:			
U. S. government sponsored enterprises	**568**	3,209	3,112
State and political subdivisions	**6**	8	22
Mortgage-backed securities and collateralized mortgage obligations-residential	**6,131**	8,219	6,593
Corporate bonds	**1,721**	1,096	687
Small Business Administration-guaranteed participation securities	**902**	1,121	1,339
Mortgage-backed securities and collateralized mortgage obligations-commercial	**-**	-	37
Other	**23**	22	18
Total interest and dividends on securities available for sale	**9,351**	13,675	11,808
Interest on held to maturity securities:			
Mortgage-backed securities and collateralized mortgage obligations-residential	**604**	797	962
Total interest on held to maturity securities	**604**	797	962
Federal Reserve Bank and Federal Home Loan Bank stock	**421**	568	564
Interest on federal funds sold and other short-term investments	**1,948**	10,478	9,276
Total interest and dividend income	**178,288**	192,128	180,914
Interest expense:			
Interest on deposits	**23,698**	34,853	18,958
Interest on short-term borrowings	**1,010**	1,468	1,270
Total interest expense	**24,708**	36,321	20,228
Net interest income	**153,580**	155,807	160,686
Provision for loan losses	**5,600**	159	1,400
Net interest income after provision for loan losses	**147,980**	155,648	159,286
Noninterest income:			
Trustco Financial Services income	**6,279**	6,387	6,283
Fees for services to customers	**8,779**	10,110	10,912
Net gain on securities transactions	**1,155**	-	-
Other	**957**	2,094	886
Total noninterest income	**17,170**	18,591	18,081
Noninterest expense:			
Salaries and employee benefits	**45,647**	46,630	42,107
Net occupancy expense	**17,519**	16,666	17,213
Equipment expense	**6,636**	7,068	7,068
Professional services	**5,618**	6,174	6,555
Outsourced services	**7,750**	7,600	7,500
Advertising expense	**1,921**	2,521	3,020
FDIC and other insurance expense	**2,220**	1,787	2,741
Other real estate expense (income), net	**92**	(166)	1,231
Other	**8,301**	9,450	10,278
Total noninterest expense	**95,704**	97,730	97,713
Income before income taxes	**69,446**	76,509	79,654
Income taxes	**16,994**	18,669	18,209
Net income	$ **52,452**	57,840	61,445
Earnings per share:			
Basic	$ **0.544**	0.597	0.637
Diluted	**0.543**	0.597	0.636

See accompanying notes to consolidated financial statements.

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

	Years ended December 31,		
	2020	2019	2018
Net income	$ **52,452**	57,840	61,445
Net unrealized holding gain (loss) on securities available for sale	**10,475**	14,459	(5,328)
Reclassification adjustments for net gain recognized in income	**(1,155)**	-	-
Tax effect	**(2,420)**	(3,757)	1,384
Net unrealized gain (loss) on securities available for sale, net of tax	**6,900**	10,702	(3,944)
Change in overfunded position in pension and postretirement plans arising during the year	**1,681**	5,967	(3,684)
Tax effect	**(437)**	(1,550)	957
Change in overfunded position in pension and postretirement plans arising during the year, net of tax	**1,244**	4,417	(2,727)
Amortization of net actuarial gain	**(708)**	(274)	(556)
Amortization of prior service credit	**(196)**	(197)	(100)
Tax effect	**235**	122	170
Amortization of net actuarial gain and prior service credit on pension and postretirement plans, net of tax	**(669)**	(349)	(486)
Other comprehensive income (loss), net of tax	**7,475**	14,770	(7,157)
Comprehensive income	$ **59,927**	72,610	54,288

See accompanying notes to consolidated financial statements.

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

		As of December 31, 2020	2019
ASSETS			
Cash and due from banks	$	**47,196**	48,198
Federal funds sold and other short term investments		**1,059,903**	408,648
Total cash and cash equivalents		**1,107,099**	456,846
Securities available for sale		**439,071**	573,823
Held to maturity securities ($14,988 and $19,680 fair value at December 31, 2020 and 2019, respectively)		**13,824**	18,618
Federal Reserve Bank and Federal Home Loan Bank stock		**5,506**	9,183
Loans, net of deferred net costs		**4,244,470**	4,062,196
Less: Allowance for loan losses		**49,595**	44,317
Net loans		**4,194,875**	4,017,879
Bank premises and equipment, net		**34,412**	34,622
Operating lease right-of-use assets		**47,885**	51,475
Other assets		**59,124**	58,876
Total assets	$	**5,901,796**	5,221,322
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand	$	**652,756**	463,858
Savings accounts		**1,285,501**	1,113,146
Interest-bearing checking		**1,086,558**	875,672
Money market deposit accounts		**716,005**	599,163
Time accounts		**1,296,373**	1,398,177
Total deposits		**5,037,193**	4,450,016
Short-term borrowings		**214,755**	148,666
Operating lease liabilities		**52,784**	56,553
Accrued expenses and other liabilities		**28,903**	27,830
Total liabilities		**5,333,635**	4,683,065
Commitments and contingent liabilities			
SHAREHOLDERS' EQUITY:			
Capital stock: $1 par value; 150,000,000 shares authorized, 100,204,832 shares issued at December 31, 2020 and 2019		**100,205**	100,205
Surplus		**176,442**	176,427
Undivided profits		**313,974**	288,067
Accumulated other comprehensive income, net of tax		**11,936**	4,461
Treasury stock: 3,772,175 and 3,283,175 shares, at cost, at December 31, 2020 and 2019, respectively		**(34,396)**	(30,903)
Total shareholders' equity		**568,161**	538,257
Total liabilities and shareholders' equity	$	**5,901,796**	5,221,322

See accompanying notes to consolidated financial statements.

TRUSTCO BANK CORP NY
Consolidated Statements of Changes in Shareholders' Equity
(dollars in thousands, except per share data)

	Capital Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Beginning balance, January 1, 2018	$ 99,998	175,651	219,436	(1,806)	(34,971)	458,308
Net Income	-	-	61,445	-	-	61,445
Tax Cuts and Jobs Act of 2017, Reclassification from AOCI to Retained Earnings, Tax Effect	-	-	1,346	(1,346)	-	-
Change in other comprehensive income (loss), net of tax	-	-	-	(7,157)	-	(7,157)
Stock option exercises	177	1,082	-	-	-	1,259
Cash dividend declared, $0.2675 per share	-	-	(25,830)	-	-	(25,830)
Purchase of treasury stock (81,940 shares)	-	-	-	-	(718)	(718)
Sale of treasury stock (274,671 shares)	-	(196)	-	-	2,587	2,391
Stock based compensation expense	-	173	-	-	-	173
Ending balance, December 31, 2018	$ 100,175	176,710	256,397	(10,309)	(33,102)	489,871
Net income	-	-	57,840	-	-	57,840
Change in other comprehensive income (loss), net of tax	-	-	-	14,770	-	14,770
Stock options exercises	30	155	-	-	-	185
Cash dividend declared, $0.2725 per share	-	-	(26,170)	-	-	(26,170)
Purchase of treasury stock (4,131 shares)	-	-	-	-	(35)	(35)
Sale of treasury stock (237,396 shares)	-	(443)	-	-	2,234	1,791
Stock based compensation expense	-	5	-	-	-	5
Ending balance, December 31, 2019	$ 100,205	176,427	288,067	4,461	(30,903)	538,257
Net income	**-**	**-**	**52,452**	**-**	**-**	**52,452**
Change in other comprehensive income (loss), net of tax	**-**	**-**	**-**	**7,475**	**-**	**7,475**
Cash dividend declared, $0.2725 per share	**-**	**-**	**(26,545)**	**-**	**-**	**(26,545)**
Purchase of treasury stock (489,000 shares)	**-**	**-**	**-**	**-**	**(3,493)**	**(3,493)**
Stock based compensation expense	**-**	**15**	**-**	**-**	**-**	**15**
Ending balance, December 31, 2020	**$ 100,205**	**176,442**	**313,974**	**11,936**	**(34,396)**	**568,161**

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

	Years ended December 31, 2020	2019	2018
Cash flows from operating activities:			
Net income	$ **52,452**	57,840	61,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**4,040**	3,954	4,109
Amortization of right-of-use asset	**6,138**	5,989	-
Net gain on sale of other real estate owned	**(347)**	(1,316)	(613)
Writedown of other real estate owned	**120**	366	769
Provision for loan losses	**5,600**	159	1,400
Deferred tax (benefit) expense	**(1,067)**	1,139	2,556
Net amortization of securities	**3,883**	2,971	3,147
Stock based compensation expense	**15**	5	173
Net gain on sale of bank premises and equipment	**-**	(3)	(1)
Net gain on securities transactions	**(1,155)**	-	-
(Increase) Decrease in taxes receivable	**(1,243)**	2,049	1,683
Decrease in interest receivable	**884**	426	100
(Decrease) Increase in interest payable	**(985)**	435	487
Increase in other assets	**(2,625)**	(4,013)	(6,386)
Decrease in operating lease liabilities	**(6,317)**	(6,093)	-
Increase (Decrease) in accrued expenses and other liabilities	**2,764**	(110)	(1,229)
Total adjustments	**9,705**	5,958	6,195
Net cash provided by operating activities	**62,157**	63,798	67,640
Cash flows from investing activities:			
Proceeds from sales, paydowns and calls of securities available for sale	**276,843**	192,003	78,230
Purchases of securities available for sale	**(145,339)**	(262,754)	(61,807)
Proceeds from maturities of securities available for sale	**10,007**	10,052	45,604
Proceeds from calls and maturities of held to maturity securities	**4,627**	3,710	5,050
Purchases of Federal Reserve Bank and Federal Home Loan Bank stock	**(380)**	(230)	(174)
Proceeds from redemptions of Federal Reserve Bank stock	**4,057**	-	-
Net increase in loans	**(183,320)**	(193,283)	(241,149)
Proceeds from dispositions of other real estate owned	**1,989**	5,622	4,071
Proceeds from dispositions of bank premises and equipment	**-**	15	1
Purchases of bank premises and equipment	**(3,830)**	(3,894)	(3,646)
Net cash used in investing activities	**(35,346)**	(248,759)	(173,820)
Cash flows from financing activities:			
Net increase in deposits	**587,177**	175,769	100,921
Net change in short-term borrowings	**66,089**	(13,227)	(81,098)
Proceeds from exercise of stock options and related tax benefits	**-**	185	1,259
Stock based award tax withholding payments	**-**	-	(37)
Proceeds from sales of treasury stock	**-**	1,791	2,391
Purchases of treasury stock	**(3,493)**	(35)	(718)
Dividends paid	**(26,331)**	(26,385)	(25,569)
Net cash provided by (used in) financing activities	**623,442**	138,098	(2,851)
Net decrease in cash and cash equivalents	**650,253**	(46,863)	(109,031)
Cash and cash equivalents at beginning of period	**456,846**	503,709	612,740
Cash and cash equivalents at end of period	$ **1,107,099**	456,846	503,709

Supplemental Disclosure of Cash Flow Information:

	2020	2019	2018
Cash paid during the year for:			
Interest paid	$ **25,693**	35,886	19,741
Income taxes paid	**18,185**	16,806	16,359
Non cash investing and financing activites:			
Transfer of loans to real estate owned	**724**	4,575	2,656
Change in dividends payable	**214**	(215)	261
Change in unrealized gain (loss) on securities available for sale - gross of deferred taxes	**9,320**	14,459	(5,328)
Change in deferred tax effect on unrealized (gain) loss on securities available for sale, net of reclassification adjustment	**(2,420)**	(3,757)	1,384
Amortization of net actuarial gain and prior service credit on pension and post retirement plans, gross of deferred taxes	**(904)**	(471)	(656)
Change in deferred tax effect of amortization of net actuarial gain and prior service credit on pension and post retirement plans	**235**	122	170

Change in overfunded portion of pension and post retirement benefit plans (ASC 715) - gross of deferred taxes	**1,681**	5,967	(3,684)
Deferred tax effect of change in overfunded portion of pension and post retirement benefit plans (ASC 715)	**(437)**	(1,550)	957

See accompanying notes to consolidated financial statements

.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

Consolidation

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

Use of Estimates

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

Risks and Uncertainties

Beginning in March 2020, the Company experienced negative impacts to its business in the form of requests for loan deferrals of principal and interest due to the business disruption caused by COVID-19. In March 2020, the World Health Organization categorized COVID-19 as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. On March 3, 2020, the Federal Reserve reduced the target federal funds rate by 50 basis points, followed by an additional reduction of 100 basis points on March 16, 2020. The Company has evaluated the impact of the effects of COVID-19 and determined that there were no material or systematic adverse impacts on the Company's December 31, 2020 financial statements except for an increase in provision for loan losses and related allowance for loan losses. As of December 31, 2020, the Company and Bank capital ratios were in excess of all regulatory requirements. While management believes that we have sufficient capital to withstand an extended economic recession brought about by the COVID-19 pandemic, our reported and regulatory capital ratios, as well as the ability of the Company and the Bank to pay dividends or make other distributions, could be adversely impacted by unanticipated credit losses. At this time, we do not believe there exists any impairment to our goodwill, long-lived assets, right of use assets, held to maturity investment securities, or available-for-sale investment securities due to the COVID-19 pandemic. It is uncertain whether prolonged effects of the COVID-19 pandemic will result in future impairment charges related to any of the aforementioned assets and continue to negatively impact net interest income, provision for loan losses, and noninterest income.

Loan modifications and payment deferrals as a result of COVID-19 that meet the criteria established under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators are excluded from evaluation of TDR classification and will continue to be reported as current during the payment deferral period. The Company's policy is to continue to accrue interest during the deferral period. Loans not meeting the CARES ACT or regulatory guidance are evaluated for TDR and non-accrual treatment under the Company's existing policies and procedures.

Securities Available for Sale and Held to Maturity (Debt Securities)

Securities available for sale are carried at fair value with any unrealized appreciation or depreciation of value, net of tax, included as an element of accumulated other comprehensive income or loss in shareholders' equity. Management maintains an available for sale portfolio in order to provide maximum flexibility in balance sheet management. The designation of available for sale is made at the time of purchase based upon management's intent to hold the securities for an indefinite period of time. These securities, however, are available for sale in response to changes in market interest rates, related changes in liquidity needs, or changes in the availability of and yield on alternative investments. Unrealized losses on securities that reflect a decline in value which is other-than-temporary, if any, are charged to earnings and/or accumulated other comprehensive income (loss).

Securities that management has the positive intent and ability to hold until maturity are classified as held to maturity and are carried at their remaining unpaid principal balance, net of unamortized premiums or unaccreted discounts.

The cost of securities is adjusted for amortization of premium and accretion of discount using the interest method. Premiums and discounts on securities are amortized on the interest method over the estimated remaining term of the underlying security without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated.

Gains and losses on the sale of securities available for sale are recorded at trade date and determined using the specific identification method.

Other-Than-Temporary-Impairment ("OTTI")

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

Federal Reserve Bank (FRB) and Federal Home Loan Bank (FHLB) stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Dividends are reported as income. The Bank was also a member of its regional Federal Reserve Bank until the membership was discontinued in 2020 and the FRB stock was redeemed. Prior to the stock redemption, the FRB stock was carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Any dividends received were reported as income.

