TRUSTCO BANK CORP N Y
Form 10-Q
August 08, 2007

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

Form 10-Q

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

For the period ended June 30, 2007 — 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

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

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

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

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

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

Class of Common Stock	Number of Shares Outstanding as of July 31, 2007
$1 Par Value	75,015,883

TrustCo Bank Corp NY

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

	Three Months Ended June 30,	Six Months Ended June 30,

	2007	2006	2007	2006
Interest and dividend income:				
Interest and fees on loans	$ 29,566	25,470	58,197	49,821
Interest and dividends on securities available for sale:				
U.S. Treasuries and agencies and government sponsored enterprises	2,753	10,419	5,609	20,402
States and political subdivisions	1,434	1,450	2,883	2,813
Mortgage-backed securities and collateralized mortgage obligations	1,916	2,231	3,880	4,525
Other securities	176	101	315	327
Total interest and dividends on securities available for sale	6,279	14,201	12,687	28,067
Interest on trading securities - government sponsored enterprises	4,847	-	11,650	-
Interest on federal funds sold and other short term investments	6,856	2,271	10,295	4,763
Total interest income	47,548	41,942	92,829	82,651
Interest expense:				
Interest on deposits:				
Interest-bearing checking	213	360	415	644
Savings	2,397	2,732	4,821	5,098
Money market deposit accounts	3,411	2,415	6,715	4,256
Time deposits	16,556	10,549	31,192	20,477
Interest on short-term borrowings	989	961	1,982	1,739
Interest on long-term debt	-	1	1	2
Total interest expense	23,566	17,018	45,126	32,216
Net interest income	23,982	24,924	47,703	50,435
Provision (credit) for loan losses	-	(1,775)	-	(3,575
Net interest income after provision (credit) for loan losses	23,982	26,699	47,703	54,010
Noninterest income:				
Trust department income	1,441	1,469	2,894	2,707
Fees for other services to customers	2,289	2,076	4,595	4,007
Net trading (losses) gains	(2,844)	-	601	-
Net gain (loss) on securities transactions	3	-	3	(288
Other	257	372	601	796
Total noninterest income	1,146	3,917	8,694	7,222
Noninterest expenses:				
Salaries and employee benefits	4,893	4,425	9,802	9,386
Net occupancy expense	2,408	1,879	4,825	3,853
Equipment expense	811	693	1,555	1,434

Professional services	1,071	852	2,009	1,676
Outsourced Services	1,074	1,058	2,147	2,109
Other real estate expense	15	12	35	2
Other	3,186	3,067	5,791	5,451
Total noninterest expenses	13,458	11,986	26,164	23,911
Income before taxes	11,670	18,630	30,233	37,321
Income taxes	3,563	6,206	9,812	12,531
Net income	$ 8,107	12,424	20,421	24,790
Net income per Common Share:				
- Basic	$ 0.108	0.166	0.272	0.331
- Diluted	$ 0.108	0.165	0.272	0.330

See accompanying notes to unaudited consolidated interim financial statements.

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

	June 30, 2007	December 31, 2006
ASSETS:		
Cash and due from banks	$ 45,820	47,889
Federal funds sold and other short term investments	470,174	243,449
Total cash and cash equivalents	515,994	291,338
Trading securities:		
Government sponsored enterprises	450,198	-
Securities available for sale:		
Government sponsored enterprises	209,916	734,547
States and political subdivisions	129,560	132,879
Mortgage-backed securities and collateralized mortgage obligations	150,526	167,899
Other	12,831	12,945
Total securities available for sale	502,833	1,048,270
Loans:		

Commercial	271,618	263,041
Residential mortgage loans	1,339,082	1,250,427
Home equity line of credit	231,216	242,555
Installment loans	6,449	6,491
Total loans	1,848,365	1,762,514
Less:		
Allowance for loan losses	35,085	35,616
Net loans	1,813,280	1,726,898
Bank premises and equipment, net	27,858	24,050
Other assets	64,031	70,631
Total assets	$ 3,374,194	3,161,187
LIABILITIES:		
Deposits:		
Demand	$ 268,579	259,401
Interest-bearing checking	282,919	290,784
Savings accounts	647,331	662,310
Money market deposit accounts	343,962	310,719
Certificates of deposit (in denominations of $100,000 or more)	369,720	299,813
Time deposits	1,110,025	976,356
Total deposits	3,022,536	2,799,383
Short-term borrowings	93,855	95,507
Long-term debt	44	59
Accrued expenses and other liabilities	27,849	26,715
Total liabilities	3,144,284	2,921,664
SHAREHOLDERS' EQUITY:		
Capital stock par value $1; 150,000,000 shares authorized and 82,168,851 and 82,149,776 shares issued at June 30, 2007 and December 31, 2006, respectively	82,169	82,150
Surplus	119,785	119,313
Undivided profits	98,140	110,304
Accumulated other comprehensive loss, net of tax	(1,860)	(2,928)
Treasury stock at cost - 7,152,994 and 7,276,450 shares at June 30, 2007 and December 31, 2006, respectively	(68,324)	(69,316)
Total shareholders' equity	229,910	239,523
Total liabilities and shareholders' equity	$ 3,374,194	3,161,187

See accompanying notes to unaudited consolidated interim financial statements.

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

	Capital Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Loss	Com Inc
Beginning balance, January 1, 2006	$82,120	117,770	103,315	(6,054)	
Adjustment to January 1, 2006 beginning balance for adoption of SAB No. 108, net of tax	-	-	9,571	-	
January 1, 2006 beginning balance, as adjusted	82,120	117,770	112,886	(6,054)	
Comprehensive income:					
Net Income - Six Months Ended June 30, 2006			24,790		24
Other comprehensive loss, net of tax:					
Unrealized net holding loss on securities available-for-sale arising during the period, net of tax (pretax loss of $26,433)					(15
Reclassification adjustment for net gain realized in net income during the year (pretax loss $288)					
Other comprehensive loss				(15,671)	(15
Comprehensive income					9
Cash dividend declared, $.320 per share			(23,936)		
Stock options exercised and related tax benefits	21	510			
Treasury stock purchased (380,765 shares)					
Sale of treasury stock (411,733 shares)		408			
Ending balance, June 30, 2006	$82,141	118,688	113,740	(21,725)	
Beginning balance, January 1, 2007	$82,150	119,313	110,304	(2,928)	
Adjustment to initially apply FAS No. 159, net of tax			(8,606)	8,606	
Comprehensive income:					

Net Income - Six Months Ended June 30, 2007			20,421		20
Other comprehensive loss, net of tax:					
Amortization of prior service cost on pension and post retirement plans, net of tax (pretax of $242)					
Unrealized net holding loss on securities available-for-sale arising during the period, net of tax (pretax loss of $12,295)					(7
Other comprehensive loss				(7,538)	(7
Comprehensive income					12
Cash dividend declared, $.320 per share			(23,979)		
Stock options exercised and related tax benefits	19	116			
Treasury stock purchased (280,497 shares)					
Sale of treasury stock (403,953 shares)		330			
Stock based compensation expense		26			
Ending balance, June 30, 2007	$82,169	119,785	98,140	(1,860)	

See accompanying notes to unaudited consolidated interim financial statements.

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

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS SIX MONTHS ENDED JUNE 30,	2007	2006
Cash flows from operating activities:		
Net income	$ 20,421	24,790
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,366	1,286
Gain on sale of other real estate owned	(89)	(34)
Provision (credit) for loan losses	-	(3,575)
Stock based compensation expense	26	-
Net gain on sale of bank premises and equipment	-	(29)
Net (gain) loss on sale of securities available for sale	(3)	288
Proceeds from sales of trading securities	502,944	-

Purchases of trading securities	(450,296)	-
Net trading gains	(601)	-
Decrease (increase) in interest receivable	3,511	(1,576)
Increase in interest payable	403	122
Increase in other assets	7,911	8,735
Increase (decrease) in accrued expenses and other liabilities	731	(2,445)
Total adjustments	65,903	2,772
Net cash provided by operating activities	86,324	27,562
Cash flows from investing activities:		
Proceeds from sales and calls of securities available for sale	15,354	51,725
Purchases of securities available for sale	(31,034)	(94,922)
Proceeds from maturities of securities available for sale	46,580	10,594
Net increase in loans	(86,571)	(138,652)
Proceeds from dispositions of other real estate owned	213	57
Proceeds from dispositions of bank premises and equipment	-	73
Purchases of bank premises and equipment	(5,174)	(2,265)
Net cash used in investing activities	(60,632)	(173,390)
Cash flows from financing activities:		
Net increase in deposits	223,153	69,204
Net increase in short-term borrowings	(1,652)	2,664
Repayment of long-term debt	(15)	(14)
Proceeds from exercise of stock options and related tax benefits	135	531
Proceeds from sale of treasury stock	4,184	4,740
Purchase of treasury stock	(2,862)	(4,955)
Dividends paid	(23,979)	(23,936)
Net cash provided by financing activities	198,964	48,234
Net increase (decrease) in cash and cash equivalents	224,656	(97,594)
Cash and cash equivalents at beginning of period	291,338	312,863
Cash and cash equivalents at end of period	$ 515,994	215,269

(continued)

See accompanying notes to unaudited consolidated interim financial statements.

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
YEAR ENDED June 30,

	2007	2006
Cash paid during the year for:		
Interest paid	$ 44,723	32,094
Income taxes paid	411	2,522
Non cash investing and financing activities:		
Transfer of loans to other real estate owned	189	53
Change in unrealized loss on securities available for sale-gross of deferred taxes (excluding $14,313 unrealized loss transferred to undivided profits in 2007 from adoption of FASB statement No. 159)	(12,295)	(26,144)
Change in deferred tax effect on unrealized loss on securities available for sale	4,903	10,473
Amortization of prior service cost on pension and post retirement plans	242	-
Change in deferred tax effect of amortization of prior service cost	(96)	-
Securities available for sale transferred to trading securities	516,558	-
Cumulative effect of the adoption of FASB Statement No. No. 159-net of deferred taxes ($14,313 gross of deferred taxes)	8,606	-
Cumulative effect of the adoption of Staff Accounting Bulletin No. 108-gross of deferred taxes	-	15,877
Deferred tax effect of the adoption of Staff Accounting Bulletin No. 108	-	(6,306)

See accompanying notes to unaudited consolidated interim financial statements.

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

1. Financial Statement Presentation

The unaudited Consolidated Interim Financial Statements of TrustCo Bank Corp NY (the Company) include the accounts of the subsidiaries after elimination of all significant intercompany accounts and transactions. Prior period amounts are reclassified when necessary to conform to the current period presentation. The net income reported for the six months ended June 30, 2007 is not necessarily indicative of the results that may be expected for the year ending December 31, 2007, or any other interim periods.

In the opinion of the management of the Company, the accompanying unaudited Consolidated Interim Financial Statements contain all adjustments necessary to present fairly the financial position as of June 30, 2007 and the results of operations for the three months and six months ended June 30, 2007 and 2006 and cash flows for the six months ended June 30, 2007 and 2006. The accompanying Consolidated Interim Financial Statements should be read in conjunction with the TrustCo Bank Corp NY year-end Consolidated Financial Statements, including notes thereto, which are in-cluded in TrustCo Bank Corp NY's 2006 Annual Report to Shareholders on Form 10-K.

2. Earnings Per Share

A reconciliation of the component parts of earnings per share (EPS) for the three and six month periods ended June 30, 2007 and 2006 follows:

	Net Income	Weighted Average Shares Outstanding	Per Share Amounts
(In thousands,except per share data)			
For the quarter ended June 30, 2007:			
Basic EPS:			
Net income available to Common shareholders	$8,107	75,040	$0.108
Effect of Dilutive Securities:			
Stock options	-	28	(.000)
Diluted EPS	$8,107	75,068	$0.108
For six months ended June 30, 2007:			
Basic EPS:			
Net income available to Common shareholders	$20,421	74,996	$0.272
Effect of Dilutive Securities:			
Stock options	-	65	(.000)
Diluted EPS	$20,421	75,061	$0.272

	Net Income	Weighted Average Shares Outstanding	Per Share Amounts

(In thousands,except per share data)
For the quarter ended June 30, 2006:

Basic EPS:			
Net income available to Common shareholders	$12,424	74,894	$0.166
Effect of Dilutive Securities:			
Stock options	-	218	(.001)
Diluted EPS	$12,424	75,112	$0.165

For six months ended
June 30, 2006:

Basic EPS:			
Net income available to Common shareholders	$24,790	74,883	$0.331
Effect of Dilutive Securities:			
Stock options	-	305	(.001)
Diluted EPS	$24,790	75,188	$0.330

There were approximately 3.7 million and 1.9 million stock options which, if included, would have been antidilutive in the calculation of average shares outstanding for the quarters and six month periods ended June 30, 2007 and 2006, respectively and were therefore excluded from the earnings per share calculations.

3. Benefit Plans

The table below outlines the components of the Company's net periodic expense (benefit) recognized during the three month and six month periods ended June 30, 2007 and 2006 for its pension and other postretirement benefit plans:

Components of Net Periodic Expense/(Benefit) for the three months ended June 30, 2007 (dollars in thousands)

	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Service cost	$ 22	198	8	9

Interest cost	347	382	13	18
Expected return on plan assets	(515)	(448)	(98)	(102)
Amortization of prior service cost	-	26	(125)	(114)
Curtailment gain, net	-	(362)	-	-
Net periodic expense/(benefit)	$(146)	(204)	(202)	(189)

Components of Net Periodic Expense/(Benefit) for the six months ended June 30, 2007 (dollars in thousands)

	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006
Service cost	$ 22	389	15	18
Interest cost	701	770	27	36
Expected return on plan assets	(975)	(896)	(205)	(204)
Amortization of prior service cost	-	53	(242)	(228)
Curtailment gain, net	-	(362)	-	-
Net periodic expense/(benefit)	$(252)	(46)	(405)	(378)

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2006, that it did not expect to make any contributions to its pension and postretirement benefit plans in 2007. As of June 30, 2007, no contributions have been made. The Company presently anticipates that in accordance with IRS limitations and accounting standards, it will not make any contributions in 2007.

4. Adoption of New Accounting Pronouncements

(a.) Statements of Financial Accounting Standards No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115", and No. 157 "Fair Value

Measurements".

Effective January 1, 2007 TrustCo elected early adoption of Statements of Financial Accounting Standards ("SFAS") No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (SFAS No. 159), and No. 157 "Fair Value Measurements" (SFAS No. 157). SFAS No. 159, which was issued in February 2007, generally permits the measurement of selected eligible financial instruments at fair value at specified election dates. SFAS No. 157 generally establishes the definition of fair value and expands disclosures about fair value measurement. This statement establishes a hierarchy of the levels of fair value measurement techniques. Upon adoption of SFAS No. 159, TrustCo elected to apply the fair value option for certain government sponsored enterprises securities with lower yields, which generally had longer duration, that were classified in the available for sale portfolio totaling approximately $517 million ($502 million at fair value). Prior to the adoption of SFAS No. 159, the Company intended to hold these securities until a market price recovery or possibly to maturity. The Company changed its intent with respect to these securities to enable the Company to recorded these losses directly to undivided profits rather than current income based on the transition provisions of SFAS No. 159 by electing the fair value option for these securities. As a result, unrealized losses, net of taxes, of $8.6 million were directly recorded to undivided profits. This charge to undivided profits had no overall impact on total shareholders' equity because the fair value adjustment had previously been included as an element of shareholders' equity in the accumulated other comprehensive income (loss) account, net of tax.