Loans

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

Nonperforming loans include non-accrual loans and loans which are three payments or more past due and still accruing interest. Generally, loans are placed in non-accrual status either due to the delinquent status of principal and/or interest payments, or a judgment by management that, although payments of principal and/or interest are current, such action is prudent based upon specific facts and circumstances surrounding the borrower. Typically, a loan is moved to non-accrual status after 90 days of non-payment in accordance with the Company's policy. Past due status is based on the contractual terms of the loan. All interest accrued but not received for loans placed on non-accrual status is reversed against interest income. Future payments received on nonperforming loans are recorded as interest income or principal reductions based upon management's ultimate expectation for collection. Loans may be removed from non-accrual status when they become current as to principal and interest and have demonstrated a sustained ability to make loan payments in accordance with the contractual terms of the loan. Loans may also be removed from non-accrual status when, in the opinion of management, the loan is expected to be fully collectable as to principal and interest. When, in the opinion of management, the collection of principal appears unlikely, the loan balance is evaluated in light of its sources of repayment, and a charge-off is recorded when appropriate.

Loan origination fees, net of certain direct origination costs, are deferred and recognized using the level yield method without anticipating prepayments.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable incurred loan losses. The allowance is increased by provisions charged against income, while loan losses are charged against the allowance when management deems a loan balance to be uncollectible. Subsequent recoveries, if any, are credited to the allowance.

The Company performs an analysis of the adequacy of the allowance on at least a quarterly basis. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations, current economic conditions, past due and charge-off trends and other factors. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to change the allowance based on their judgments of information available to them at the time of their examination. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off. The allowance methodology consists of specific and general components. The specific component relates to loans that are individually classified as impaired.

A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Additionally, loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered TDR's and classified as impaired. As noted above, loan modifications and payment deferrals as a result of COVID-19 that meet the criteria established under Section 4013 of the CARES Act or under applicable federal banking agency guidance are excluded from evaluation of TDR classification and will continue to be reported as current during the payment deferral period. Loans not meeting the CARES Act or regulatory guidance are evaluated for TDR and non-accrual treatment under the Company's existing policies and procedures.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

TDR's are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported at the fair value of the collateral with any charge-off recognized at that time. For TDR's that subsequently default, the Company determines the amount of additional charge-off, if any, in accordance with the accounting policy for the allowance for loan losses with respect to impaired loans described previously.

Commercial and commercial real estate loans in non-accrual status are defined as impaired loans and are individually evaluated for impairment. In addition, any restructured loans that meet the definition of a TDR are defined as impaired. If a loan is impaired, a charge-off is taken so that the loan is reported at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral, if repayment is expected solely from the collateral. Residential real estate loans and consumer loans are collectively evaluated for impairment.

The general component of the allowance covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by geography for each portfolio segment and is based on the actual net loss history experienced by the Company over the most recent four years. This actual loss experience is supplemented with other qualitative factors based on the risks present in each geography and portfolio segment. These factors include consideration of the following: changes in national, regional and local economic trends and conditions; effects of any changes in interest rates; changes in the volume and severity of net charge-offs, delinquencies, and nonperforming loans; changes in the experience, ability, and depth of lending management and other relevant staff; changes in the quality of the Company's loan review system; effects of any changes in credit concentrations; effects of any changes in underwriting standards, lending policies, procedures, and practices; and changes in the nature, volume and terms of loans. Changes in the volume and severity of net charge-offs, delinquencies, and nonperforming loans includes consideration of levels and trends of loan delinquencies and net charge-offs by portfolio segment. The determination of qualitative factors involves significant judgement, and the use of subjective measurement.

The Company's allowance methodology also includes additional allocation percentages for residential and installment loans in non-accrual status and residential and installment loans three payments past due and still accruing interest, and residential loans with loan-to-value ratios in excess of 90% at the time of origination. Additional allocation percentages are applied to commercial loans classified as special mention and substandard by the Company's loan review grading process that are not considered as impaired to recognize the added risk associated with these loans. The reserve percentages are determined based upon a review of recent charge-offs and take into consideration the type of loan, the fixed or variable nature of the loan, and the type and geography of the underlying collateral, if any, specifically for loans that are in these categories.

The following portfolio segments have been identified: commercial loans, residential real estate loans, and installment loans:

<u>Commercial:</u> Commercial real estate loans and other commercial loans are made based primarily on the identified cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. Commercial real estate collateral is generally located within the Bank's geographic territories; while collateral for non-real estate secured commercial loans is typically accounts receivable, inventory, and/or equipment. Repayment is primarily dependent upon the borrower's ability to service the debt based upon cash flows generated from the underlying business. Additional support involves liquidation of the pledged collateral and enforcement of a personal guarantee, if a guarantee is obtained.

<u>Residential real estate:</u> Residential real estate loans, including first mortgages, home equity loans and home equity lines of credit, are collateralized by first or second liens on one-to-four family residences generally located within the Bank's market areas. Proof of ownership title, clear mortgage title, and hazard insurance coverage are normally required.

<u>Installment:</u> The Company's installment loans are primarily made up of installment loans, personal lines of credit, as well as secured and unsecured credit cards. The installment loans represent a relatively small portion of the loan portfolio and are primarily used for personal expenses and are secured by automobiles, equipment and other forms of collateral, while personal lines of credit are unsecured as are most credit card loans. In 2019, the company sold its credit card portfolio.

Bank Premises and Equipment

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

Other Real Estate Owned

Assets that are acquired through or instead of foreclosure are initially recorded at fair value less costs to sell. These assets are subsequently accounted for at the lower of cost or fair value less costs to sell. Subsequent write downs and gains and losses on sale are included in noninterest expense. Operating costs after acquisition are also included in noninterest expense. At December 31, 2020 and 2019, there were $541 thousand and $1.6 million, respectively, of other real estate owned included in the category of Other Assets in the accompanying Consolidated Statements of Condition.

Income Taxes

Deferred taxes are recorded for the future tax consequences of events that have been recognized in the financial statements or tax returns based upon enacted tax laws and rates. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. The amount recognized is the largest amount of tax benefit that has a greater than 50% likelihood of being realized on examination. For tax positions not meeting the "more likely than not" test, no benefit is recorded.

Dividend Restrictions

The Company's ability to pay dividends to its shareholders is dependent upon the ability of the Bank to pay dividends to the Company. The payment of dividends by the Bank to the Company is subject to continued compliance with minimum regulatory capital requirements and the filing of notices with the Bank's and the Company's regulators. The Bank's primary regulator may disapprove a dividend if: the Bank would be undercapitalized following the distribution; the proposed capital distribution raises safety and soundness concerns; or the capital distribution would violate a prohibition contained in any statue, regulation or agreement between the Bank and a regulator or a condition imposed in a previously approved application or notice. Currently the Bank meets the regulatory definition of a well-capitalized institution. During 2021, the Bank could declare dividends of approximately $93.7 million plus any 2021 net profits retained to the date of the dividend declaration.

Benefit Plans

The Company has a defined benefit pension plan covering substantially all of its employees who participated in the plan before it was frozen as of December 31, 2006. The benefits are based on years of service and the employee's compensation.

The Company has a postretirement benefit plan that permits retirees under age 65 to participate in the Company's medical plan by which retirees pay all of their premiums.

Under certain employment contracts with selected executive officers, the Company is obligated to provide postretirement benefits to these individuals once they attain certain vesting requirements.

The Company recognized in the Consolidated Statement of Condition the funded status of the pension plan and postretirement benefit plan with an offset, net of tax, recorded in accumulated other comprehensive income (loss).

Stock-Based Compensation Plans

The Company has stock-based compensation plans for employees and directors. Compensation cost is recognized for stock options and restricted stock awards issued to employees and directors based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options while, for restricted stock awards, the fair value of the Company's common stock at the date of grant is used.

Compensation cost for stock options and restricted stock awards to be settled in stock are recognized over the required service period generally defined as the vesting period. The expense is recognized over the shorter of each award's vesting period or the retirement date for any awards that vest immediately upon eligible retirement.

Awards to be settled in cash based on the fair value of the Company's stock at vesting are treated as liability based awards.

Compensation costs for liability based awards are re-measured at each reporting date and recognized over the vesting period. For awards with performance based conditions, compensation cost is recognized over the performance period based on the Company's expectation of the likelihood of meeting the specific performance criteria.

Earnings Per Share

Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities for this calculation. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options. At December 31, 2020, 2019, and 2018, the Company did not have any unvested awards that would be considered participating securities.

Segment Reporting

The Company's operations are exclusively in the financial services industry and include the provision of traditional banking services. Management evaluates the performance of the Company based on only one business segment, that of community banking. The Company operates primarily in the geographical region of Upstate New York with branches also in Florida and the mid-Hudson valley region of New York. In the opinion of management, the Company does not have any other reportable segments as defined by "Accounting Standards Codification" (ASC) Topic 280, "Disclosure about Segments of an Enterprise and Related Information."

Cash and Cash Equivalents

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

Trust Assets

Assets under management with the Trustco Financial Services Department are not included in the Company's consolidated financial statements because Trustco Financial Services holds these assets in a fiduciary capacity.

Comprehensive Income (Loss)

Comprehensive income (loss) represents the sum of net income and items of other comprehensive income or loss, which are reported directly in shareholders' equity, net of tax, such as the change in net unrealized gain or loss on securities available for sale and changes in the funded position of the pension and postretirement benefit plans. Accumulated other comprehensive income or loss, which is a component of shareholders' equity, represents the net unrealized gain or loss on securities available for sale, net of tax and the funded position in the Company's pension plan and postretirement benefit plans, net of tax.

Fair Value of Financial Instruments

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

(2) Balances at Other Banks

The Company is required to maintain certain reserves of vault cash and/or deposits with the Federal Reserve Bank. The amount of this reserve requirement, included in cash and due from banks and federal funds sold and other short-term investments, was approximately $61.5 million and $41.5 million at December 31, 2020 and 2019, respectively.

(3) 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)	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	**$ 20,000**	**-**	**32**	**19,968**
State and political subdivisions	**103**	**-**	**-**	**103**
Mortgage backed securities and collateralized mortgage obligations - residential	**308,432**	**7,749**	**23**	**316,158**
Corporate bonds	**59,185**	**916**	**162**	**59,939**
Small Business Administration - guaranteed participation securities	**40,955**	**1,262**	**-**	**42,217**
Other	**685**	**1**	**-**	**686**
Total securities available for sale	**$ 429,360**	**9,928**	**217**	**439,071**

(dollars in thousands)	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	$ 104,895	36	419	104,512
State and political subdivisions	160	2	-	162
Mortgage backed securities and collateralized mortgage obligations - residential	388,537	2,406	1,426	389,517
Corporate bonds	30,164	367	95	30,436
Small Business Administration - guaranteed participation securities	48,991	-	480	48,511
Other	685	-	-	685
Total securities available for sale	573,432	2,811	2,420	573,823

The following table distributes the amortized cost and fair value of debt securities included in the available for sale portfolio as of December 31, 2020, based on the securities' final maturity. Actual maturities may differ because of securities prepayments and the right of certain issuers to call or prepay their obligations without penalty. Securities not due at a single maturity are shown separately:

(dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	**$ 9,174**	**9,270**
Due in one year through five years	**70,790**	**71,417**
Due after five years through ten years	**9**	**9**
Mortgage backed securities and collateralized mortgage obligations - residential	**308,432**	**316,158**
Small Business Administration - guaranteed participation securities	**40,955**	**42,217**
	$ 429,360	**439,071**

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)	**December 31, 2020**					
	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	**$ 19,968**	**32**	**-**	**-**	**19,968**	**32**
Mortgage backed securities and collateralized mortgage obligations - residential	**19,471**	**22**	**-**	**-**	**19,471**	**22**
Corporate bonds	**14,901**	**99**	**4,937**	**63**	**19,838**	**162**
Total	**$ 54,340**	**153**	**4,937**	**63**	**59,277**	**216**

(dollars in thousands)	December 31, 2019					
	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	$ 19,820	180	74,656	239	94,476	419
Mortgage backed securities and collateralized mortgage obligations - residential	67,322	446	169,169	980	236,491	1,426
Corporate bonds	4,905	95	-	-	4,905	95
Small Business Administration - guaranteed participation securities	48,510	480	-	-	48,510	480
Total	$ 140,557	1,201	243,825	1,219	384,382	2,420

The proceeds from sales, calls/paydowns and maturities of securities available for sale, and gross realized gains and gross realized losses from sales during 2020, 2019 and 2018 are as follows:

(dollars in thousands)	Years ended December 31,		
	2020	2019	2018
Proceeds from sales	**$ 29,219**	$ -	$ -
Proceeds from calls/paydowns	**247,624**	192,003	78,230
Proceeds from maturities	**10,007**	10,052	45,604
Gross realized gains	**1,155**	-	-
Gross realized losses	**-**	-	-

The amount of securities that have been pledged to secure short-term borrowings and for other purposes amounted to $267.6 million and $207.5 million at December 31, 2020 and 2019, respectively.

(b) Held to maturity securities

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

(dollars in thousands)	December 31, 2020			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Mortgage backed securities and collateralized mortgage obligations - residential	**$ 13,824**	**$ 1,164**	**-**	**14,988**
Total held to maturity	**$ 13,824**	**1,164**	**-**	**14,988**

(dollars in thousands)	December 31, 2019			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Mortgage backed securities and collateralized mortgage obligations - residential	$ 18,618	1,062	-	19,680
Total held to maturity	$ 18,618	1,062	-	19,680

The following table distributes the debt securities included in the held to maturity portfolio as of December 31, 2020, based on the securities' final maturity. Actual maturities may differ because of securities prepayments and the right of certain issuers to call or prepay their obligations without penalty. Securities not due at a single maturity date are shown separately.

(dollars in thousands)	Amortized Cost	Fair Value
Mortgage backed securities and collateralized mortgage obligations - residential	**$ 13,824**	**14,988**
	$ 13,824	**14,988**

There were no held to maturity securities in an unrecognized loss position for 2020 and 2019. There were no sales or transfers of held to maturity securities during 2020 and 2019.

(c) Concentrations

The Company has the following balances of securities held in the available for sale and held to maturity portfolios as of December 31, 2020 that represent greater than 10% of shareholders' equity:

(dollars in thousands)	Amortized Cost	Fair Value
Federal National Mortgage Association	**$ 188,266**	**192,907**
Federal Home Loan Mortgage Corporation	**89,036**	**91,077**
Corporate Bonds	**59,185**	**59,939**
Government National Mortgage Association	**54,954**	**57,148**

(d) 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.

In determining OTTI for debt securities, 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 any 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.

As of December 31, 2020, the Company's security portfolio included certain securities 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 December 31, 2020.

Mortgage backed securities and collateralized mortgage obligations – residential

At December 31, 2020, all 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, institutions which 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 December 31, 2020.

Corporate Bonds

At December 31, 2020, corporate bonds held by the Company are investment grade quality. 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 December 31, 2020.