As a result of TrustCo's fair value measurement election for the above financial instruments, TrustCo recorded $3.4 million of pre-tax unrealized trading gains in its first quarter earnings for the change in fair value of such instruments from the effective election date of January 1, 2007 to March 31, 2007. Additionally, TrustCo sold in the second quarter all of these securities and recognized pre-tax trading losses of $2.8 million in the second quarter. While the proceeds from this sale were initially invested in federal funds sold, the Company re-invested these proceeds by purchasing securities, primarily government sponsored enterprises, for its trading portfolio. As of June 30, 2007 $450 million of government sponsored enterprises securities were purchased for the trading portfolio. TrustCo believes that its adoption of the standard will have a positive impact on its ability to manage its investment portfolio because it will enable the Company to sell the securities that it has elected the fair value option for without recording other-than-temporary impairment on the remainder of the available-for-sale portfolio. Additionally, recording the unrealized losses on these securities directly to undivided profits as part of the transition adjustment will benefit net income because the loss will not be realized in the income statement when the security is sold.

As already stated, the Company recorded a $8.6 million charge, net of tax, to undivided profits as a result of adopting SFAS No. 159 as of January 1, 2007. Had the Company not adopted this new accounting standard and reclassified the available for sale securities to trading account assets as of that date, the charge to capital would have been recorded as a charge to net income.

In determining the fair for the trading account securities the Company utilized an independent bond pricing service.

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

($ in thousands)	Statement of Condition 12/31/06 Prior to Adoption	Net Loss Recognized in Undivided Profits Upon Adoption	Statement of Condition After Adoption of Fair Value Option
Securities available for sale transferred to trading account assets:			
Amortized cost	$516,558	(14,313)	502,245
Unrealized depreciation	(14,313)	14,313	-
Net transferred to trading account assets	$502,245	-	502,245

The securities transferred to trading account assets as of January 1, 2007 were included previously in the available for sale portfolio as Government sponsored enterprises.

TrustCo determined that it would be appropriate to account for certain of the Government sponsored enterprises securities at fair value based upon the relatively low interest rate on these bonds. Government sponsored enterprises bonds held by Trustco Bank in the available for sale portfolio as of January 1, 2007 under a predetermined interest rate (generally 5.45% or below) were identified as bonds to be recorded at fair value (the bonds also had an average life to maturity of approximately 9 years). Interest on trading account securities are recorded in the Consolidated Statements of Income based upon the coupon of the underlying bond and the par value of the securities. Unrealized gains and losses on the trading account securities are recognized based upon the fair value at period end compared to the beginning of that period.

After the adoption of SFAS 159 as of January 1, 2007 there were $232.3 million of remaining Government sponsored enterprises obligations classified as available for sale securities which had gross unrealized losses of $3.3 million. These securities are primarily higher yielding assets and generally had shorter terms to final maturity. It is management's intention that Government sponsored enterprises securities that remain in the Available for Sale portfolio after the adoption of SFAS 159 will be held to generate relatively higher yields or provide liquidity in the form of maturing or called securities. The yield on the securities in the available for sale portfolio ranged from 4.30% to 5.82%, and had an average term to maturity of 7 years ranging from 2007 - 2019 final maturity.

The following tables presents the financial instruments recorded at fair value by the Company as of June 30, 2007 and for the three and six month periods ended June 30, 2007.

(in thousands)

	Fair Value Measurements at June 30, 2007 using:				
Description	Total Carrying Amount in Statement of Financial Position As of 6/30/2007	Statement 107 Fair Value Estimate As of 6/30/2007	Fair Value Measurement As of 6/30/2007	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable input (Level 2)
Assets available for sale	502,833	502,833	502,833	411,803	91,030
Trading account assets	450,198	450,198	450,198	450,198	-
Other real estate owned	157	157	157	-	157

(in thousands)

	Change in fair value for the 3 month period from April 1, 2007 to June 30, 2007 for items measured at fair value pursuant to election of the Fair Value Option		Change in fair value for the 6 month period from January 1, 2007 to June 30, 2 for items measured at fair va pursuant to election of the Fair Value Option	
	Unrealized Trading Losses	Total Changes Included in Values Included in Period Earnings	Unrealized Trading Losses	Total Change Included in Values Inclu Period Earni
Assets available for sale	-	-	-	-
Trading account				

assets	(2,841)	(2,841)	601	601
Other real estate owned	-	-	-	-

Assets available for sale and trading account securities are fair valued utilizing an independent bond pricing service for identical assets or significantly similar securities.

Other real estate owned fair value is determined by observable comparable sales and property valuation techniques.

(b.) FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes"

TrustCo adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") as of January 1, 2007. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. As a result of the Company's adoption of FIN 48, there were no required adjustments to the Company's consolidated financial statements.

TrustCo has implemented certain tax return positions that have not been fully recognized for financial statement purposes based upon management's evaluation of the probability of the benefit being realized. For 2007 the Company has recognized interest expense on the potential settlement amount as an element of other expenses and nothing for potential tax penalties.

For the six months ended June 30, 2007 the unrecognized tax benefit and change in that benefit from the beginning of the year is as follows:

(Dollars in thousands)

Balance January 1, 2007	$3,392
Additional unrecognized benefit for the period from 1/1/07 to 6/30/07	438
Balance June 30, 2007	$3,830

If the unrecognized tax benefit were to be recognized for financial reporting purposes the impact would be to decrease total tax expense by the balance not previously recognized (as of June 30, 2007 that amount would be $2.5 million, after tax). Interest expense of $60 thousand has been recorded during 2007 and included in accrued expenses and other liabilities (no penalties have been accrued). The total accrual for interest expense included in the statement of financial condition is $449 thousand and is included in accrued expenses and other liabilities.

The New York State tax returns are currently under audit for the periods that the unrecognized tax return position was initiated. Open Federal tax years are 2003, 2004 and 2005, and for NYS they are 2002 through 2005. The 2006 state and federal tax returns have not been filed.

The Company does not believe the unrecognized tax benefit will significantly increase or decrease within the next twelve months except if the New York State tax return audits are completed. It is reasonably possible that a reduction in the estimate may occur, however, a quantification of a reasonable range cannot be determined.

(c.) Prior Year Immaterial Uncorrected Misstatements

As described in the Company Annual Report on Form 10-K in 2006, the Company adopted the Staff Accounting Bulletin (SAB) No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." As a result of the Adoption of SAB No. 108, TrustCo recognized a reduction in other liabilities of $8.3 million and a decrease in the allowance for loan losses of $7.6 million. These entries were recorded as adjustments of the beginning of the year 2006 opening balances for these accounts and the impact, net of tax, was reflected in shareholders' equity as an adjustment to January 1, 2006 undivided profits.

5. Guarantees

The Company does not issue any guarantees that would require liability-recognition or disclosure, other than its standby letters of credit. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under standby letters of credit totaled approximately $3.8 million at June 30, 2007 and represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of twelve months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios are generally consistent with loan-to-value requirements for other commercial loans secured by similar types of collateral. The fair value of the Company's standby letters of credit at June 30, 2007 was insignificant.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
TrustCo Bank Corp NY:

We have reviewed the consolidated statement of financial condition of TrustCo Bank Corp NY and subsidiaries (the Company) as of June 30, 2007, and the related consolidated statements of income for the three and six month periods ended June 30, 2007 and 2006 and the related changes in shareholders' equity and cash flows for the six-month periods ended June 30, 2007 and 2006. These consolidated financial statements are the responsibility of the Company's management.

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

As discussed in Note 4 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" as of January 1, 2007, and Staff Accounting Bulletin No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatement In Current Year Financial Statements" as of January 1, 2006.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial condition of TrustCo Bank Corp NY and subsidiaries as of December 31, 2006, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statement of financial condition as of December 31, 2006 is fairly stated, in all material respects, in relation to the consolidated statement of financial condition from which it has been derived.

/s/ KPMG LLP

KPMG LLP

Albany, New York
August 3, 2007

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

The review that follows focuses on the factors affecting the financial condition and results of operations of TrustCo Bank Corp NY ("TrustCo" or

"Company") during the three-month and six-month periods ended June 30, 2007, with comparisons to 2006 as applicable. Net interest margin is presented on a fully taxable equivalent basis in this discussion. The consolidated interim financial statements and related notes, as well as the 2006 Annual Report to Shareholders should be read in conjunction with this review. Amounts in prior period consolidated interim financial statements are reclassified whenever necessary to conform to the current period's presentation.

Forward-looking Statements

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

Following this discussion is the table "Distribution of Assets, Liabilities and Shareholders' Equity: Interest Rates and Interest Differential" which gives a detailed breakdown of TrustCo's average interest earning assets and interest bearing liabilities for the three months and six months ended June 30, 2007 and 2006.

Recently Adopted Fair Value Accounting
Adoption of New Accounting Pronouncements

(a.) Statements of Financial Accounting Standards No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115", and No. 157 "Fair Value Measurements".

Effective January 1, 2007 TrustCo elected early adoption of Statements of Financial Accounting Standards ("SFAS") No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (SFAS No. 159), and No. 157 "Fair Value Measurements" (SFAS No. 157). SFAS No. 159, which was issued in February 2007, generally permits the measurement of selected eligible financial instruments at fair value at specified election dates. SFAS No. 157 generally establishes the definition of fair value and expands disclosures about fair value measurement. This statement establishes a hierarchy of the levels of fair value measurement techniques. Upon adoption of SFAS No. 159, TrustCo elected to apply the fair value option for certain government sponsored enterprises securities with lower yields, which generally had longer duration, that were classified as the available for sale portfolio totaling approximately $517 million ($502 million at fair value). Prior to the adoption of SFAS No. 159, the Company intended to hold these securities until a market price recovery or possibly to maturity. The Company changed its intent with respect to these securities to enable the Company to recorded these losses directly to undivided profits rather than current income based on the transition provisions of SFAS 159 by electing the fair value option for these securities. As a result, unrealized losses of $8.6 million were directly recorded to undivided profits. This charge to undivided profits had no overall impact on total shareholders' equity because the fair value adjustment had previously been included as an element of shareholders' equity in the accumulated other comprehensive income (loss) account, net of tax.

As a result of TrustCo's fair value measurement election for the above financial instruments, TrustCo recorded $3.4 million of pre-tax unrealized trading gains in its first quarter earnings for the change in fair value of such instruments from the effective election date of January 1, 2007 to March 31, 2007. Additionally, TrustCo sold in the second quarter all of these securities and recognized pre-tax trading losses of $2.7 million in the second quarter. While the proceeds from this sale were initially invested in federal funds sold, the Company re-invested these proceeds by purchasing securities, primarily government sponsored enterprises, for its trading portfolio. As of June 30, 2007 $450 million of government sponsored enterprises securities were purchased for the trading portfolio. TrustCo believes that its adoption of the standard will have a positive impact on its ability to manage its investment portfolio because it will enable the Company to sell the securities that it has elected the fair value option for without recording other-than-temporary impairment on the remainder of the available-for-sale portfolio. Additionally, recording the unrealized losses on these securities directly to undivided profits as part of the transition adjustment will benefit net income because the loss will not be realized in the income statement when the security is sold.

As already stated, the Company recorded a $8.6 million charge to undivided profits as a result of adopting SFAS No. 159 as of January 1, 2007. Had the Company not adopted this new accounting standard and reclassified the available for sale securities to trading account assets as of that date, the charge to capital would have been recorded as a charge to net income.

In determining the fair for the trading account securities the Company utilized an independent bond pricing service.

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

	Statement of Condition 12/31/06 Prior to Adoption	Net Loss Recognized in Undivided Profits Upon Adoption	Statement of Condition After Adoption of Fair Value Option

($ in thousands)			
Securities available for sale transferred to trading account assets:			
Amortized cost	$516,558	(14,313)	502,245
Unrealized depreciation	(14,313)	14,313	-
Net transferred to trading account assets	$502,245	-	502,245

The securities transferred to trading account assets as of January 1, 2007 were included previously in the available for sale portfolio as Government sponsored enterprises.

TrustCo determined that it would be appropriate to account for certain of the Government sponsored enterprises securities at fair value based upon the relatively low interest rate on these bonds. Government sponsored enterprises bonds held by Trustco Bank in the available for sale portfolio as of January 1, 2007 under a predetermined interest rate (generally 5.45% or below) were identified as bonds to be recorded at fair value (the bonds also had an average life to maturity of approximately 9 years). Interest on trading account securities are recorded in the Consolidated Statements of Income based upon the coupon of the underlying bond and the par value of the securities. Unrealized gains and losses on the trading account securities are recognized based upon the fair value at period end compared to the beginning of that period.

After the adoption of SFAS 159 as of January 1, 2007 there were $232.3 million of remaining Government sponsored enterprises obligations classified as available for sale securities which had gross unrealized losses of $3.3 million. These securities are primarily higher yielding assets and generally had shorter terms to final maturity. It is management's intention that Government sponsored enterprises securities that remain in the Available for Sale portfolio after the adoption of SFAS 159 will be held to generate relatively higher yields or provide liquidity in the form of maturing or called securities. The yield on the securities in the available for sale portfolio ranged from 4.30% to 5.82%, and had an average term to maturity of 7 years ranging from 2007 - 2019 final maturity.

The following tables presents the financial instruments recorded at fair value by the Company as of June 30, 2007 and for the three and six month periods ended June 30, 2007.

(in thousands)

Fair Value Measurements at June 30, 2007 using:

Description	Total Carrying Amount in Statement of Financial Position As of 6/30/2007	Statement 107 Fair Value Estimate As of 6/30/2007	Fair Value Measurement As of 6/30/2007	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable input (Level 2)
Assets available for sale	502,833	502,833	502,833	411,803	91,030
Trading account assets	450,198	450,198	450,198	450,198	-
Other real estate owned	157	157	157	-	157

(in thousands)

	Change in fair value for the 3 month period from April 1, 2007 to June 30, 2007 for items measured at fair value pursuant to election of the Fair Value Option		Change in fair value for the 6 month period from January 1, 2007 to June 30, 2 for items measured at fair va pursuant to election of the Fair Value Option	
	Unrealized Trading Losses	Total Changes Included in Values Included in Period Earnings	Unrealized Trading Losses	Total Change Included in Values Inclu Period Earni
Assets available for sale	-	-	-	-
Trading account assets	(2,841)	(2,841)	601	601
Other real estate owned	-	-	-	-

Assets available for sale and trading account securities are fair valued utilizing an independent bond pricing service for identical assets or significantly similar securities. Other real estate owned fair value is determined by observable comparable sales and property valuation techniques.

(b.) FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes"

TrustCo adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") as of January 1, 2007. FIN 48 presribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. As a result of the Company's adoption of FIN 48, there were no required adjustments to the Company's consolidated financial statements.

TrustCo has implemented certain tax return positions that have not been fully recognized for financial statement purposes based upon management's evaluation of the probability of the benefit being realized. For 2007 the Company has recognized interest expense on the potential settlement amount as an element of other expenses and nothing for potential tax penalties.

For the six month ended June 30, 2007 the unrecognized tax benefit and change in that benefit from the beginning of the year is as follows:

(Dollars in thousands)

Balance January 1, 2007	$3,392
Additional unrecognized benefit for the period from 1/1/07 to 6/30/07	438
Balance June 30, 2007	$3,830

If the unrecognized tax benefit were to be recognized for financial reporting purposes the impact would be to decrease total tax expense by the balance not previously recognized (as of June 30, 2007 that amount would be $2.5 million, after tax). Interest expense of $60 thousand has been recorded during 2007 and included in accrued expenses and other liabilities (no penalties have been accrued). The total accrual for interest expense included in the statement of financial condition is $449 thousand and is included in accrued expenses and other liabilities.