(4) Loans and Allowance for Loan Losses

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

(dollars in thousands)	December 31, 2020 New York and other states*	Florida	Total
Commercial:			
Commercial real estate	**$ 148,775**	**18,666**	**167,441**
Other	**44,932**	**119**	**45,051**
Real estate mortgage - 1 to 4 family:			
First mortgages	**2,606,781**	**1,098,915**	**3,705,696**
Home equity loans	**59,400**	**15,071**	**74,471**
Home equity lines of credit	**193,654**	**48,540**	**242,194**
Installment	**7,810**	**1,807**	**9,617**
Total loans, net	**$ 3,061,352**	**1,183,118**	**4,244,470**
Less: Allowance for loan losses			**49,595**
Net loans			**$ 4,194,875**

(dollars in thousands)	December 31, 2019 New York and other states*	Florida	Total
Commercial:			
Commercial real estate	$ 162,186	17,752	179,938
Other	19,326	235	19,561
Real estate mortgage - 1 to 4 family:			
First mortgages	2,541,440	953,995	3,495,435
Home equity loans	69,791	18,548	88,339
Home equity lines of credit	221,487	46,435	267,922
Installment	8,706	2,295	11,001
Total loans, net	$ 3,022,936	1,039,260	4,062,196
Less: Allowance for loan losses			44,317
Net loans			$ 4,017,879

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

As December 31, 2020, the commercial loan class includes $29 million of PPP loans.

At December 31, 2020 and 2019, the Company had approximately $24.7 million and $28.5 million of real estate construction loans, respectively. Of the $24.7 million in real estate construction loans at December 31, 2020, approximately $10.5 million were secured by first mortgages to residential borrowers with the remaining $14.2 million were to commercial borrowers for residential construction projects. Of the $28.5 million in real estate construction loans at December 31, 2019, approximately $10.7 million were secured by first mortgages to residential borrowers with the remaining $17.8 million were to commercial borrowers for residential construction projects. The vast majority of construction loans are in the Company's New York market.

At December 31, 2020 and 2019, loans to executive officers, directors, and to associates of such persons aggregated $16.3 million and $4.4 million, respectively. During 2020, approximately $2.3 million of new loans were made and repayments of loans totaled approximately $1.8 million. The composition of related parties changed during the year resulting in additions to outstanding loans of approximately $12.1 million, and reductions to loans of approximately $703 thousand at December 31, 2020. All loans are current according to their terms.

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)	December 31, 2020		
	New York and other states*	Florida	Total
Loans in non-accrual status:			
Commercial:			
Commercial real estate	**$ 372**	**-**	**372**
Other	**80**	**-**	**80**
Real estate mortgage - 1 to 4 family:			
First mortgages	**16,637**	**1,010**	**17,647**
Home equity loans	**80**	**47**	**127**
Home equity lines of credit	**2,662**	**130**	**2,792**
Installment	**43**	**-**	**43**
Total non-accrual loans	**19,874**	**1,187**	**21,061**
Restructured real estate mortgages - 1 to 4 family	**23**	**-**	**23**
Total nonperforming loans	**$ 19,897**	**1,187**	**21,084**

(dollars in thousands)	December 31, 2019		
	New York and other states*	Florida	Total
Loans in non-accrual status:			
Commercial:			
Commercial real estate	$ 733	-	733
Other	83	-	83
Real estate mortgage - 1 to 4 family:			
First mortgages	15,385	1,468	16,853
Home equity loans	218	48	266
Home equity lines of credit	2,804	98	2,902
Installment	3	-	3
Total non-accrual loans	19,226	1,614	20,840
Restructured real estate mortgages - 1 to 4 family	29	-	29
Total nonperforming loans	$ 19,255	1,614	20,869

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

The Company transfers loans to other real estate owned, at fair value less cost to sell, in the period the Company obtains physical possession of the property (through legal title or through a deed in lieu). As of December 31, 2020 and 2019, other real estate owned included $541 thousand and $1.2 million, respectively, of residential foreclosed properties. In addition, non-accrual residential mortgage loans that are in the process of foreclosure had a recorded investment of $11.6 million and $8.7 million as of December 31, 2020 and 2019, respectively.

The following tables present the aging of the recorded investment in past due loans by loan class and by region as of December 31, 2020 and 2019:

December 31, 2020

New York and other states*: (dollars in thousands)		30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:							
Commercial real estate	$	**125**	**77**	**279**	**481**	**148,294**	**148,775**
Other		**-**	**-**	**80**	**80**	**44,852**	**44,932**
Real estate mortgage - 1 to 4 family:							
First mortgages		**1,220**	**982**	**10,927**	**13,129**	**2,593,652**	**2,606,781**
Home equity loans		**120**	**1**	**48**	**169**	**59,231**	**59,400**
Home equity lines of credit		**401**	**344**	**1,273**	**2,018**	**191,636**	**193,654**
Installment		**3**	**-**	**43**	**46**	**7,764**	**7,810**
Total	**$**	**1,869**	**1,404**	**12,650**	**15,923**	**3,045,429**	**3,061,352**

Florida: (dollars in thousands)		30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:							
Commercial real estate	$	**-**	**-**	**-**	**-**	**18,666**	**18,666**
Other		**-**	**-**	**-**	**-**	**119**	**119**
Real estate mortgage - 1 to 4 family:							
First mortgages		**365**	**517**	**655**	**1,537**	**1,097,378**	**1,098,915**
Home equity loans		**-**	**-**	**47**	**47**	**15,024**	**15,071**
Home equity lines of credit		**-**	**-**	**-**	**-**	**48,540**	**48,540**
Installment		**7**	**10**	**-**	**17**	**1,790**	**1,807**
Total	**$**	**372**	**527**	**702**	**1,601**	**1,181,517**	**1,183,118**

Total: (dollars in thousands)		30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:							
Commercial real estate	$	**125**	**77**	**279**	**481**	**166,960**	**167,441**
Other		**-**	**-**	**80**	**80**	**44,971**	**45,051**
Real estate mortgage - 1 to 4 family:							
First mortgages		**1,585**	**1,499**	**11,582**	**14,666**	**3,691,030**	**3,705,696**
Home equity loans		**120**	**1**	**95**	**216**	**74,255**	**74,471**
Home equity lines of credit		**401**	**344**	**1,273**	**2,018**	**240,176**	**242,194**
Installment		**10**	**10**	**43**	**63**	**9,554**	**9,617**
Total	**$**	**2,241**	**1,931**	**13,352**	**17,524**	**4,226,946**	**4,244,470**

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

The following table presents the aging of the recorded investment in past due loans by loan class and by region:

	December 31, 2019					
New York and other states*: (dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	$ 141	-	617	758	161,428	162,186
Other	80	-	33	113	19,213	19,326
Real estate mortgage - 1 to 4 family:						
First mortgages	3,444	292	11,328	15,064	2,526,376	2,541,440
Home equity loans	183	7	133	323	69,468	69,791
Home equity lines of credit	232	149	1,141	1,522	219,965	221,487
Installment	37	8	3	48	8,658	8,706
Total	$ 4,117	456	13,255	17,828	3,005,108	3,022,936
Florida: (dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	$ -	-	-	-	17,752	17,752
Other	-	-	-	-	235	235
Real estate mortgage - 1 to 4 family:						
First mortgages	542	-	617	1,159	952,836	953,995
Home equity loans	63	-	-	63	18,485	18,548
Home equity lines of credit	80	-	50	130	46,305	46,435
Installment	-	-	-	-	2,295	2,295
Total	$ 685	-	667	1,352	1,037,908	1,039,260
Total: (dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	$ 141	-	617	758	179,180	179,938
Other	80	-	33	113	19,448	19,561
Real estate mortgage - 1 to 4 family:						
First mortgages	3,986	292	11,945	16,223	3,479,212	3,495,435
Home equity loans	246	7	133	386	87,953	88,339
Home equity lines of credit	312	149	1,191	1,652	266,270	267,922
Installment	37	8	3	48	10,953	11,001
Total	$ 4,802	456	13,922	19,180	4,043,016	4,062,196

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

At December 31, 2020 and 2019, 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 in non-accruing status for reasons other than delinquent status. There are no commitments to extend further credit on nonaccrual or restructured loans.

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

	For the year ended December 31, 2020			
(dollars in thousands)	Commercial	Real Estate Mortgage- 1 to 4 Family	Installment	Total
Balance at beginning of period	**$ 3,999**	**39,748**	**570**	**44,317**
Loans charged off:				
New York and other states*	**36**	**404**	**187**	**627**
Florida	**-**	**-**	**34**	**34**
Total loan chargeoffs	**36**	**404**	**221**	**661**
Recoveries of loans previously charged off:				
New York and other states*	**10**	**314**	**12**	**336**
Florida	**-**	**3**	**-**	**3**
Total recoveries	**10**	**317**	**12**	**339**
Net loans charged off	**26**	**87**	**209**	**322**
Provision for loan losses	**167**	**5,289**	**144**	**5,600**
Balance at end of period	**$ 4,140**	**44,950**	**505**	**49,595**

	For the year ended December 31, 2019			
(dollars in thousands)	Commercial	Real Estate Mortgage- 1 to 4 Family	Installment	Total
Balance at beginning of period	$ 4,048	39,772	946	44,766
Loans charged off:				
New York and other states*	20	945	165	1,130
Florida	-	29	48	77
Total loan chargeoffs	20	974	213	1,207
Recoveries of loans previously charged off:				
New York and other states*	46	496	21	563
Florida	-	36	-	36
Total recoveries	46	532	21	599
Net loans charged off (recoveries)	(26)	442	192	608
Provision (recoveries) for loan losses	(75)	418	(184)	159
Balance at end of period	$ 3,999	39,748	570	44,317

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

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2020 and 2019:

	December 31, 2020				
(dollars in thousands)		Commercial Loans	1-to-4 Family Residential Real Estate	Installment Loans	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	$	-	-	-	-
Collectively evaluated for impairment		4,140	44,950	505	49,595
Total ending allowance balance	$	4,140	44,950	505	49,595
Loans:					
Individually evaluated for impairment	$	1,028	20,553	-	21,581
Collectively evaluated for impairment		211,464	4,001,808	9,617	4,222,889
Total ending loans balance	$	212,492	4,022,361	9,617	4,244,470

	December 31, 2019				
(dollars in thousands)		Commercial Loans	1-to-4 Family Residential Real Estate	Installment Loans	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	$	-	-	-	-
Collectively evaluated for impairment		3,999	39,748	570	44,317
Total ending allowance balance	$	3,999	39,748	570	44,317
Loans:					
Individually evaluated for impairment	$	1,437	19,539	-	20,976
Collectively evaluated for impairment		198,062	3,832,157	11,001	4,041,220
Total ending loans balance	$	199,499	3,851,696	11,001	4,062,196

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

A loan for which the terms have been modified, and for which the borrower is experiencing financial difficulties, is considered a TDR and is classified as impaired. TDR's at December 31, 2020 and 2019 are measured at the present value of estimated future cash flows using the loan's effective rate at inception or the fair value of the underlying collateral if the loan is considered collateral dependent.

The following tables present impaired loans by loan class as of December 31, 2020 and 2019:

New York and other states*:

	December 31, 2020			
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Avg Recorded Investment
Commercial:				
Commercial real estate	$ 819	943	-	1,186
Other	111	111	-	103
Real estate mortgage - 1 to 4 family:				
First mortgages	15,024	15,411	-	14,110
Home equity loans	219	240	-	235
Home equity lines of credit	2,158	2,298	-	2,258
Total	18,331	19,003	-	17,892

Florida:

(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Avg Recorded Investment
Commercial:				
Commercial real estate	98	98	-	105
Other	-	-	-	-
Real estate mortgage - 1 to 4 family:				
First mortgages	2,908	2,908	-	2,555
Home equity loans	-	-	-	16
Home equity lines of credit	244	244	-	246
Total	$ 3,250	3,250	-	2,922

Total:

(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Avg Recorded Investment
Commercial:				
Commercial real estate	$ 917	1,041	-	1,291
Other	111	111	-	103
Real estate mortgage - 1 to 4 family:				
First mortgages	17,932	18,319	-	16,665
Home equity loans	219	240	-	251
Home equity lines of credit	2,402	2,542	-	2,504
Total	$ 21,581	22,253	-	20,814

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

New York and other states*:	December 31, 2019			
(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Avg Recorded Investment
Commercial:				
Commercial real estate	$ 1,217	1,359	-	1,385
Other	115	115	-	38
Real estate mortgage - 1 to 4 family:				
First mortgages	14,414	14,714	-	14,358
Home equity loans	235	255	-	241
Home equity lines of credit	2,160	2,300	-	2,274
Total	$ 18,141	18,743	-	18,296

Florida:

(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Avg Recorded Investment
Commercial:				
Commercial real estate	$ 105	105	-	82
Other	-	-	-	26
Real estate mortgage - 1 to 4 family:				
First mortgages	2,486	2,486	-	2,259
Home equity loans	-	-	-	51
Home equity lines of credit	244	244	-	249
Total	$ 2,835	2,835	-	2,667

Total:

(dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Avg Recorded Investment
Commercial:				
Commercial real estate	$ 1,322	1,464	-	1,467
Other	115	115	-	64
Real estate mortgage - 1 to 4 family:				
First mortgages	16,900	17,200	-	16,617
Home equity loans	235	255	-	292
Home equity lines of credit	2,404	2,544	-	2,523
Total	$ 20,976	21,578	-	20,963

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

The Company has not committed to lend additional amounts to customers with outstanding loans that are classified as impaired. Interest income recognized on impaired loans was not material in 2020, 2019, and 2018.

Included in impaired loans are approximately $11.7 million and $11.1 million of loans in accruing status that were identified as TDR's as of December 31, 2020 and 2019, respectively.

Management evaluates impairment on impaired loans on a quarterly basis. If, during this evaluation, impairment of the loan is identified, a charge-off is taken at that time if necessary. As a result, as of December 31, 2020 and 2019, based upon management's evaluation and due to the sufficiency of charge-offs taken, none of the allowance for loan losses has been allocated to a specific impaired loan(s).

The following table presents modified loans by class that were determined to be TDR's that occurred during the years ended December 31, 2020, 2019 and 2018:

New York and other states*:	**Year ended 12/31/20**			Year ended 12/31/19			Year ended 12/31/18		
(dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial:									
Commercial real estate	**1**	**$ 125**	**125**	1	$ 125	125	6	$ 747	747
Real estate mortgage - 1 to 4 family:									
First mortgages	**12**	**2,303**	**2,303**	18	2,621	2,621	18	2,349	2,349
Home equity loans	**-**	**-**	**-**	-	-	-	1	6	6
Home equity lines of credit	**3**	**169**	**169**	2	235	235	5	325	325
Total	**16**	**$ 2,597**	**2,597**	21	$ 2,981	2,981	30	$ 3,427	3,427

Florida:									
(dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Real estate mortgage - 1 to 4 family:									
First mortgages	**4**	**$ 586**	**586**	6	$ 632	632	1	$ 35	35
Home equity loans	**-**	**-**	**-**	-	-	-	-	-	-
Home equity lines of credit	**-**	**-**	**-**	-	-	-	-	-	-
Total	**4**	**$ 586**	**586**	6	$ 632	632	1	$ 35	35

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

The addition of these TDR's did not have a significant impact on the allowance for loan losses.