The New York State tax returns are currently under audit for the periods that the unrecognized tax return position was initiated. Open Federal tax years are 2003, 2004 and 2005, and for NYS they are 2002 through 2005. The 2006 state and federal tax returns have not been filed.

The Company does not believe the unrecognized tax benefit will significantly increase or decrease within the next twelve months except if the New York State tax return audits are completed. It is reasonably possible that a reduction in the estimate may occur, however, a quantification of a reasonable range cannot be determined.

(c.) Prior Year Immaterial Uncorrected Misstatements

As described in the Company Annual Report on Form 10-K in 2006 the Company adopted the Staff Accounting Bulletin (SAB) No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." As a result of the Adoption of SAB No. 108 TrustCo recognized a reduction in other liabilities of $8.3 million and a decrease in the allowance for loan losses of $7.6 million. These entries were recorded as adjustments of the beginning of the year 2006 opening balances for these accounts and the impact, net of tax, was reflected in shareholders' equity as an adjustment to January 1, 2006 undivided profits.

Overview

TrustCo recorded net income of $8.1 million, or $0.108 of diluted earnings per share for the three months ended June 30, 2007, as compared to net income of $12.4 million or $0.165 of diluted earnings per share in the same period in 2006. For the six month period ended June 30, 2007, TrustCo recorded net income of $20.4 million, or $0.272 per diluted earnings per share as compared to $24.8 million, or $0.330 of diluted earnings per share for the comparable period in 2006.

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

- Increase in the average balance of interest earning assets by $298.8 million to $3.15 billion for the first six months of 2007 compared to the comparable period in 2006,

- Increase in the average balance of interest bearing liabilities by $308.0 million to $2.74 billion for the first half of 2007 as compared to 2006,

- Decrease in net interest margin from 3.63% for the first half of 2006 to 3.11% for the first half of 2007,

- Decrease in the credit for loan losses from $3.6 million for the first six months of 2006 to $-0- million in the comparable period in 2007,

- Increase in noninterest income from $7.2 million for the first half of 2006 to $8.7 million for the comparable period in 2007. Included in noninterest income were $288 thousand of net losses on securities transactions for 2006 and none for 2007 and $604 million of net unrealized gains on trading account assets in 2007 and none in 2006, and

- An increase of $2.3 million in noninterest expense for the first half of 2007 as compared to the first half of 2006.

Asset/Liability Management

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

The following Management's Discussion and Analysis for the second quarter and first half of 2007 compared to the comparable periods in 2006 is greatly affected by the change in interest rates in the marketplace in which TrustCo competes. Included in the 2006 Annual Report to Shareholders is a description of the effect interest rates had on the results for the year 2006 compared to 2005. Most of the same market factors discussed in the 2006 Annual Report also had a significant impact on the second quarter and year-to-date 2007 results.

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

One of the most important interest rates used to control national economic policy is the "federal funds" rate. This is the interest rate utilized for institutions with the highest credit quality rating. The federal funds rate increased from 4.25% at January 1, 2006 to 5.25% by June 30, 2007, a 100 basis point increase. Over the same period, for comparison purposes, the 10 year treasury rate increased from 4.11% at January 1, 2006 to 5.03% by June 30, 2007, an increase of 92 basis points. During this period of time, the yield curve has generally been flat or mildly inverted. The Federal Reserve has indicated its intention to continue to monitor economic expansion in the United States economy which may require additional changes in the federal funds rate subsequent to June 30, 2007.

These changes in interest rates have an effect on the Company relative to the interest income on loans, securities and federal funds sold as well as on interest expense on deposits and borrowings. New originations of residential real estate loans and new purchases of longer-term investments are most affected by the changes in longer term market interest rates such as the 10 year treasury. The federal funds sold portfolio and other short term investments along with short term securities classified as trading are affected primarily by changes in the federal funds target rate. Deposit interest rates are most affected by the short term market interest rates. Also, changes in interest rates have an effect on the recorded balance of the securities available for sale portfolio (with the offset to accumulated other comprehensive income) and trading portfolio (with the offset to earnings), which are recorded at fair value.

Generally as interest rates increase the fair value of these securities will decrease.

The principal loan product for TrustCo is residential real estate loans. Interest rates on new residential real estate loan originations are influenced by the rates established by secondary market participants such as Freddie Mac and Fannie Mae. Because TrustCo is a portfolio lender and does not typically sell loans into the secondary market, the Company establishes rates that management determines are appropriate in relation to the long-term nature of a residential real estate loan, while remaining competitive with the secondary market rates.

For the second quarter of 2007, the net interest margin decreased to 3.07% from 3.56% for the second quarter of 2006. The quarterly results reflect the following significant factors:

o The average balance of securities available for sale and trading securities decreased by $247.7 million and the average yield increased to 5.40% from 5.34% in the second quarter of 2006.

o The average balance of federal funds sold and other short-term investments increased by $333.8 million and the average yield increased 39 basis points to 5.29%. The increase in yield on federal funds sold and other short-term investments is attributable to the increase in the target federal funds rate during this time period.

o The average loan portfolio grew by $253.5 million to $1.82 billion and the average yield remained flat at 6.50%.

o The average balance of interest bearing liabilities (primarily deposit accounts) increased $342.7 million and the average rate paid increased 60 basis points to 3.38%.

During the second quarter of 2007 the Company's strategy was to expand the loan portfolio by offering competitive interest rates as the rate environment changed. The TrustCo residential real estate loan product is very competitive compared to local and national competitors. The securities available-for-sale and trading securities portfolios in total were down on an average basis because the reinvestment of proceeds from the sale of longer duration trading securities occurred over time rather than instantaneously. The average balance of federal funds sold and other short-term investments increased, partly reflecting the gradual reinvestment noted above and partly reflecting strong deposit growth.

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

Earning Assets

Total average interest earning assets increased from $2.88 billion in the second quarter of 2006 to $3.22 billion in the same period of 2007 with an average yield of 5.93% in 2006 and 6.00% in 2007. Income on average earning assets increased during this same time-period from $42.7 million in 2006 to $48.3 million in 2007.

Loans

The average balance of loans was $1.82 billion in the second quarter of 2007 and $1.57 billion in the comparable period in 2006. The yield on loans remained unchanged at 6.50%. The higher average balances resulted in an increase in the interest income on loans of $4.1 million.

For the first half of 2007, average loans increased $269.4 million to $1.80 billion and the average yield declined by 5 basis points to 6.47%.

Compared to the second quarter of 2006, the average balance of the loan portfolio during the second quarter of 2007 increased in all loan categories. The average balance of residential mortgage loans was $1.12 billion in 2006 compared to $1.31 billion in 2007, an increase of 16.2%. The average yield on residential mortgage loans increased by 1 basis point to 6.21% in 2007 compared to 2006.

TrustCo actively markets the residential loan products within its market territory. Mortgage loan rates are affected by a number of factors including rates on treasury securities, the federal funds rate and rates set by competitors and secondary market participants. As noted earlier, market interest rates have changed significantly as a result of national economic policy in the United States. During this period of changing interest rates TrustCo aggressively marketed the unique aspects of its loan products thereby attempting to create a differentiation from other lenders. These unique aspects include extremely low closing costs, fast turn around time on loan approvals, no escrow or mortgage insurance requirements and the fact that the Company typically holds these loans in portfolio and does not sell them into the secondary markets. Assuming a rise in long-term interest rates, the Company would anticipate that the unique features of its loan product will continue to attract customers in the residential mortgage loan area.