The following table presents loans by class modified as TDR's that occurred during the years ended December 31, 2020, 2019 and 2018 for which there was a payment default within 12 months of modification:

	Year ended 12/31/20		Year ended 12/31/19		Year ended 12/31/18	
New York and other states*: (dollars in thousands)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Real estate mortgage - 1 to 4 family:						
First mortgages	**4**	**$ 457**	2	$ 418	1	$ 101
Home equity loans	**1**	**19**	-	-	-	-
Home equity lines of credit	**-**	**-**	-	-	-	-

Total	**5**	**$**	**476**	2	$	418	1	$	101

Florida: (dollars in thousands)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Real estate mortgage - 1 to 4 family:						
First mortgages	**-**	**$ -**	-	$ -	-	$ -
Home equity lines of credit	-	-	-	-	-	-
Total	**-**	**$ -**	-	$ -	-	$ -

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

In situations where the Bank considers a loan modification, management determines whether the borrower is experiencing financial difficulty by performing an evaluation of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's underwriting policy. Generally, the modification of the terms of loans was the result of the borrower filing for bankruptcy protection. Chapter 13 bankruptcies generally include the deferral of all past due amounts for a period of generally 60 months in accordance with the bankruptcy court order. In the case of Chapter 7 bankruptcies, even though there is no modification of terms, the borrowers' debt to the Company was discharged and they may not reaffirm the debt.

A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms. In situations involving a borrower filing for Chapter 13 bankruptcy protection, however, a loan is considered to be in payment default once it is 30 days contractually past due, consistent with the treatment by the bankruptcy court.

The TDR's that subsequently defaulted described above did not have a material impact on the allowance for loan losses as the underlying collateral was evaluated at the time these loans were identified as TDR's, and a charge-off was taken at that time, if necessary. Collateral values on these loans are reviewed for collateral sufficiency on a quarterly basis.

As noted above, loan modifications and payment deferrals as a result of COVID-19 that meet the criteria established under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators are excluded from evaluation of TDR classification and will continue to be reported as current during the payment deferral period. The Company's policy is to continue to accrue interest during the deferral period. Loans not meeting the CARES ACT or regulatory guidance are evaluated for TDR and non-accrual treatment under the Company's existing policies and procedures. Loan modifications made pursuant to the CARES ACT that were in payment deferral at December 31, 2020 totaled approximately $2 million of residential loans. There were no commercial or installment loan deferrals as of December 31, 2020.

The Company categorizes non-homogenous loans such as commercial and commercial real estate loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. On at least an annual basis, in accordance with the Company's Loan Policy, the Company analyzes non-homogeneous loans, individually by grading the loans based on credit risk. The loan grades assigned to all loan types are also tested by the Company's external loan review firm in accordance with the Company's loan review policy.

The Company uses the following definitions for classified loans:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those loans classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. All doubtful loans are considered impaired.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process are considered to be pass rated loans.

As of December 31, 2020 and 2019, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

New York and other states*: (dollars in thousands)	December 31, 2020		
	Pass	Classified	Total
Commercial:			
Commercial real estate	$ 145,741	3,034	148,775
Other	44,522	410	44,932
	$ 190,263	3,444	193,707

Florida: (dollars in thousands)	Pass	Classified	Total
Commercial:			
Commercial real estate	$ 18,092	574	18,666
Other	119	-	119
	$ 18,211	574	18,785

Total: (dollars in thousands)	Pass	Classified	Total
Commercial:			
Commercial real estate	$ 163,833	3,608	167,441
Other	44,641	410	45,051
	$ 208,474	4,018	212,492

* Includes New York, New Jersey and Massachusetts.

New York and other states*: (dollars in thousands)	December 31, 2019		
	Pass	Classified	Total
Commercial:			
Commercial real estate	$ 157,280	4,906	162,186
Other	18,384	942	19,326
	$ 175,664	5,848	181,512

Florida: (dollars in thousands)	Pass	Classified	Total
Commercial:			
Commercial real estate	$ 17,752	-	17,752
Other	235	-	235
	$ 17,987	-	17,987

Total: (dollars in thousands)	Pass	Classified	Total
Commercial:			
Commercial real estate	$ 175,032	4,906	179,938
Other	18,619	942	19,561
	$ 193,651	5,848	199,499

* Includes New York, New Jersey and Massachusetts.

Included in classified loans in the above tables are impaired loans of $796 thousand and $816 thousand at December 31, 2020 and 2019, respectively.

For homogeneous loan pools, such as residential mortgages, home equity lines of credit, and installment loans, the Company uses payment status to identify the credit risk in these loan portfolios. Payment status is reviewed on a daily basis by the Bank's collection area and on a monthly basis with respect to determining the adequacy of the allowance for loan losses. The payment status of these homogeneous pools at December 31, 2020 and 2019 is included in the aging of the recorded investment of past due loans table. In addition, the total nonperforming portion of these homogeneous loan pools at December 31, 2020 and 2019 is presented in the recorded investment in non-accrual loans table.

As of December 31, 2020, the company granted 663 PPP loans totaling $46 million of which 514 PPP loans totaling $29 million remain outstanding.

(5) Bank Premises and Equipment

A summary of premises and equipment at December 31, 2020 and 2019 follows:

(dollars in thousands)	2020	2019
Land	$ **2,414**	$ 2,337
Buildings	**36,077**	36,245
Furniture, fixtures and equipment	**56,317**	54,245
Leasehold improvements	**33,697**	32,176
Total bank premises and equipment	**128,505**	125,003
Accumulated depreciation and amortization	**(94,093)**	(90,381)
Total	$ **34,412**	$ 34,622

Depreciation and amortization expense was approximately $4.0 million, $4.0 million, and $4.1 million for the years 2020, 2019, and 2018, respectively. Occupancy expense of the Bank's premises included rental expense of $8.0 million in 2020, $7.8 million in 2019, and $8.0 million in 2018.

(6) Deposits

Interest expense on deposits was as follows:

(dollars in thousands)	For the year ended December 31,		
	2020	2019	2018
Interest bearing checking accounts	$ **148**	288	442
Savings accounts	**716**	1,338	1,657
Time deposits and money market accounts	**22,834**	33,227	16,859
Total	$ **23,698**	34,853	18,958

At December 31, 2020, the maturity of total time deposits is as follows:

(dollars in thousands)	
Under 1 year	$ **1,058,878**
1 to 2 years	**225,988**
2 to 3 years	**7,057**
3 to 4 years	**3,284**
4 to 5 years	**968**
Over 5 years	**198**
	$ **1,296,373**

Included in total time deposits as of December 31, 2020 and 2019 is $ 235.8 million and $227.6 million in time deposits with balances in excess of $250,000.

(7) Short-Term Borrowings

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

(dollars in thousands)		2020	2019	2018
Amount outstanding at December 31,	$	**214,755**	148,666	161,893
Maximum amount outstanding at any month end		**213,043**	169,214	233,522
Average amount outstanding		**180,065**	159,220	194,810
Weighted average interest rate:				
For the year		**0.56%**	0.92	0.65
As of year end		**0.47**	0.90	0.95

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

Trustco Bank also has an available line of credit with the Federal Home Loan Bank of New York which approximates the balance of securities and/or loans pledged against such borrowings. The line of credit requires securities and/or loans to be pledged as collateral for the amount borrowed. As of December 31, 2020 and 2019, the Company had no outstanding borrowings with the Federal Home Loan Bank of New York.

Trustco Bank is approved to borrow on a short-term basis from the Federal Reserve Bank of New York. The Bank can pledge certain securities to the Federal Reserve Bank to support this arrangement. As of December 31, 2020 and 2019, the Bank had no outstanding borrowings and loans with the Federal Reserve Bank of New York.

(8) Income Taxes

A summary of income tax expense included in the Consolidated Statements of Income follows:

(dollars in thousands)		For the year ended December 31,		
		2020	2019	2018
Current tax expense:				
Federal	$	**15,662**	15,171	13,897
State		**2,399**	2,359	1,756
Total current tax expense		**18,061**	17,530	15,653
Deferred tax (benefit) expense		**(1,067)**	1,139	2,556
Total income tax expense	$	**16,994**	18,669	18,209

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2020 and 2019, are as follows:

(dollars in thousands)	December 31,			
		2020		2019
		Deductible temporary differences		Deductible temporary differences
Benefits and deferred remuneration	$	**(6,178)**	$	(5,156)
Difference in reporting the allowance for loan losses, net		**12,820**		11,385
Other income or expense not yet reported for tax purposes		**534**		(314)
Depreciable assets		**(2,541)**		(2,347)
Net deferred tax asset at end of year		**4,635**		3,568
Net deferred tax asset at beginning of year		**3,568**		4,707
Deferred tax (benefit) expense	$	**(1,067)**	$	1,139

Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. Based primarily on the sufficiency of expected future taxable income, management believes it is more likely than not that the remaining deferred tax asset of $4.6 million and $3.6 million at December 31, 2020 and 2019, respectively, will be realized.

In addition to the deferred tax items described in the preceding table, the Company has deferred tax liabilities of $2.5 million and $101 thousand at December 31, 2020 and 2019, respectively, relating to the net unrealized gains on securities available for sale and deferred tax liabilities of approximately $1.6 million $1.4 million at December 31, 2020 and 2019, respectively, as a result of changes in the unrecognized overfunded position in the Company's pension and postretirement benefit plans recorded, net of tax, as an adjustment to accumulated other comprehensive income.

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

	For the years ended December 31,		
	2020	2019	2018
Statutory federal income tax rate	**21.0%**	21.0	21.0
Increase/(decrease) in taxes resulting from:			
Tax exempt income	**-**	-	(0.1)
State income tax, net of federal tax benefit	**2.4**	2.6	2.4
Other items	**1.1**	0.8	(0.4)
Effective income tax rate	**24.5%**	24.4	22.9

On a periodic basis, the Company evaluates its income tax positions based on tax laws and regulations and financial reporting considerations, and records adjustments as appropriate. This evaluation takes into consideration the status of taxing authorities' current examinations of the Company's tax returns, recent positions taken by the taxing authorities on similar transactions, if any, and the overall tax environment in relation to uncertain tax positions.

The Company does not anticipate a material charge to the amount of unrecognized tax benefits in the next twelve months.

The Company recognizes interest and/or penalties related to income tax matters in noninterest expense. For the years 2020, 2019, and 2018, these amounts were not material. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction as well as in various states. In the normal course of business, the Company is subject to U.S. federal, state, and local income tax examinations by tax authorities. The Company's federal and state income tax returns for the years 2017 through 2020 remain open to examination. The Company's 2014, 2015 and 2016 New York State income tax returns are currently under examination.

(9) Benefit Plans

(a) Retirement Plan

The Company maintains a trusteed non-contributory pension plan covering employees that have completed one year of employment and 1,000 hours of service while the plan was in effect. This plan was frozen as of December 31, 2006. The benefits are based on the sum of (a) a benefit equal to a prior service benefit plus the average of the employees' highest five consecutive years' compensation in the ten years preceding retirement multiplied by a percentage of service after a specified date plus (b) a benefit based upon career average compensation. The amounts contributed to the plan are determined annually on the basis of (a) the maximum amount that can be deducted for federal income tax purposes or (b) the amount certified by a consulting actuary as necessary to avoid an accumulated funding deficiency as defined by the Employee Retirement Income Security Act of 1974. Contributions are intended to provide for benefits attributed to service to date. Assets of the plan are administered by Trustco Bank's Financial Services Department.

The following tables set forth the plan's funded status and amounts recognized in the Company's consolidated statements of condition at December 31, 2020 and 2019:

Change in Projected Benefit Obligation:

(dollars in thousands)		December 31, 2020	2019
Projected benefit obligation at beginning of year	$	**30,824**	28,518
Service cost		**37**	42
Interest cost		**1,076**	1,244
Benefit payments and expected expenses		**(1,956)**	(1,798)
Net actuarial loss		**3,523**	2,818
Projected benefit obligation at end of year	$	**33,504**	30,824

Change in Plan Assets and Reconciliation of Funded Status:

(dollars in thousands)		December 31, 2020	2019
Fair Value of plan assets at beginning of year	$	**51,264**	44,157
Actual gain on plan assets		**6,953**	8,902
Benefit payments and actual expenses		**(1,980)**	(1,795)
Fair value of plan assets at end of year		**56,237**	51,264
Funded status at end of year	$	**22,733**	20,440

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

		December 31, 2020	2019
Net actuarial loss	$	**1,401**	1,787

The accumulated benefit obligation was $33.5 million and $30.8 million at December 31, 2020 and 2019, respectively.

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

(dollars in thousands)		For the years ended December 31, 2020	2019	2018
Service cost	$	**37**	42	34
Interest cost		**1,076**	1,244	1,197
Expected return on plan assets		**(3,020)**	(2,811)	(3,012)
Amortization of net loss		**-**	59	-
Net periodic pension credit		**(1,907)**	(1,466)	(1,781)
Amortization of net loss		**-**	(59)	-
Net actuarial (gain) loss included in other comprehensive income (loss)		**(386)**	(3,275)	2,149
Total recognized in other comprehensive income (loss)		**(386)**	(3,334)	2,149
Total recognized in net periodic benefit (credit) cost and other comprehensive income (loss)	$	**(2,293)**	(4,800)	368

Estimated Future Benefit Payments

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

(dollars in thousands)

Year		Pension Benefits
2021	$	**1,850**
2022		**1,830**
2023		**1,815**
2024		**1,821**
2025		**1,814**
2026 - 2030		**9,101**

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

	2020	2019	2018
Discount rate	**2.65%**	3.56	4.53

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

	2020	2019	2018
Discount rate	**3.56%**	4.53	3.93
Expected long-term rate of return on assets	**6.00**	6.50	6.50

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

(b) Supplemental Retirement Plan

The Company also has a supplementary pension plan under which additional retirement benefits are accrued for eligible executive officers. This plan supplements the defined benefit retirement plan for eligible employees that exceed the Internal Revenue Service limit on the amount of pension payments that are allowed from a retirement plan. The supplemental plan provides eligible employees with total benefit payments as calculated by the retirement plan without regard to this limitation. Benefits under this plan are calculated using the same actuarial assumptions and interest rates as used for the retirement plan calculations. The accumulated benefits under this supplementary pension plan was approximately $2.3 million as of December 31, 2020 and 2019. Effective as of December 31, 2008, this plan has been frozen and no additional benefits will accrue. Instead, the amount of the Company's annual contribution to the plan plus interest is paid directly to each eligible employee. The expense recorded for this plan was $2.2 million, $1.9 million, and $1.4 million, in 2020, 2019, and 2018, respectively.

Rabbi trusts have been established for this plan. These trust accounts are administered by the Trustco Financial Services Department and invest primarily in bonds issued by government-sponsored enterprises and money market instruments. These assets are recorded at their fair value and are included in short-term investments in the Consolidated Statements of Condition. As of December 31, 2020 and 2019, the trusts had assets totaling $2.3 million and $2.4 million, respectively.