The average yield on the home equity credit loan product decreased 15 basis points to 6.69% during the second quarter of 2007 compared to 2006 primarily as a result of the number of new equity credit lines that have been originated at lower introductory rates. These credit lines are initially offered to customers at a rate lower than the fully indexed rate so as to attract the new business and to provide the Company an opportunity to have the line extension become fully indexed after the introductory period. The Company believes the expansion of the home equity credit line business represents an opportunity to introduce more variable rate loan products into the portfolio and provide an opportunity to increase rates as the underlying index rates increase.

Securities Available-for-Sale

As discussed previously, TrustCo adopted the accounting requirements of SFAS No. 159 and, as a result, reclassified assets from the available-for-sale portfolio to the trading securities portfolio as of January 1, 2007. As a result of this reclassification, there was a significant change in the balances of these portfolios between the second quarter of 2007 and the second quarter of 2006.

The average balance of the securities available-for-sale portfolio for the second quarter of 2007 was $511.8 million compared to $1.13 billion for the comparable period in 2006. The average yield was 5.50% for the second quarter of 2007 and 5.30% for the second quarter of 2006. The increase in yield is a result of the higher yielding assets in the securities available-for-sale portfolio after the transfer of assets to trading securities. The changes in balances between the two time periods was primarily due to the transfer of bonds to the trading portfolio and to a lesser degree due to paydowns on mortgage backed securities, the purchase of certain bonds during the remainder of 2006 that are affecting the second quarter 2007 balances and calls and maturities on bonds.

Similar to the second quarter, for the first six months of 2007, average securities available-for-sale were $520.1 million, compared to $1.11 billion in the comparable 2006 period. The average yield increased from 5.31% to 5.47%

Trading Securities

The average balance of trading securities for the second quarter of 2007 was $369.5 There were no trading securities in 2006. The average yield was 5.26% for 2007.

For the first half of 2007, average trading securities were $435.5 million. The average year-to-date yield was 5.35%.

All of the securities in this portfolio are bonds issued by Government Sponsored Enterprises (FNMA, FHLB, and Freddie Mac issued bonds). The balances for these bonds are recorded at fair value.

In the first quarter of 2007, the Company recorded an increase of $3.4 million in the fair value of these securities between the implementation date of the new accounting standard on January 1, 2007 and quarter end March 31, 2007 in its consolidated statement of income. During April 2007, the Company sold this portfolio and recorded a realized loss of $2.8 million in second quarter earnings. Proceeds from the sale of these securities were initially invested in federal funds sold and other short term investments. As of June 30, 2007 $450.2 million of Government sponsored enterprises securities were purchased for the trading portfolio. Unrealized losses related to the trading portfolio were not significant in the current period.

Federal Funds Sold and Other Short-term Investments

The 2007 second quarter average balance of federal funds sold and other short-term investments was $519.7 million, $333.8 million more than the $185.8 million average in 2006. The portfolio yield increased from 4.90% in 2006 to 5.29% in 2007. Changes in the yield resulted from changes in the target rate set by the Federal Reserve Board for federal funds sold. Interest income on this portfolio increased by approximately $4.6 million from $2.3 million in 2006 to $6.9 million in 2007.

For the first six months of 2007, average federal funds sold and other short-term investments averaged $393.6 million, compared to $205.6 million in the prior year. The yield improved to 5.26% from 4.66%, reflecting the change in the fed funds target rate.

The federal funds sold and other short-term investments portfolio is utilized to generate additional interest income and liquidity as funds are waiting to be deployed into the loan and securities portfolios.

Funding Opportunities

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

Total average interest-bearing deposits (which includes interest bearing checking, money market accounts, savings, and certificates of deposit) increased from $2.36 billion during the second quarter of 2006 to $2.70 billion in the second quarter of 2007, and the average rate paid increased from 2.73% for 2006 to 3.35% for 2007. Total interest expense on these deposits increased $6.5 million to $22.6 million.

For the first half of 2007 average interest-bearing deposits were $2.64 billion, an increase of $306.4 million over the prior year and the cost of these funds increased to 3.30% from 2.63% over this time frame.

Average short-term borrowings for the quarter were $96.5 million in 2007 compared to $99.3 million in 2006. The average rate increased during this time period from 3.89% in 2006 to 4.12% in 2007. Rates on short-term borrowings tend to change with the rates on the target Federal Funds.

For the first half of 2007, average short-term borrowings were $97.2 million in 2007 compared to $95.6 million in 2006. The average rate increased during this time period from 3.67% in 2006 to 4.12% in 2007.

Net Interest Income

Taxable equivalent net interest income decreased by $952 thousand to $24.8 million in the second quarter of 2007 as compared to the same period in 2006. The net interest spread decreased from 3.15% in the second quarter of 2006 to 2.63% in 2007. The net interest margin decreased by 49 basis points to 3.07% for the second quarter of 2007.

Net interest income was $49.3 million in the first half of 2007, a decline of $2.7 million versus the comparable period in 2006. The net interest spread declined 56 basis points to 2.68%, while the net interest margin declined 52 basis points to 3.11%.

Nonperforming Assets

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

Impaired loans are considered to be those commercial and commercial real estate loans in a nonaccrual status and restructured loans. The following describes the nonperforming assets of TrustCo as of June 30, 2007:

Nonperforming loans: Total nonperforming loans were $9.3 million at June 30, 2007, an increase from the $7.1 million of nonperforming loans at December 31, 2006 and the $5.1 million of nonperforming loans at June 30, 2006. There were $8.2 million nonaccrual loans at June 30, 2007 compared to the $5.7 million at December 31, 2006 and $3.7 million at June 30, 2006. Restructured loans were $1.0 million at June 30, 2007 compared to the $1.2 million at December 31, 2006 and $1.4 million at June 30, 2006. There were $6 thousand of loans at June 30, 2007 and the $211 thousand at December 31, 2006 and $9 thousand at June 30, 2006 that are past due 90 days or more and still accruing interest.

All of the nonperforming loans at June 30, 2007 and 2006 are residential real estate or retail consumer loans. Since 2000, there has been a continued shifting in the components of TrustCo's problem loans and charge-offs from commercial and commercial real estate to the residential real estate and retail consumer loan portfolios.

TrustCo strives to identify borrowers that are experiencing financial difficulties and to work aggressively with them so as to minimize losses or exposures. Beginning in 2004, the number of new bankruptcy filings in the Capital District area were lower than statewide trends. Also the demand for housing in the Capital District area remains stable. TrustCo also makes loans in its newer market areas including downstate New York and Florida. As of June 30, 2007, the Company had residential real estate loans (including first mortgage loans and home equity loans and lines of credit) of $123.9 million and commercial real estate loans of $35.1 million in Florida.

Total impaired loans at June 30, 2007 of $1.0 million, consisted of restructured retail loans. During the second quarter of 2007, there were $345 thousand of commercial loan charge offs, $253 thousand of consumer loan charge offs and $316 thousand of residential mortgage loan charge-offs as compared with no commercial loan charge-offs, $52 thousand of consumer loan charge-offs and $647 thousand of residential mortgage loan charge-offs in the second quarter of 2006. Recoveries during the quarter were $641 thousand in 2007 and $816 thousand in 2006.

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

At June 30, 2007, the allowance for loan losses was $35.1 million, which represents a decrease from the $35.6 million in the allowance at December 31, 2006. The allowance represents 1.90% of the loan portfolio as of June 30, 2007 compared to 2.16% at June 30, 2006. The provision for loan losses was zero for the quarter ended June 30, 2007 due to the continuation of the positive credit quality indicators, offset to a degree by loan growth. The change in the credit for loan losses from the second quarter of 2006 of $1.8 million to no provision (credit) for loan losses in 2007 is due to the reduction in recoveries, increase in nonperforming loans and the growth in the loan portfolio.