(c) Postretirement Benefits

The Company permits retirees under age 65 to participate in the Company's medical plan by making certain payments. In addition, the plan provides a death benefit to certain eligible employees and retirees.

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

The following tables show the plan's funded status and amounts recognized in the Company's Consolidated Statements of Condition at December 31, 2020 and 2019:

Change in Accumulated Benefit Obligation:

(dollars in thousands)

		December 31,	
		2020	2019
Accumulated benefit obligation at beginning of year	$	**6,134**	5,400
Service cost		**73**	65
Interest cost		**203**	239
Benefits paid		**(116)**	(173)
Net actuarial loss		**315**	603
Accumulated benefit obligation at end of year	$	**6,609**	6,134

Change in Plan Assets and Reconciliation of Funded Status:

(dollars in thousands)

		December 31,	
		2020	2019
Fair value of plan assets at beginning of year	$	**26,358**	22,091
Actual gain on plan assets		**2,793**	4,285
Company contributions		**91**	155
Benefits paid		**(116)**	(173)
Fair value of plan assets at end of year		**29,126**	26,358
Funded status at end of year	$	**22,517**	20,224

The accumulated benefit obligation was $6.6 million and $6.1 million at December 31, 2020 and 2019, respectively.

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

(dollars in thousands)

		December 31,		
		2020	2019	2018
Service cost	$	**73**	65	53
Interest cost		**203**	239	202
Expected return on plan assets		**(1,183)**	(990)	(1,028)
Amortization of net actuarial gain		**(708)**	(333)	(556)
Amortization of prior service credit		**(196)**	(197)	(100)
Net periodic benefit credit		**(1,811)**	(1,216)	(1,429)
Net (gain) loss		**(1,295)**	(2,692)	830
Amortization of prior service credit		**196**	197	100
Prior service cost		**-**	-	705
Amortization of net gain		**708**	333	556
Total amount recognized in other comprehensive income (loss)		**(391)**	(2,162)	2,191
Total amount recognized in net periodic benefit cost and other comprehensive income (loss)	$	**(2,202)**	(3,378)	762

The estimated amount of net gain that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit income over the next fiscal year is approximately $913 thousand while the estimated amount of prior service credit that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit loss over the next fiscal year is approximately $206 thousand.

Expected Future Benefit Payments

The following benefit payments are expected to be paid:

(dollars in thousands)

Year		Postretirement Benefits
2021	$	**121**
2022		**133**
2023		**146**
2024		**160**
2025		**181**
2026 - 2030		**1,257**

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

	2020	2019	2018
Discount rate	**2.65%**	3.56	4.53

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

	2020	2019	2018
Discount rate	**3.56%**	4.53	3.93
Expected long-term rate of return on assets, net of tax	**4.50**	4.50	4.50

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

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

The following table details the change in the components of other comprehensive income (loss) related to the retirement plan and the postretirement benefit plan, at December 31, 2020 and 2019, respectively:

(dollars in thousands)		December 31, 2020		
		Retirement Plan	Post-Retirement Benefit Plan	Total
Change in overfunded position of pension and postretirement benefits	**$**	**(386)**	**(1,295)**	**(1,681)**
Amortization of net actuarial gain		**-**	**708**	**708**
Amortization of prior service credit		**-**	**196**	**196**
Total	**$**	**(386)**	**(391)**	**(777)**

		December 31, 2019		
		Retirement Plan	Post-Retirement Benefit Plan	Total
Change in overfunded position of pension and postretirement benefits	$	(3,275)	(2,692)	(5,967)
Amortization of net actuarial (loss) gain		(59)	333	274
Amortization of prior service credit		-	197	197
Total		(3,334)	(2,162)	(5,496)

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

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

	Pension Benefit Plan Assets		Postretirement Benefit Plan Assets	
	2020	2019	**2020**	2019
Debt Securities	**23%**	33	24	34
Equity Securities	**68**	63	66	63
Other	**9**	4	10	3
Total	**100%**	100	100	100

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

The Company's investment policies and strategies for the pension benefit and postretirement benefit plans prescribe a target allocation of 50% to 70% equity securities, 25% to 40% debt securities, and 0% to 10% for other securities for the asset categories. The Company's investment goals are to maximize returns subject to specific risk management policies. Its risk management policies permit direct investments in equity and debt securities and mutual funds while prohibiting direct investment in derivative financial instruments. The Company addresses diversification by the use of mutual fund investments whose underlying investments are in domestic and international debt and equity securities. These mutual funds are readily marketable and can be sold to fund benefit payment obligations as they become payable.

Fair Value of Plan Assets:

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

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

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

The fair value of the plan assets at December 31, 2020 and 2019, by asset category, is as follows:

Retirement Plan (dollars in thousands)		Carrying Value	Fair Value Measurements at **December 31, 2020 Using:** Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets					
Cash and cash equivalents	**$**	**4,809**	**4,809**	**-**	**-**
Equity mutual funds		**38,352**	**38,352**	**-**	**-**
U.S. government sponsored enterprises		**4,983**	**-**	**4,983**	**-**
Corporate bonds		**7,427**	**-**	**7,427**	**-**
Fixed income mutual funds		**666**	**666**	**-**	**-**
Total Plan Assets	**$**	**56,237**	**43,827**	**12,410**	**-**

Postretirement Benefits (dollars in thousands)		Carrying Value	Fair Value Measurements at **December 31, 2020 Using:** Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets					
Cash and cash equivalents	**$**	**2,887**	**2,887**	**-**	**-**
Equity mutual funds		**19,304**	**19,304**	**-**	**-**
U.S. government sponsored enterprises		**3,607**	**-**	**3,607**	**-**
Corporate bonds		**3,328**	**-**	**3,328**	**-**
Total Plan Assets	**$**	**29,126**	**22,191**	**6,935**	**-**

Retirement Plan (dollars in thousands)		Fair Value Measurements at December 31, 2019 Using:		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets				
Cash and cash equivalents	$ 2,165	2,165	-	-
Equity mutual funds	32,411	32,411	-	-
U.S. government sponsored enterprises	4,434	-	4,434	-
Corporate bonds	11,646	-	11,646	-
Fixed income mutual funds	608	608	-	-
Total Plan Assets	$ 51,264	35,184	16,080	-

Postretirement Benefits (dollars in thousands)		Fair Value Measurements at December 31, 2019 Using:		
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets				
Cash and cash equivalents	$ 677	677	-	-
Equity mutual funds	16,794	16,794	-	-
U.S. government sponsored enterprises	2,560	-	2,560	-
Corporate bonds	6,327	-	6,327	-
Total Plan Assets	$ 26,358	17,471	8,887	-

At December 31, 2020 and 2019, the majority of the equity mutual funds included in the plan assets of the retirement plan and postretirement benefit plan consist of large-cap index funds, while the remainder of the equity mutual funds consists of mid-cap, small-cap and international funds.

There were no transfers between Level 1 and Level 2 in 2020 and 2019.

The Company made no contributions to its pension and postretirement benefit plans in 2020 or 2019. The Company does not expect to make any contributions to its pension and postretirement benefit plans in 2021.

(f) Incentive and Bonus Plans

During 2006, the Company amended its profit sharing plan to include a 401(k) feature. Under the 401(k) feature, the Company matches 100% of the aggregate salary contribution up to the first 3% of compensation and 50% of the aggregate contribution of the next 3%. No profit sharing contributions were made in 2020, 2019 or 2018 but were replaced with Company contributions to the 401(k) feature of the plan. Expenses related to the plan aggregated $1.2 million for 2020, $1.2 million in 2019 and $1.1 million in 2018.

The Company also has an officers and executive incentive plan. The expense of these plans generally are based on the Company's performance and estimated distributions to participants are accrued during the year and generally paid in the following year. The expense recorded for this plan was $3.3 million, $2.9 million and $2.7 million in 2020, 2019 and 2018, respectively.

The Company has also awarded 1.5 million performance bonus units to the executive officers and directors. These units become vested and exercisable only under a change of control as defined in the plan. The units were awarded based upon the stock price at the time of grant and, if exercised under a change of control, allow the holder to receive the increase in value offered in the exchange over the stock price at the date of grant for each unit, if any. As of December 31, 2020, the weighted average strike price of each unit was $8.87.

(g) Stock-Based Compensation Plans-Equity Awards

Equity awards are types of stock-based compensation that are to be settled in shares. As such, the amount of compensation expense to be paid at the time of settlement is included in surplus in the Consolidated Statement of Condition.

In May 2019, shareholders of the Company approved the TrustCo Bank Corp NY 2019 Equity Incentive Plan (2019 Equity Incentive Plan) which replaced and combined into one plan both the Amended and Restated TrustCo Bank Corp NY 2010 Equity Incentive Plan (2010 Equity Incentive Plan) and the Amended and Restated TrustCo Bank Corp NY 2010 Directors Equity Incentive Plan (Directors Plan), and all remaining shares eligible for issuance thereunder were canceled. Awards previously made under the prior plans remain in effect in accordance with the terms of those awards. Under the 2019 Equity Incentive Plan the Company may provide for the issuance of 2,000,000 shares of our common stock which is available for issuance pursuant to options, SARs, restricted stock, and restricted stock units (both time based and performance based), to eligible employees and directors. This allotment of 2,000,000 shares includes the authorized but unissued shares remaining available for issuance under the 2010 Equity Incentive Plan and the Directors Plan. As of December 31, 2020, the Company may issue approximately 1.2 million shares of our common stock pursuant to options, SARs, restricted stock, and restricted stock units (both time based and performance based).

Under the 2019 Equity Incentive Plan, the exercise price of each option shall not be less than 100% of the fair value of the Company's stock on the date of grant, and for an Incentive Stock Option (ISO) granted to a ten percent shareholder the option price shall not be less than 110% of the fair value of the Company's stock on the date of the ISO grant. The vesting period and term of the option will be determined at the time of the option grant as set forth in the Award Agreement. Options granted under the 2010 Equity Incentive Plan and the Directors Plan will continue to expire ten years, and vest over five years, from the date the options were granted. A summary of the status of TrustCo's stock option awards as of December 31, 2020 and changes during the year then ended, are as follows:

	Outstanding Options		
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, January 1, 2020	**519,091**	**$ 6.67**	
New options awarded - 2020	-	-	
Expired options - 2020	-	-	
Options forfeited - 2020	-	-	
Exercised options - 2020	-	-	
Balance, December 31, 2020	**519,091**	**$ 6.67**	**3.5 Years**
	Exercisable Options		
Balance, December 31, 2020	**519,091**	**$ 6.67**	**3.5 Years**

At December 31, 2020, the intrinsic value of outstanding stock options and vested stock options was approximately $138 thousand. All outstanding options were vested as of December 31, 2020.

There were no stock options exercised in 2020. During 2019 and 2018, options for 30 thousand and 177 thousand shares of stock were exercised, respectively. The intrinsic value and related tax benefits of stock options exercised in these years was not material. It is the Company's policy to generally issue stock upon stock option exercises from previously unissued shares of common stock or treasury shares.

All stock-based compensation expense was recognized at December 31, 2020. Income tax benefits recognized in the accompanying Consolidated Statements of Income related to stock-based compensation were not material.

Valuation of Stock-Based Compensation: The fair value of the Company's employee and director stock options granted is estimated on the measurement date, which, for the Company, is the date of grant. The Company did not grant new stock option awards in 2020, 2019, or 2018.

During 2020, 2019 and 2018, the Company recognized $15 thousand, $5 thousand, and $173 thousand in stock-based compensation expense related to the equity awards, respectively.

(h) Stock-Based Compensation Plans-Liability Awards

Liability awards are types of stock-based compensation that can be settled in cash (not shares). As such, the amount of compensation expense to be paid at the time of settlement is included in accrued expenses and other liabilities in the Consolidated Statement of Condition. The Company granted both service-based and performance based liability awards in 2020, 2019 and 2018.

The activity for service-based awards during 2020 was as follows:

Restricted share units

	Outstanding Units
Balance, December 31, 2019	244,273
New awards granted	**222,155**
Forfeited awards	**(7,527)**
Awards settled	**(112,580)**
Balance, December 31, 2020	**346,321**

Service-Based Awards: During 2020 and 2019, the Company issued restricted share units to certain eligible officers, executives and members of its board of directors. The restricted share units do not hold voting powers, and are not eligible for common stock dividends. Depending on the year of the grant the awards either become 100% vested after one year, or vest in whole units in equal installments from the first through the third year following the award date. Upon issuance, the fair value of these awards is the fair value of the Company’s common stock on the grant date. Thereafter, the amount of compensation expense recognized is based on the fair value of the Company’s stock.

During 2020, 2019 and 2018, the Company recognized $715 thousand, $743 thousand and $458 thousand, respectively, in stock-based compensation expense related to these awards. Unrecognized stock-based compensation expense related to the outstanding restricted share units totaled approximately $2.4 million at December 31, 2020. During 2020, one third of the awards granted in 2017, 2018 and 2019 became vested and settled. The weighted average period over which the unrecognized expense is expected to be recognized was approximately 27 months as of December 31, 2020.

The liability related to service-based liability awards was approximately $187 thousand and $170 thousand at December 31, 2020 and 2019, respectively.

The activity for performance-based awards during 2020 was as follows:

Performance share units

	Outstanding Units
Balance, December 31, 2019	478,551
New awards granted	**234,142**
Forfeited awards	**(952)**
Awards settled	**(120,143)**
Balance, December 31, 2020	**591,598**

Performance Based Awards: During 2020, 2019 and 2018, the Company issued performance share units to certain eligible officers and executives. These units do not hold voting powers, are not eligible for common stock dividends, and become 100% vested after three years based upon a cliff-vesting schedule and the satisfaction of performance metrics. Upon issuance, fair value of these units was the fair value of the Company’s common stock on the grant date. Thereafter, the amount of compensation expense recognized is based upon the Company’s achievement of certain performance criteria in accordance with Plan provisions as well as the fair value of the Company’s stock.

For units granted in 2017, those have been fully vested and unpaid. For units granted subsequent to 2017, all of the units are unvested as of December 31, 2020, and the Company expects to meet the required performance criteria of the awards.

During 2020, 2019 and 2018, the Company recognized approximately $500 thousand, $1.6 million and $644 thousand, respectively, in stock based compensation expense related to these units. Unrecognized stock-based compensation expense related to the outstanding performance share units totaled $2.7 million at December 31, 2020. The weighted average period over which the unrecognized expense is expected to be recognized was approximately 26 months as of December 31, 2020.

The liability related to performance based liability awards totaled $2.1 million and $2.6 million at December 31, 2020 and 2019, respectively.

(10) Commitments and Contingent Liabilities

(a) Litigation

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

(b) Outsourced Services

The Company contracted with third-party service providers to perform certain banking functions. The outsourced services include data and item processing for the Bank and trust operations. The service expense can vary based upon the volume and nature of transactions processed. Outsourced service expense was $7.8 million for 2020, $7.6 million for 2019 and $7.5 million in 2018. The Company is contractually obligated to pay these third-party service providers approximately $7 to $8 million per year through 2025.