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

- The magnitude and nature of the recent loan charge offs and recoveries,
- The growth in the loan portfolio and the implication that has in relation to the economic climate in the bank's business territory, and
- The improving economic environment in the Company's upstate New York territory over the last two years.

Management continues to monitor these factors in determining future provisions or credits for loan losses in relation to the economic environment, loan charge-offs, recoveries and the level and trends of nonperforming loans.

Liquidity and Interest Rate Sensitivity

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

Noninterest Income

Total noninterest income for the second quarter was $1.1 million, compared to $3.9 million in 2006. As previously noted, included in the 2007 second quarter results are net trading losses of $2.8 million in 2007. For the first half of 2007, noninterest income totaled $8.7 million, compared to $7.2 million in the comparable 2006 period.

Trust department income declined nominally to $1.4 million for the second quarter of 2007. Trust department assets under management were $914 million at June 30, 2007 compared to $863 million at June 30, 2006. On a year-to-date basis, trust income was up 6.9% to $2.9 million, due primarily to higher average valuation of assets under management in the first of the current year compared to the same period in 2006.

Fees for other services to customers increased by $213 thousand between the second quarter of 2006 and the comparable period in 2007, to $2.3 million. The increase is the result of changes in fee policies as well as fees being charged on a larger customer base. For the first six months, fees were up 14.7% to $4.6 million.

As noted, the Company recognized $2.8 million of net trading losses in the second quarter of 2007. The losses were the result of the sale of longer duration securities following the Company's adoption of SFAS 159 (see note on recently adopted accounting pronouncements) and an insignificant amount of unrealized losses on the trading portfolio. The losses partly offset the unrealized gains reported in the first quarter resulting from the appreciation in values of the trading account securities during that period. On a year-to-date basis, the impact of net gains in the available for sale and trading portfolios, relative to the same period in 2006, resulted in an improvement of $892 thousand in non-interest income, accounting for more than half of the total increase over the period.

Noninterest Expenses

Total noninterest expense increased from $12.0 million for the three months ended June 30, 2006 to $13.5 million for the three months ended June 30, 2007, with increases in each expense category. Salaries and employee benefits increased $468 thousand to $4.9 million for 2007. Net occupancy expense increased $529 thousand to $2.4 million during the second quarter of 2007. The increase is the result of new branch lease costs and the increased cost of utilities and taxes on branch locations.

For the first six months of 2007, noninterest expense rose to $26.2 million from $23.9 million in the comparable 2006 period, with increases in each expense category. The bulk of the increase was in compensation and occupancy, both substantially reflecting the increase in the number of branches and the former also impacted by new extended service hours.

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Income Taxes

In the second quarter of 2007, TrustCo recognized income tax expense of $3.6 million as compared to $6.2 million for 2006. The effective tax rates were 30.5% and 33.3% for the second quarter of 2007 and 2006, respectively. The decline in the effective tax rate in the second quarter of 2007 reflected the decline in income before taxes and the resulting larger proportion of tax exempt income as compared to the same period in 2006. The tax expense on the Company's income was different than tax expense at the statutory rate of 35%, due primarily to tax exempt income and the effect of state income taxes.

For the first half of 2007, income taxes were $9.8 million, compared to $12.5 million in 2006 and the tax rate declined from 33.6% to 32.5%.

Capital Resources

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

Total shareholders' equity at June 30, 2007 was $229.9 million, a decrease from the $239.5 million at year-end 2006. TrustCo declared dividends of $0.160 per share in the second quarter of 2007. This results in a dividend payout ratio of 117.4% in 2007. TrustCo expects to manage this ratio down. A dividend payout ratio in excess of 100% is not sustainable indefinitely, particularly given growth in the Company's asset base.

The Company achieved the following ratios as of June 30, 2007 and 2006:

	June 30, 2007	June 30, 2006	Minimum Regulatory Guidelines
Tier 1 risk adjusted capital	13.29%	16.07%	4.00%
Total risk adjusted capital	14.55%	17.33%	8.00%

In addition, at June 30, 2007 and 2006, the consolidated equity to total assets ratio (excluding the mark to market effect of securities available for sale) was 6.87% and 8.21%, respectively, compared to a minimum regulatory requirement of 4.00%.

The decrease in capital ratios primarily reflects growth in the overall consolidated balance sheet as well as the decline in stockholders' equity.

Critical Accounting Policies:

Pursuant to 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 the inherent risk of 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 2006 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.

The Company considers the adoption of SFAS No. 157 and 159 and the resulting fair value accounting requirements to be considered critical accounting policies which effect the Company's financial position and results of operations. See Footnote 4 "Adoption of New Accounting Pronouncements" for a description of the Company's implementation.

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

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

The following table summarizes the component distribution of average balance sheet, related interest income and expense and the average annualized yields on interest earning assets and annualized rates on interest bearing liabilities of TrustCo (adjusted for tax equivalency) for each of the reported periods. Nonaccrual loans are included in loans for this analysis. The average balances of securities available for sale are calculated using amortized costs for these securities. The average balance of trading securities is calculated using fair value for these securities. Included in the average balance of shareholders' equity is unrealized depreciation, net of tax, in the available for sale portfolio of $5.4 million in 2007 and $17.0 million in 2006. The subtotals contained in the following table are the arithmetic totals of the items contained in that category. Increases and decreases in interest income and expense due to both rate and volume have been allocared to the categories of variances (volume and rate) based on the percentage relationship of such variances to each other.

	Three Months 2007			Three Months 2006		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets						
Securities available for sale:						
U.S. Treasuries	$ 247	$ 3	4.95%	$ 989	$ 12	4.70%
Gov't Sponsored Enterprises	206,385	2,751	5.33%	799,158	10,408	5.21
Mortgage-backed securities and collateralized mortgage obligations	163,979	1,916	4.67%	188,503	2,231	4.73%
States and political subdivisions	128,145	2,182	6.81%	128,081	2,205	6.89%
Other	13,023	190	5.84%	12,302	115	3.78%
Total securities available for sale	511,779	7,042	5.50%	1,129,033	14,971	5.30%
Federal funds sold and other short-term Investments	519,651	6,856	5.29%	185,824	2,270	4.90%
Trading Securities	369,540	4,847	5.26%	0	0	0.00%
Commercial Loans	271,618	5,113	7.53%	228,142	4,292	7.52%
Residential mortgage loans	1,306,371	20,293	6.21%	1,124,412	17,425	6.20%
Home equity lines of credit	237,337	3,960	6.69%	209,592	3,575	6.84%
Installment loans	5,699	207	14.61%	5,388	189	14.08%
Loans, net of unearned income	1,821,025	29,573	6.50%	1,567,534	25,481	6.50%
Total interest earning assets	3,221,995	48,318	6.00%	2,882,391	42,722	5.93%

Allowance for loan losses	(35,229)			(35,629)		
Cash & non-interest earning assets	123,727			100,973		
Total assets	$3,310,493			$2,947,735		
Liabilities and shareholders' equity						
Deposits:						
Interest Bearing Checking Accounts	$ 282,670	213	0.30%	$ 292,651	359	0.49%
Money market accounts	331,303	3,411	4.13%	239,855	2,416	4.04%
Savings	652,324	2,398	1.47%	718,170	2,732	1.53%
Time deposits	1,435,504	16,555	4.63%	1,105,608	10,549	3.83%
Total interest bearing deposits	2,701,801	22,577	3.35%	2,356,284	16,056	2.73%
Short-term borrowings	96,417	989	4.12%	99,213	961	3.88%
Long-term debt	46	0	5.24%	75	1	5.24%
Total Interest Bearing Liabilities	2,798,264	23,566	3.38%	2,455,572	17,018	2.78%
Demand deposits	254,920			247,029		
Other liabilities	23,977			20,149		
Shareholders' equity	233,332			224,985		
Total liab. & shareholders' equity	$3,310,493			$2,947,735		
Net Interest Income, tax equivalent		24,752			25,704	
Net Interest Spread			2.63%			3.15%
Net Interest margin (net interest income to total interest earning assets)			3.07%			3.56%
Tax equivalent adjustment		(770)			(780)	
Net Interest Income		23,982			24,924	

TrustCo Bank Corp NY
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	Six Months 2007			Six Months 2006		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets						
Securities available for sale:						
U.S. Treasuries	$ 455	$ 11	4.71%	$ 859	$ 19	4.38%
Gov't Sponsored Enterprises	211,958	5,599	5.28%	785,030	20,385	5.19
Mortgage-backed securities and collateralized mortgage obligations	166,087	3,880	4.67%	193,077	4,524	4.69%
States and political subdivisions	128,761	4,386	6.81%	123,031	4,279	6.96%
Other	12,825	350	5.48%	12,115	355	5.89%
Total securities available for sale	520,086	14,226	5.47%	1,114,112	29,562	5.31%
Federal funds sold and other short-term Investments	393,555	10,295	5.26%	205,631	4,763	4.66%
Trading Securities	435,545	11,650	5.35%	0	0	0.00%
Commercial Loans	269,029	10,135	7.54%	223,336	8,363	7.50%
Residential mortgage loans	1,286,135	39,978	6.22%	1,101,660	34,111	6.19%
Home equity lines of credit	240,488	7,697	6.45%	201,547	6,988	6.99%
Installment loans	5,636	403	14.43%	5,355	378	14.25%

Loans, net of unearned income	1,801,288	58,213	6.47%	1,531,898	49,840	6.52%
Total interest earning assets	3,150,474	94,384	6.00%	2,851,641	84,165	5.91%
Allowance for loan losses	(35,409)			(36,275)		
Cash & non-interest earning assets	130,095			108,454		
Total assets	$3,245,160			$2,923,820		
Liabilities and shareholders' equity						
Deposits:						
Interest Bearing Checking Accounts	$ 280,443	415	0.30%	$ 293,574	644	0.44%
Money market accounts	327,797	6,715	4.13%	221,457	4,256	3.88%
Savings	654,255	4,821	1.49%	718,505	5,098	1.43%
Time deposits	1,377,866	31,192	4.57%	1,100,398	20,477	3.75%
Total interest bearing deposits	2,640,361	43,143	3.30%	2,333,934	30,475	2.63%
Short-term borrowings	97,146	1,982	4.11%	95,503	1,739	3.67%
Long-term debt	50	1	5.27%	79	2	5.27%
Total Interest Bearing Liabilities	2,737,557	45,126	3.32%	2,429,516	32,216	2.67%
Demand deposits	249,493			244,480		
Other liabilities	23,190			20,057		
Shareholders' equity	234,920			229,767		
Total liab. & shareholders' equity	$3,245,160			$2,923,820		
Net Interest Income, tax equivalent		49,258			51,949	
Net Interest Spread			2.68%			3.24%
Net Interest margin (net interest income to total interest earning assets)			3.11%			3.63%
Tax equivalent adjustment		(1,555)			(1,514)	
Net Interest Income		47,703			50,435	

Item 3.

Quantitative and Qualitative Disclosures about Market Risk

As detailed in the Annual Report to Shareholders as of December 31, 2006 the Company is subject to interest rate risk as its principal market risk. As noted in detail throughout this Management's Discussion and Analysis for the three months and six months ended June 30, 2007, the Company continues to respond to changes in interest rates in a fashion to position the Company to meet both short term earning goals but to also allow the Company to respond to changes in interest rates in the future. Consequently the quarter-to-date average balance of federal funds sold and other short-term investments has increased to $519.7 million in 2007 from $185.8 million in 2006. This change also reflects the impact of the changes resulting from the SFAS 159 adoption. As investment opportunities present themselves, management plans to continue to invest funds from the federal funds sold and other short-term investment portfolio into the trading securities, securities available for sale and loan portfolios. This trend is expected to continue into the third quarter.

The Company has $450.2 million of trading account assets at June 30, 2007 and none for the prior period. These trading account assets have been recorded at their fair value as determined by quoted market prices from a third party pricing service. The trading account securities at June 30, 2007 were all fixed rate callable bonds issued by Government Sponsored Enterprises with a final average maturity of approximately 5 months and weighted average yield of 5.25%. Changes in market interest rates could affect the fair value of this portfolio and net trading gains and losses recorded in periodic earnings results.

Item 4.

Controls and Procedures

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

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

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

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

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There are no material changes to the Company's risk factors as discussed in The Annual Report on Form 10K for the year ended December 31, 2006.

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

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchases Under the Plans or Programs
April 1 - April 30	20,000	$ 9.58	0	N/A
May 1 - May 31	80,000	$ 9.57	0	N/A

June 1 - June 30	0	$ 0	0	N/A
Total	100,000	$ 9.57	0	N/A

All 100,000 shares were purchased by other than through a publicly announced plan or program. All purchases were made in open-market transactions in satisfaction of the Company's obligations upon exercise of outstanding stock options issued by the Company and for quarterly sales to the dividend reinvestment plan.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submissions of Matters to Vote of Security Holders

At the annual meeting held May 14, 2007, shareholders of the Company were asked to consider the Company's nominees for directors and to elect two (2) directors. The Company's nominees for director were Robert A. McCormick (three-year term) and Joseph A. Lucarelli (three-year term).

The results of shareholder voting are as follows:

1. Election of Directors:

Director	For	Withheld
Joseph A. Lucarelli	58,909,832	2,890,537
Robert A. McCormick	52,699,816	9,100,553

Directors continuing in office are Thomas O. Maggs, Dr. Anthony J. Marinello, Robert J. McCormick, William D. Powers and William J. Purdy.

2. Proposal to ratify the appointment of KPMG LLP as the independent certified public accountants of TrustCo for the fiscal year ending December 31, 2007.

For	Against	Abstain
60,138,617	1,260,151	401,599

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Reg S-K (Item 601) Exhibit No.	Description
31(a)	Rule 13a-15(e)/15d-15(e) Certification of Robert J. McCormick, principal executive officer.
31(b)	Rule 13a-15(e)/15d-15(e) Certification of Robert T. Cushing, principal financial officer.
32	Section 1350 Certifications of Robert J. McCormick, principal executive officer and Robert T. Cushing, principal financial officer.

(b) Reports on Form 8-K

During the quarter ended June 30, 2007, TrustCo filed the following reports on Form 8-K:

April 9, 2007 stating US Banker, an industry publication, listed the top 200 mid-tier banks according to three year average return on equity for the years ended 2004, 2005 and 2006, TrustCo was ranked 6th.

April 11, 2007 stating that effective January 1, 2007, TrustCo has elected early Adoption of Statement of Financial Accounting Standards ("SFAS") No. 159 The Fair Value Option for Financial Assets and Financial Liabilities, including an Amendment of SFAS No. 115 and No. 157 Fair Value Measurements.

April 17, 2007, regarding a press release dated April 17, 2007, detailing first quarter and year to date results for the period ending March 31, 2007.

April 17, 2007 announcing that Kevin T. Timmons will be joining the Company as Vice President/Treasurer.

May 14, 2007, regarding presentation materials presented at the Annual Meeting of Shareholders held May 14, 2007.

May 15, 2007, regarding a press release dated May 15, 2007, announcing results of the Annual Meeting held May 14, 2007 and declaring a cash dividend of $0.16 per share payable on July 2, 2007, to shareholders of record at the close of business on June 8, 2007.

SIGNATURES

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

TrustCo Bank Corp NY

By: /s/ Robert J. McCormick

Robert J. McCormick
President
and Chief Executive Officer

By: /s/ Robert T. Cushing

Robert T. Cushing
Executive Vice President
and Chief Financial Officer

Date: August 7, 2007

Exhibits Index

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