(11) 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 Staff Position on Emerging Issues Task Force 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities,* as codified in FASB ASC 260-10 ("ASC 260-10"), 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. At December 31, 2020, 2019 and 2018, the Company no longer has unvested awards that would be considered participating securities.

A reconciliation of the component parts of earnings per share for 2020, 2019 and 2018 follows:

(dollars in thousands, except per share data)		For the years ended December 31		
		2020	2019	2018
Net income	**$**	**52,452**	57,840	61,445
Weighted average common shares		**96,506**	96,849	96,505
Effect of dilutive common stock options		**11**	78	141
Weighted average common shares including potential dilutive shares		**96,517**	96,927	96,646
Basic EPS	**$**	**0.544**	0.597	0.637
Diluted EPS	**$**	**0.543**	0.597	0.636

For the years ended December 31, 2020 and 2019, there were 452 thousand and -0-, respectively, of antidilutive stock options excluded from diluted earnings per share. 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.

(12) Off-Balance Sheet Financial Instruments

Loan commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require a fee. Commitments sometimes expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. These arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject to the Bank's normal credit policies, including obtaining collateral. The Bank's maximum exposure to credit loss for loan commitments, including unused lines of credit, at December 31, 2020 and 2019, was $458.2 million and $424.0 million, respectively. Approximately 83% and 85% of these commitments were for variable rate products at the end of 2020 and 2019, respectively.

The Company does not issue any guarantees that require liability-recognition or disclosure, other than its standby letters of credit. The Company has issued conditional commitments in the form of standby letters of credit to guarantee payment on behalf of a customer and guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under standby letters of credit totaled approximately $5.4 million and $9.6 million at December 31, 2020 and 2019, respectively, and represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of 12 months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios are generally consistent with loan-to-value requirements for other commercial loans secured by similar types of collateral. The fair value of the Company's standby letters of credit at December 31, 2020 and 2019 was insignificant.

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

(13) Fair Value

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

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

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices or similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

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

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

<u>Securities Available for Sale</u>: The fair value of securities available for sale are determined utilizing an independent pricing service for identical assets or significantly similar securities. The pricing service uses a variety of techniques to arrive at fair value including market maker bids, quotes and pricing models. Inputs to the pricing models include recent trades, benchmark interest rates, spreads and actual and projected cash flows. This results in a Level 2 classification of the inputs for determining fair value. Interest and dividend income is recorded on the accrual method and included in the income statement in the respective investment class under total interest income. The Company does not have any securities that would be designated as Level 3.

<u>Other Real Estate Owned</u>: Assets acquired through loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process to adjust for differences between the comparable sales and income data available. This results in a Level 3 classification of the inputs for determining fair value.

<u>Impaired Loans</u>: At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally have had a charge-off through the allowance for loan losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process to adjust for differences between the comparable sales and income data available. Such adjustments may be significant and typically result in a Level 3 classification of the inputs for determining fair value. When obtained, non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Assets and liabilities measured at fair value under ASC 820 on a recurring basis are summarized below:

(dollars in thousands)	Carrying Value	Fair Value Measurements at **December 31, 2020 Using:** Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available for sale:				
U.S. government sponsored enterprises	**$ 19,968**	**$ -**	**$ 19,968**	**$ -**
State and political subdivisions	**103**	**-**	**103**	**-**
Mortgage backed securities and collateralized mortgage obligations - residential	**316,158**	**-**	**316,158**	**-**
Corporate bonds	**59,939**	**-**	**59,939**	**-**
Small Business Administration - guaranteed participation securities	**42,217**	**-**	**42,217**	**-**
Other	**686**	**-**	**686**	**-**
Total securities available for sale	**$ 439,071**	**$ -**	**$ 439,071**	**$ -**

(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2019 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available for sale:				
U.S. government sponsored enterprises	$ 104,512	$ -	$ 104,512	$ -
State and political subdivisions	162	-	162	-
Mortgage backed securities and collateralized mortgage obligations - residential	389,517	-	389,517	-
Corporate bonds	30,436	-	30,436	-
Small Business Administration - guaranteed participation securities	48,511	-	48,511	-
Other	685	-	685	-
Total securities available for sale	$ 573,823	$ -	$ 573,823	$ -

There were no transfers between Level 1 and Level 2 in 2020 and 2019.

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

(dollars in thousands)	Carrying Value	Fair Value Measurements at **December 31, 2020 Using:** Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation technique	Unobservable inputs	Range (Weighted Average)
Other real estate owned	**$ 541**	**$ -**	**$ -**	**$ 541**	Sales comparison approach	Adjustments for differences between comparable sales	1% - 7% (2%)
Impaired loans:							
Real estate mortgage - 1 to 4 family	**211**	**-**	**-**	**211**	Sales comparison approach	Adjustments for differences between comparable sales	11% - 12% (12%)

(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2019 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation technique	Unobservable inputs	Range (Weighted Average)
Other real estate owned	$ 1,579	$ -	$ -	$ 1,579	Sales comparison approach	Adjustments for differences between comparable sales	1% - 21% (2%)
Impaired loans:							
Real estate mortgage - 1 to 4 family	120	-	-	120	Sales comparison approach	Adjustments for differences between comparable sales	1% - 17% (9%)

Other real estate owned, which is carried at fair value less costs to sell, was approximately $541 thousand at December 31, 2020, and consisted of only residential real estate properties. A valuation charge of $120 thousand is included in earnings for the year ended December 31, 2020.

Of the total impaired loans of $21.6 million at December 31, 2020, $211 thousand are collateral dependent and are carried at fair value measured on a non-recurring basis. Due to the sufficiency of charge-offs taken on these loans and the adequacy of the underlying collateral, there were no specific valuation allowances for these loans at December 31, 2020. Gross charge-offs related to residential impaired loans included in the table above amounted to $10 thousand.

Other real estate owned, which is carried at fair value less costs to sell, was approximately $1.6 million at December 31, 2019, and consisted of $358 thousand of commercial real estate and $1.2 million of residential real estate properties. A valuation charge of $366 thousand is included in earnings for the year ended December 31, 2019

Of the total impaired loans of $21.0 million at December 31, 2019, $120 thousand are collateral dependent and are carried at fair value measured on a non-recurring basis. Due to the sufficiency of charge-offs taken on these loans and the adequacy of the underlying collateral, there were no specific valuation allowances for these loans at December 31, 2019. Gross charge-offs related to residential impaired loans included in the table above amounted to $22 thousand.

In accordance with ASC 825, the carrying amounts and estimated fair values (exit price) of financial instruments at December 31, 2020 and 2019 are as follows:

(dollars in thousands)	Carrying Value	Fair Value Measurements at **December 31, 2020 Using:**			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	**$ 1,107,099**	**1,107,099**	**-**	**-**	**1,107,099**
Securities available for sale	**439,071**	**-**	**439,071**	**-**	**439,071**
Held to maturity securities	**13,824**	**-**	**14,988**	**-**	**14,988**
Federal Home Loan Bank stock	**5,506**	**N/A**	**N/A**	**N/A**	**N/A**
Net loans	**4,194,875**	**-**	**-**	**4,287,585**	**4,287,585**
Accrued interest receivable	**10,031**	**39**	**1,458**	**8,534**	**10,031**
Financial liabilities:					
Demand deposits	**652,756**	**652,756**	**-**	**-**	**652,756**
Interest bearing deposits	**4,384,437**	**3,088,064**	**1,298,375**	**-**	**4,386,439**
Short-term borrowings	**214,755**	**-**	**214,755**	**-**	**214,755**
Accrued interest payable	**474**	**68**	**406**	**-**	**474**

(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2019 Using:			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	$ 456,846	456,846	-	-	456,846
Securities available for sale	573,823	-	573,823	-	573,823
Held to maturity securities	18,618	-	19,680	-	19,680
Federal Reserve Bank and Federal Home Loan Bank stock	9,183	N/A	N/A	N/A	N/A
Net loans	4,017,879	-	-	4,078,210	4,078,210
Accrued interest receivable	10,915	216	2,221	8,478	10,915
Financial liabilities:					
Demand deposits	463,858	463,858	-	-	463,858
Interest bearing deposits	3,986,158	2,587,981	1,397,271	-	3,985,252
Short-term borrowings	148,666	-	148,666	-	148,666
Accrued interest payable	1,459	174	1,285	-	1,459

(14) Regulatory Capital Requirements

Depository institutions and their holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy rules and regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can result in regulatory action. The capital rules include a capital conservation buffer of 2.5% that is designed to absorb losses during periods of economic stress and to require increased capital levels before capital distributions and certain other payments can be made. Failure to meet the full amount of the buffer will result in restrictions on capital distributions, including dividend payments and stock repurchases, and to pay discretionary bonuses to executive officers. As of December 31, 2020, the Company and Bank meet all capital adequacy requirements to which they are subject and reported capital in levels that exceeded the capital conservation buffer.

Prompt corrective action regulations, to which banks, but not their holding companies, are subject, provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. If a bank is not classified as well capitalized, its ability to accept brokered deposits is restricted. If a bank is undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. The federal banking agencies are required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution or its holding company. Such actions could have a direct material effect on an institution's or its holding company's financial statements. As of December 31, 2020 and December 31, 2019, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The following is a summary of actual capital amounts and ratios as of December 31, 2020 and 2019, for Trustco Bank:

(dollars in thousands)	**As of December 31, 2020** Amount	Ratio	**Well Capitalized(1)**	**Minimum for Capital Adequacy plus Capital Conservation Buffer(1)(2)**
Tier 1 leverage ratio	**$ 539,897**	**9.378%**	**5.000%**	**4.000%**
Common equity Tier 1 capital	**539,897**	**18.646**	**6.500**	**7.000**
Tier 1 risk-based capital	**539,897**	**18.646**	**8.000**	**8.500**
Total risk-based capital	**576,257**	**19.902**	**10.000**	**10.500**

(dollars in thousands)	As of December 31, 2019 Amount	Ratio	Well Capitalized(1)	Minimum for Capital Adequacy plus Capital Conservation Buffer(1)(2)
Tier 1 leverage ratio	$ 516,775	9.940%	5.000%	4.000%
Common equity Tier 1 capital	516,775	18.412	6.500	7.000
Tier 1 risk-based capital	516,775	18.412	8.000	8.500
Total risk-based capital	551,975	19.666	10.000	10.500

The following is a summary of actual capital amounts and ratios as of December 31, 2020 and 2019 for TrustCo on a consolidated basis.

(dollars in thousands)	**As of December 31, 2020** Amount	Ratio	**Minimum for Capital Adequacy plus Capital Conservation Buffer(1)(2)**
Tier 1 leverage ratio	**$ 555,672**	**9.650%**	**4.000%**
Common equity Tier 1 capital	**555,672**	**19.187**	**7.000**
Tier 1 risk-based capital	**555,672**	**19.187**	**8.500**
Total risk-based capital	**592,040**	**20.443**	**10.500**

(dollars in thousands)	As of December 31, 2019 Amount	Ratio	Minimum for Capital Adequacy plus Capital Conservation Buffer(1)(2)
Tier 1 leverage ratio	$ 533,243	10.254%	4.000%
Common equity Tier 1 capital	533,243	18.988	7.000
Tier 1 risk-based capital	533,243	18.988	8.500
Total risk-based capital	568,463	20.242	10.500

(1) Federal regulatory minimum requirements to be considered to be Well Capitalized and Adequately Capitalized
(2) The December 31, 2020 and 2019 common equity tier 1, tier 1 risk-based, and total risk-based capital ratios include a capital conservation buffer of 2.50 percent.

(15) Accumulated Other Comprehensive Income

The following is a summary of the accumulated other comprehensive income (loss) balances, net of tax:

	December 31, 2020					
(dollars in thousands)		Balance at 12/31/2019	Other Comprehensive Income (loss)- Before Reclassifications	Amount reclassified from Accumulated Other Comprehensive Income	Other Comprehensive Income (loss)- year ended 12/31/2020	Balance at 12/31/2020
Net unrealized holding loss on securities available for sale, net of tax	**$**	**286**	**7,755**	**(855)**	**6,900**	**7,186**
Net change in overfunded position in pension and postretirement plans arising during the year, net of tax		**4,840**	**1,244**	**-**	**1,244**	**6,084**
Net change in net actuarial gain and prior service credit on pension and pension and postretirement benefit plans, net of tax		**(665)**	**-**	**(669)**	**(669)**	**(1,334)**
Accumulated other comprehensive income (loss), net of tax		**4,461**	**8,999**	**(1,524)**	**7,475**	**11,936**

	December 31, 2019					
(dollars in thousands)		Balance at 12/31/2018	Other Comprehensive Income (loss)- Before Reclassifications	Amount reclassified from Accumulated Other Comprehensive Income	Other Comprehensive Income (loss)- year ended 12/31/2019	Balance at 12/31/2019
Net unrealized holding loss on securities available for sale, net of tax	$	(10,416)	10,702	-	10,702	286
Net change in overfunded position in pension and postretirement plans arising during the year, net of tax		423	4,417	-	4,417	4,840
Net change in net actuarial gain and prior service credit on pension and pension and postretirement benefit plans, net of tax		(316)	-	(349)	(349)	(665)
Accumulated other comprehensive (loss) income, net of tax		(10,309)	15,119	(349)	14,770	4,461

	December 31, 2018					
(dollars in thousands)		Balance at 12/31/2017	Other Comprehensive Income (loss)- Before Reclassifications	Amount reclassified from Accumulated Other Comprehensive Income	Other Comprehensive Income (loss)- year ended 12/31/2018	Balance at 12/31/2018
Net unrealized holding loss on securities available for sale, net of tax	$	(5,030)	(3,944)	-	(3,944)	(8,974)
Net change in overfunded position in pension and postretirement plans arising during the year, net of tax		3,054	(2,727)	-	(2,727)	327
Net change in net actuarial loss (gain) and prior service cost (credit) on pension and pension and postretirement benefit plans, net of tax		170	-	(486)	(486)	(316)
Tax Cuts and Jobs Act of 2017, Reclassification from AOCI to Retained		-	-	(1,346)	-	(1,346)
Accumulated other comprehensive loss, net of tax	$	(1,806)	(6,671)	(1,832)	(7,157)	(10,309)

The following represents the reclassifications out of accumulated other comprehensive income (loss) for the years ended December 31, 2020, 2019 and 2018:

(dollars in thousands)	Years ended December 31, 2020	2019	2018	Affected Line Item in Financial Statements
Unrealized gains on securities available for sale:				
Realized gain on securities transactions	**$ 1,155**	-	-	Net gain on securities transactions
Income tax expense	**(300)**	-	-	Income taxes
Net of tax	**855**	-	-	
Amortization of pension and postretirement benefit items:				
Amortization of net actuarial gain	**708**	274	556	Salaries and employee benefits
Amortization of prior service credit	**196**	197	100	Salaries and employee benefits
Income tax benefit	**(235)**	(122)	(170)	Income taxes
Net of tax	**669**	349	486	
Total reclassifications, net of tax	**$ 1,524**	349	486	

(16) Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following table presents the Company's sources of Non-Interest Income for the years ended December 31, 2020, 2019 and 2018. Items outside the scope of ASC 606 are noted as such.

(dollars in thousands)	December 31,		
	2020	2019	2018
Non-interest income			
Service Charges on Deposits			
Overdraft fees	$ **2,665**	3,571	3,543
Other	**1,629**	459	455
Interchange Income	**4,199**	4,065	4,822
Net gain on securities transactions (a)	**1,155**	-	-
Wealth management fees	**6,279**	6,387	6,283
Other (a)	**1,243**	4,109	2,978
Total non-interest income	$ **17,170**	18,591	18,081

(a) Not within the scope of ASC 606.

A description of the Company's revenue streams accounted in accordance with ASC 606 as follows:

Service charges on Deposit Accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as stop payment charges, statement rendering and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Interchange Income: Interchange revenue primarily consists of interchange fees, volume-related incentives and ATM charges. As the card-issuing bank, interchange fees represent our portion of discount fees paid by merchants for credit / debit card transactions processed through the interchange network. The levels and structure of interchange rates are set by the card processing companies and are based on cardholder purchase volumes. The Company earns interchange income as cardholder transactions occur and interchange fees are settled on a daily basis concurrent with the transaction processing services provided to the cardholder.

Wealth Management fees: Trustco Financial Services provides a comprehensive suite of trust and wealth management products and services, including financial and estate planning, trustee and custodial services, investment management, corporate retirement plan recordkeeping and administration of which a fee is charged to manage assets for investment or transact on accounts. These fees are earned over time as the Company provides the contracted monthly or quarterly services and are generally assessed over the period in which services are performed based on a percentage of the fair value of assets under management or administration. Other services are based on a fixed fee for certain account types, or based on transaction activity and are recognized when services are rendered. Fees are withdrawn from the customer's account balance.

Gains/Losses on Sales of Other real Estate Owned "OREO": The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain/(loss) on sale if a significant financing component is present.

(17) Operating leases

The Company adopted Topic 842 "Leases" effective January 1, 2019 and has applied the guidance to all operating leases within the scope of Topic 842 at that date. The company elected to adopt practical expedients, which among other things, does not require reassessment of lease classification.

The Company has committed to rent premises used in business operations under non-cancelable operating leases and determines if an arrangement meets the definition of a lease upon inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the Company's balance sheets.

Operating lease ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company's leases do not provide an implicit rate, therefore the Company used its incremental collateralized borrowing rates commensurate with the underlying lease terms to determine present value of operating lease liabilities. Additionally, the Company does allocate the consideration between lease and non-lease components. The Company's lease terms may include options to extend when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease components, such as fair market value adjustments, are expensed as incurred and not included in ROU assets and operating lease liabilities. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. As of December 31, 2020 the Company did not have any leases with terms of twelve months or less.

As of December 31, 2020 the Company has one lease that the construction has not started yet. At December 31, 2020 lease expiration dates ranged from eight months to 23.8 years and have a weighted average remaining lease term of 9.0 years. Certain leases provide for increases in future minimum annual rental payments as defined in the lease agreements. As mentioned above the leases generally also include variable lease components which include real estate taxes, insurance, and common area maintenance ("CAM") charges in the annual rental payments.

Other information related to leases was as follows:

(dollars in thousands)	2020	2019	2018
Operating lease cost	$ **8,044**	7,808	7,988
Variable lease cost	**2,029**	1,968	2,000
Total Lease costs	$ **10,073**	$ 9,776	$ 9,988

	2020	2019
Supplemental cash flows information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ **8,042**	7,839
Right-of-use assets obtained in exchange for lease obligations:	$ **2,548**	57,464
Weighted average remaining lease term (years)	**9.0**	9.4
Weighted average discount rate	**3.2%**	3.3%

Future minimum lease payments under non-cancellable leases as of December 31, 2020 were as follows:

(dollars in thousands)		
Year ending December 31,		
2021	**$**	**8,172**
2022		**7,719**
2023		**7,413**
2024		**7,288**
2025		**6,914**
Thereafter		**23,620**
Total lease payments	**$**	**61,126**
Less: Interest		**8,342**
Present value of lease liabilities	**$**	**52,784**

During August 2020, the Board of Directors elected a new director that owns six commercial properties in which the Company leases branches from. Total lease payments, which is included in the table above, owed at December 31, 2020 was $4.7 million, which includes $665 thousand of interest.

Future minimum lease payments under non-cancellable leases as of December 31, 2019 were as follows:

(dollars in thousands)		
Year ending December 31,		
2020	$	8,039
2021		8,033
2022		7,533
2023		7,227
2024		7,100
Thereafter		28,361
Total lease payments	$	66,293
Less: Interest		9,740
Present value of lease liabilities	$	56,553

As of December 31, 2020 and 2019, the operating lease right-of-use asset was $47.9 million and $51.5 million, respectively.

(18) Recent Accounting Pronouncements

In September 2016, the FASB released ASU 2016-13, "Financial Instruments - Credit Losses" which amended existing guidance to replace current generally accepted accounting principles used to measure a reporting entity's credit losses. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

As previously disclosed, the Company formed a cross-functional team to work through its implementation of the plan. The Company has selected the Discounted Cash Flow modeling method and is running parallel processes and is working to finalize assessment and documentation of processes, data and model validation testing, qualitative factors and forecast periods. The Company had previously elected to delay its adoption of CECL, as provided by the CARES Act until the date on which the National Emergency concerning COVID-19 was terminated or December 31, 2020, whichever occurred first. The December 31, 2020 adoption date under the CARES Act was extended to January 1, 2022 as a part of the COVID-19 Relief Bill, which became law in December 2020, and therefore the Company now intends to adopt CECL on January 1, 2022.

(19) Parent Company Only

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

Statements of Comprehensive Income

(dollars in thousands)	Years ended December 31,		
	2020	2019	2018
Income:			
Dividends and interest from subsidiaries	$ **31,100**	28,340	24,920
Net gain on securities transactions	**-**	-	-
Miscellaneous income	**-**	-	-
Total income	**31,100**	28,340	24,920
Expense:			
Operating supplies	**20**	82	122
Professional services	**655**	651	438
Miscellaneous expense	**1,666**	2,811	1,755
Total expense	**2,341**	3,544	2,315
Income before income taxes and subsidiaries' undistributed earnings	**28,759**	24,796	22,605
Income tax benefit	**(558)**	(837)	(523)
Income before subsidiaries' undistributed earnings	**29,317**	25,633	23,128
Equity in undistributed earnings of subsidiaries	**23,135**	32,207	38,317
Net income	$ **52,452**	57,840	61,445
Change in other comprehensive income (loss)	**7,475**	14,770	(7,157)
Comprehensive income	$ **59,927**	72,610	54,288

Statements of Condition

(dollars in thousands)	December 31,	
	2020	2019
Assets:		
Cash in subsidiary bank	$ **24,154**	24,118
Investments in subsidiaries	**552,399**	521,802
Securities available for sale	**36**	35
Other assets	**555**	558
Total assets	**577,144**	546,513
Liabilities and shareholders' equity:		
Accrued expenses and other liabilities	**8,983**	8,256
Total liabilities	**8,983**	8,256
Shareholders' equity	**568,161**	538,257
Total liabilities and shareholders' equity	$ **577,144**	546,513

Statements of Cash Flows

(dollars in thousands)	Years ended December 31,		
	2020	2019	2018
Increase/(decrease) in cash and cash equivalents:			
Cash flows from operating activities:			
Net income	**$ 52,452**	57,840	61,445
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	**(23,135)**	(32,207)	(38,317)
Stock based compensation expense	**15**	5	173
Net change in other assets and accrued expenses	**515**	246	214
Total adjustments	**(22,605)**	(31,956)	(37,930)
Net cash provided by operating activities	**29,847**	25,884	23,515
Cash flows from investing activities:			
Purchases of securities available for sale	**(1)**	-	-
Net cash used in investing activities	**(1)**	-	-
Cash flows from financing activities:			
Proceeds from exercise of stock options	**-**	185	1,259
Dividends paid	**(26,317)**	(26,372)	(25,555)
Payments to acquire treasury stock	**(3,493)**	(35)	(718)
Proceeds from sales of treasury stock	**-**	1,791	2,391
Net cash used in financing activities	**(29,810)**	(24,431)	(22,623)
Net increase in cash and cash equivalents	**36**	1,453	892
Cash and cash equivalents at beginning of year	**24,118**	22,665	21,773
Cash and cash equivalents at end of year	**$ 24,154**	24,118	22,665

Branch Locations

New York

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

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

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

Amsterdam Office
4931 Route 30
Amsterdam, NY
Telephone: (518) 842-5459

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

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

Balltown Road Office
1475 Balltown Rd.
Niskayuna, NY
Telephone: (518) 377-2460

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

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

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

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

Campbell West Plaza Office
141 West Campbell Rd.
Rotterdam, NY
Telephone: (518) 377-2393

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

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

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

Clifton Park Office
1026 Route 146
Clifton Park, NY
Telephone: (518) 371-8451

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

Colonie Office
1818 Central Ave.
Albany, NY
Telephone: (518) 456-0041

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

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

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

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

Exit 8/Crescent Rd. Office
1541 Crescent Rd.
Clifton Park, NY
Telephone: (518) 383-0039

Exit 11 Office
43 Round Lake Rd.
Ballston Lake, NY
Telephone: (518) 899-1558

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

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

Glenmont Office
380 Route 9W
Glenmont, NY
Telephone: (518) 449-2128

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

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

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

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

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

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

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

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

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

Katonah Office
18 Woods Bridge Road
Katonah, NY
Telephone: (914) 666-6230

Kingston Office
1220 Ulster Ave.
Kingston, NY
Telephone: (845) 336-5372

Lake George Office
4066 Route 9L
Lake George, NY
Telephone: (518) 668-2352

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

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

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

Mahopac Office
945 South Lake Blvd
Mahopac, NY
Telephone: (845) 803-8756

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

Mamaroneck Office
180-190 East Boston Post Rd.
Mamaroneck, NY
Telephone: (914) 777-3023

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

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

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

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

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

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

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

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

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

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

Northern Pines Road Office
649 Maple Ave.
Saratoga Springs, NY
Telephone: (518) 583-2634

Nyack Office
388 Route 59
Nyack, NY
Telephone: (845) 535-3728

Peekskill Office
20 Welcher Ave.
Peekskill, NY
Telephone: (914) 739-1839

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

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

Branch Locations (continued)

Poughkeepsie Office
2656 South Rd.
Poughkeepsie, NY
Telephone: (845) 485-7413

Queensbury Office
118 Quaker Rd.
Suite 1
Queensbury, NY
Telephone: (518) 798-7226

Red Hook Office
4 Morgans Way
Red Hook, NY
Telephone: (845) 752-2224

Rotterdam Office
1416 Curry Rd.
Schenectady, NY
Telephone: (518) 355-8330

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

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

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

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

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

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

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

South Glens Falls Office
133 Saratoga Rd.
Suite 1
South Glens Falls, NY
Telephone: (518) 793-7668

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

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

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

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

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

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

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

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

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

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

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

Warrensburg Office
9 Lake George Plaza Rd.
Lake George, NY
Telephone: (518) 623-3707

West Sand Lake Office
3690 NY Route 43
West Sand Lake, NY
Telephone: (518) 674-3327

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

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

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

Branch Locations (continued)

Florida

Alafaya Woods Office
1500 Alafaya Trl.
Oviedo, FL
Telephone: (407) 359-5991

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

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

Apopka Office
1134 North Rock Springs Rd.
Apopka, FL
Telephone: (407) 464-7373

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

Bay Hill Office
6084 Apopka Vineland Road
Orlando, FL
Telephone: (321) 251-1859

BeeLine Center Office
10249 South John Young Pkwy.
Suite 101
Orlando, FL
Telephone: (407) 240-0945

Beneva Village Office
5950 South Beneva Road
Sarasota, FL
Telephone: (941) 923-8269

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

Colonial Drive Office
4301 East Colonial Dr.
Orlando, FL
Telephone: (407) 895-6393

Curry Ford Road Office
3020 Lamberton Blvd., Suite 116
Orlando, FL
Telephone: (407) 277-9663

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

Davenport Office
2300 Deer Creek Commons Ln.
Suite 600
Davenport, FL
Telephone: (863) 424-9493

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

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

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

Englewood Office
2930 South McCall Rd.
Englewood, FL
Telephone: (941) 460-0601

Gateway Commons Office
1525 East Osceola Pkwy., Suite 120
Kissimmee, FL
Telephone: (407) 932-0398

Goldenrod Office
7803 East Colonial Rd., Suite 107
Orlando, FL
Telephone: (407) 207-3773

Juno Beach Office
14051 US Highway 1
Juno Beach, FL
Telephone: (561) 630-4521

Lady Lake Office
873 North US Highway 27/441
Lady Lake, FL
Telephone: (352) 205-8893

Lake Brantley Office
909 North SR 434
Altamonte Springs, FL
Telephone: (407) 339-3396

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

Lake Nona Office
9360 Narcoossee Rd.
Orlando, FL
(407) 801-7330

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

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

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

Leesburg Office
1330 Citizens Blvd., Suite 101
Leesburg, FL
Telephone: (352) 365-1305

Maitland Office
9400 US Route 17/92, Suite 101
Maitland, FL
Telephone: (407) 332-6071

Melbourne Office
2481 Croton Rd.
Melbourne, FL
Telephone: (321) 752 0446

Metro West Office
2619 S. Hiawassee Rd.
Orlando, FL
Telephone: (407) 293-1580

North Clermont Office
12302 Roper Blvd.
Clermont, FL
Telephone: (352) 243-2563

Orange City Office
902 Saxon Blvd., Suite 101
Orange City, FL
Telephone: (386) 775-1392

Ormond Beach Office
115 North Nova Rd.
Ormond Beach, FL
Telephone: (386) 256-3813

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

Oviedo Office
1875 West County Rd. 419
Suite 600
Oviedo, FL
Telephone: (407) 365-1145

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

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

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

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

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

Stuart Office
951 SE Federal Highway
Stuart, FL
Telephone: (772) 286-4757

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

Sweetwater Office
671 North Hunt Club Rd.
Longwood, FL
Telephone: (407) 774-1347

Tuskawilla Road Office
1295 Tuskawilla Rd., Suite 10
Winter Springs, FL
Telephone: (407) 695-5558

Venice Office
2057 South Tamiami Trl.
Venice, FL
Telephone: (941) 496-9100

Vero Beach Office
4125 20th Street
Vero Beach, FL
Telephone: (772) 492-9295

Westwood Plaza Office
4942 West State Route 46
Suite 1050
Sanford, FL
Telephone: (407) 321-4925

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

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

Winter Haven Office
7476 Cypress Gardens Blvd. Southeast
Winter Haven, FL
Telephone: (863) 326-1918

Winter Park Office
1211 N. Orange Ave.
Winter Park, FL
Telephone: (407) 755-6707

Winter Springs Office
851 East State Route 434
Winter Springs, FL
Telephone: (407) 327-6064

Branch Locations (continued)

Massachusetts

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

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

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

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

New Jersey

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

Ramsey Office
385 North Franklin Tpk.
Ramsey, NJ
Telephone: (201) 934-1429

Vermont

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

EXECUTIVE OFFICERS

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
Robert J. McCormick

EXECUTIVE VICE PRESIDENT AND CHIEF OPERATIONS OFFICER
Kevin M. Curley

EXECUTIVE VICE PRESIDENT AND CHIEF RISK OFFICER
Robert M. Leonard

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Michael M. Ozimek

EXECUTIVE VICE PRESIDENT AND CHIEF LENDING OFFICER
Scot R. Salvador

EXECUTIVE VICE PRESIDENT AND TREASURER
Eric W. Schreck

GENERAL COUNSEL AND CORPORATE SECRETARY
Michael J. Hall

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

BOARD OF DIRECTORS

Dennis A. De Gennaro, President
Camelot Associates Corporation
Commercial and Residential Construction

Brian C. Flynn, CPA
KPMG LLP
Retired Partner

Lisa M. Lucarelli, Owner
LMKD Properties, LLC
Property Management

Thomas O. Maggs, President
Maggs & Associates
Insurance Agency

Anthony J. Marinello, M.D., Ph.D.
Chief Medical Officer, CDPHP

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

Kimberly A. Russell, President & COO
Frank Adams Jewelers, Inc

Frank B. Silverman
Managing member of Vision Development and Management
Managing member of Central Florida Championship Karate
Executive Director of the Martial Arts Industry Association

HONORARY DIRECTORS

Lionel O. Barthold
Nancy A. McNamara
John S. Morris, Ph.D
James H. Murphy, D.D.S.
William F. Terry

Trustco Bank Officers

CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
Robert J. McCormick

EXECUTIVE VICE PRESIDENT AND CHIEF OPERATIONS OFFICER
Kevin M. Curley

EXECUTIVE VICE PRESIDENT AND CHIEF RISK OFFICER
Robert M. Leonard

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Michael M. Ozimek

EXECUTIVE VICE PRESIDENT AND CHIEF LENDING OFFICER
Scot R. Salvador

EXECUTIVE VICE PRESIDENT AND FLORIDA REGIONAL PRESIDENT
Eric W. Schreck

GENERAL COUNSEL AND CORPORATE SECRETARY
Michael J. Hall, Esq

ACCOUNTING/FINANCE
Vice Presidents
Andrea A. McGuire
Michael Rydberg
Assistant Vice President
Lynn M. Hallenbeck

AUDIT
Director of Internal Audit
Daniel R. Saullo
Officers
Allison R. Downs
Kenneth E. Hughes Jr.
Jeff P. Klingbeil
Dennis M. Pitaniello

BRANCH ADMINISTRATION
Administrative Vice President
Carly K. Batista
Assistant Vice Presidents
Mark J. Cooper
Gloryvel Morales
Pratik A. Shah
Jocelyn E. Vizcara
Regional Officers
Takla A. Awad
Thomas L. McCormick
James J. Smith
Officers
Victor J. Berger
Albert N. Estopinal
Lesly Jean-Louis
Kevin R. Mason
Nicolette C. Messina
Ronald G. Patterson
Carmen Ramjeet
Berkley K. Young

COLLECTIONS/ OPERATIONS/ CREDIT
Vice Presidents
Stacy L. Marble
Officers
Aislinn E. Melia
June M. Ryder

COMPLIANCE/ RISK/ BSA/ CREDIT ADMINISTRATION
Administrative Vice President and Chief Compliance Officer and Information Security Officer
Michael J. Ewell
Administrative Vice President
Michael J. Lofrumento
Vice Presidents
Lara Ann Gough
Jennifer L. Meadows
Assistant Vice President
Michael V. Pitnell
Officers
Amanda L. Biance
James A.P. McCarthy, Esq.
Michael F. McMahon

FINANCIAL SERVICES
Administrative Vice President and Chief Trust Officer
Patrick J. LaPorta, Esq.
Vice President
Thomas M. Poitras
Assistant Vice President
Lauren A. Maxwell
Officers
Michael D. Bates
John W. Bresonis
Clint M. Mallard

INFORMATION TECHNOLOGY/ PLANNING AND SYSTEMS/ MARKETING
Administrative Vice President
John R. George
Vice President and Chief Technology Officer
Volney R. LaRowe
Vice President
Adam E. Roselan
Officers
Jonathan R. Goodell

LENDING
Administrative Vice President
Michelle L. Simmonds
Vice President
Suzanne E. Breen
Patrick M. Canavan
Assistant Vice President
Amy E. Anderson
Officers
Douglas L. Hall
Rebecca L. O'Hare
Lisa Tully

PERSONNEL/ QUALITY CONTROL/ TRAINING
Assistant Vice Presidents
Jason T. Goodell
Jessica M. Marshall

General Information

ANNUAL MEETING
In Virtual format via webcast at www.virtualshareldermeeting.com/TRST2021 as permitted by law
Thursday, May 20, 2021
10:00 AM
Albany, NY 12205

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

DIVIDEND REINVESTMENT PLAN
A Dividend Reinvestment Plan is available to shareholders of TrustCo Bank Corp NY. It provides for the reinvestment of cash dividends and optional cash payments to purchase additional shares of TrustCo stock. The Dividend Reinvestment Plan has certain administrative charges and provides a convenient method of acquiring additional shares. Computershare acts as administrator for this service and is the agent for shareholders in these transactions. Shareholders who want additional information may contact Computershare at 1-800-368-5948.

DIRECT DEPOSIT OF DIVIDENDS
Electronic deposit of dividends, which offers safety and convenience, is available to TrustCo shareholders who wish to have dividends deposited directly to personal checking, savings or other accounts. If you would like to arrange direct deposit, please write to Computershare listed as transfer agent at the bottom of this page.

FORM 10-K
TrustCo Bank Corp NY will provide, without charge, a copy of its Form 10-K for the year ended December 31, 2019 upon written request. Requests and related inquiries should be directed to Robert M. Leonard, Executive Vice President and Chief Risk Officer, TrustCo Bank Corp NY, P.O. Box 380, Schenectady, New York 12301-0380.

CODE OF CONDUCT
TrustCo Bank Corp NY will provide, without charge, a copy of its Code of Conduct upon written request. Requests and related inquiries should be directed to Michael Hall, Corporate Secretary, TrustCo Bank Corp NY, P.O. Box 1082, Schenectady, New York 12301-1082. The Code of Conduct also is available on the Company's web site at www.trustcobank.com under the "Investor Relations" link.

NASDAQ SYMBOL: TRST
The Corporation's common stock trades on The Nasdaq Stock Market under the symbol TRST. There were approximately 11,031 shareholders of record of TrustCo common stock as of January 31, 2021.

SUBSIDIARIES:

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

Trustco Realty Corp
Glenville, New York

Trustco Insurance Agency, Inc.
Glenville, New York

ORE Property, Inc.
Glenville, New York
(and its wholly owned subsidiaries)

ORE Property One, Inc.
Orlando, Florida

ORE Property Two, Inc.
Orlando, Florida

ORE Subsidiary Corporation
Glenville, New York

TRANSFER AGENT
Computershare
Regular Mail
PO BOX 505000
Louisville, KY 40233-5000
UNITED STATES

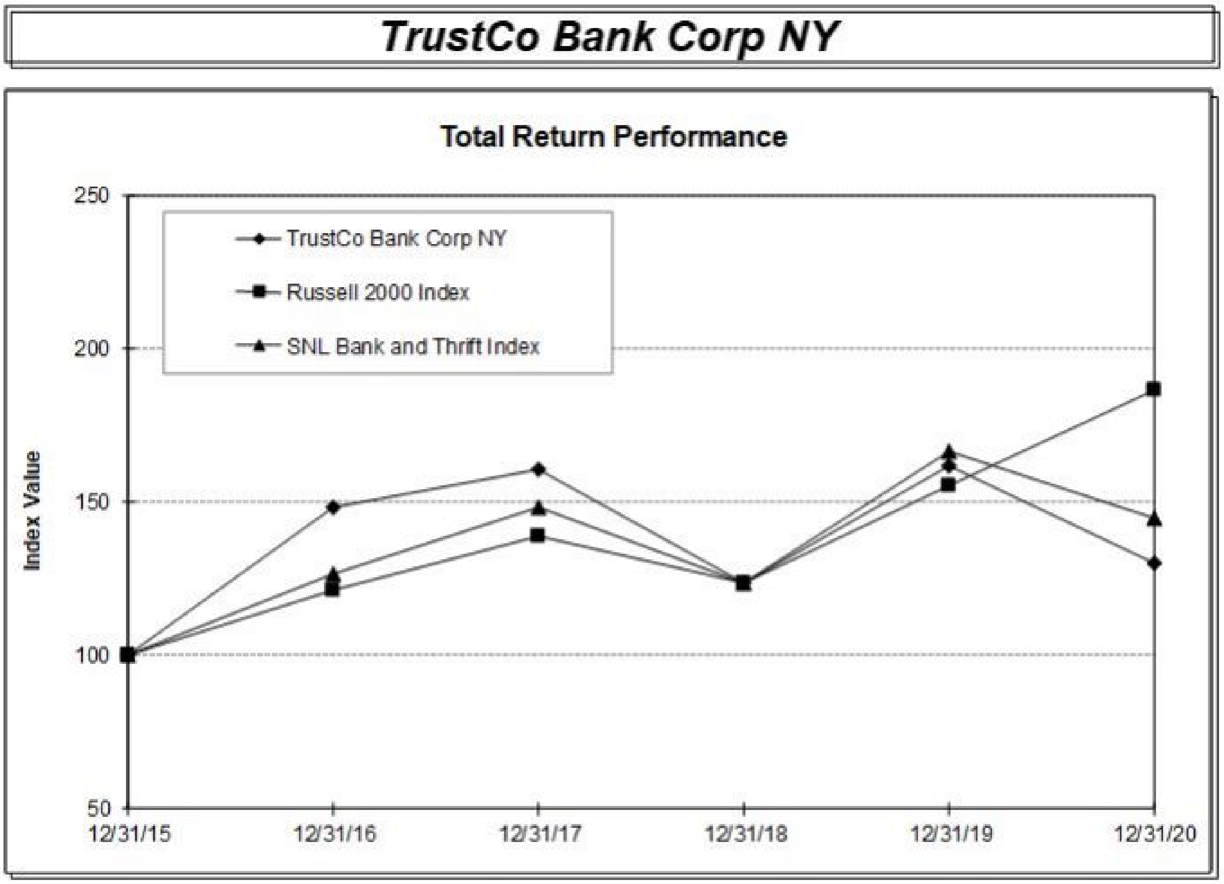
Overnight Delivery
462 South 4th Street
Suite 1600 Louisville, KY 40202
UNITED STATES

Toll Free: 1-800-368-5948 or 1-781-575-4223

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

Share Price Information

The following graph shows changes over a five-year period in the value of $100 invested in: (1) TrustCo's common stock; (2) Russell 2000 and (3) the SNL Bank and Thrift Index, an industry group compiled by S&P Global Market Intelligence, that includes all major exchange (NYSE, NYSE MKT, NASDAQ) banks and thrifts in S&P's coverage universe. The index included 378 companies as of December 31, 2020. A list of the component companies can be obtained by contacting TrustCo.



	Period Ending					
Index	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20
TrustCo Bank Corp NY	100.00	148.07	160.74	123.74	161.77	129.82
Russell 2000 Index	100.00	121.31	139.08	123.76	155.35	186.36
SNL Bank and Thrift Index	100.00	126.25	148.45	123.32	166.67	144.61

Source: S&P Global Market Intelligence

Exhibit 21

SUBSIDIARIES OF TRUSTCO BANK CORP NY

Trustco Bank	Federal savings bank
ORE Subsidiary Corp.	New York corporation
Trustco Realty Corp.	New York corporation (Subsidiary of Trustco Bank)
Trustco Insurance Agency, Inc.	New York corporation (Subsidiary of Trustco Bank)
ORE Property, Inc.	New York corporation (Subsidiary of Trustco Bank)
ORE Property One, Inc.	Florida corporation (Subsidiary of ORE Property, Inc.)
ORE Property Two, Inc.	Florida corporation (Subsidiary of ORE Property, Inc.)

Each subsidiary does business under its own name. The activities of each are described in Part I, Item 1 of Form 10-K.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
TrustCo Bank Corp NY

We consent to incorporation by reference in the Registration Statements, Form S-8 (No. 333-175868), Form S-8 (No. 333-233122), Form S-8 (No. 333-175867), Form S-8 (No. 333-206685), and Form S-3 (No. 333-238208) of TrustCo Bank Corp NY of our report dated February 26, 2021 with respect to the consolidated financial statements of TrustCo Bank Corp NY and the effectiveness of internal control over financial reporting which is incorporated by reference in the Annual Report on Form 10-K of TrustCo Bank Corp NY for the year ended December 31, 2020.

/s/Crowe LLP

New York, New York
February 26, 2021

Exhibit 24

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned, being a director of TrustCo Bank Corp NY, a New York corporation (the "Company"), hereby constitutes and appoints Michael M. Ozimek and Robert M. Leonard, and each of them, his or her true and lawful attorney-in-fact and agent, with full power to act separately and full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, to sign the Annual Report on Form 10-K for the year ended December 31, 2020, and any amendments thereto, each in such form as they or any one of them may approve, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitute or resubstitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her signature on the dates indicated.

/s/ Brian C. Flynn Brian C. Flynn February 22, 2021	/s/ Dennis A. De Gennaro Dennis A. De Gennaro February 22, 2021
/s/ Robert J. McCormick Robert J. McCormick February 24, 2021	/s/ Thomas O. Maggs Thomas O. Maggs February 24, 2021
/s/ Kimberly A. Russell Kimberly A. Russell February 22, 2021	/s/ Dr. Anthony J. Marinello Dr. Anthony J.Marinello February 22, 2021
/s/ Lisa M. Lucarelli Lisa M. Lucarelli February 24, 2021	/s/ Frank B. Silverman Frank B. Silverman February 22, 2021

Exhibit 31(i)(a)

Certification

I, Robert J. McCormick**,** certify that:

1. I have reviewed this Annual Report on Form 10-K of TrustCo Bank Corp NY (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 26, 2021

/s/ Robert J. McCormick
Robert J. McCormick
Chairman, President and Chief Executive Officer

Exhibit 31(i)(b)

Certification

I, Michael M. Ozimek**,** certify that:

1. I have reviewed this Annual Report on Form 10-K of TrustCo Bank Corp NY (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2021

/s/ Michael M. Ozimek
Michael M. Ozimek
Executive Vice President and Chief Financial Officer

Exhibit 32

Section 1350 Certifications

In connection with the Annual Report of TrustCo Bank Corp NY (the “Company”) on Form 10-K for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert J. McCormick
Robert J. McCormick
Chairman, President and Chief Executive Officer

/s/ Michael M. Ozimek
Michael M. Ozimek
Executive Vice President and Chief Financial Officer

February 26, 2021