TRUSTCO BANK CORP N Y
Form 10-Q
May 10, 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 March 31, 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 April 30, 2007
$1 Par Value	75,115,857

TrustCo Bank Corp NY

INDEX

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

	3 Months Ended March 31,	
	2007	2006

Interest and dividend income:		
Interest and fees on loans	$ 28,631	24,351
Interest and dividends on:		
U.S. Treasuries and agencies and government sponsored enterprises	9,659	9,983
States and political subdivisions	1,449	1,363
Mortgage-backed securities and collateralized mortgage obligations	1,964	2,294
Other securities	139	226
Interest on federal funds sold and other short term investments	3,439	2,492
Total interest income	45,281	40,709
Interest expense:		
Interest on deposits:		
Interest-bearing checking	202	284
Savings	2,424	2,366
Money market deposit accounts	3,304	1,841
Time deposits	14,636	9,928
Interest on short-term borrowings	993	778
Interest on long-term debt	1	1
Total interest expense	21,560	15,198
Net interest income	23,721	25,511
Provision (credit) for loan losses	0	(1,800)
Net interest income after provision (credit) for loan losses	23,721	27,311
Noninterest income:		
Trust department income	1,453	1,238
Fees for other services to customers	2,306	1,931
Unrealized trading gains	3,445	0
Net loss on securities transactions	0	(288)
Other	344	424
Total noninterest income	7,548	3,305
Noninterest expenses:		
Salaries and employee benefits	4,909	4,961
Net occupancy expense	2,417	1,974
Equipment expense	744	741
Professional services	938	824
Outsourced services	1,073	1,051
Other real estate expenses / (income)	20	(10)
Other	2,605	2,384
Total noninterest expenses	12,706	11,925
Income before taxes	18,563	18,691
Income taxes	6,249	6,325

Net income	$ 12,314	12,366
Net income per Common Share:		
- Basic	$ 0.164	0.165
- Diluted	$ 0.164	0.164

See accompanying notes to unaudited consolidated interim financial statements.

1

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

	03/31/07	12/31/06
ASSETS:		
Cash and due from banks	$ 39,435	47,889
Federal funds sold and other short term investments	335,259	243,449
Total cash and cash equivalents	374,694	291,338
Trading securities:		
Government sponsored enterprises	505,690	0
Securities available for sale:		
Government sponsored enterprises	197,723	734,547
States and political subdivisions	132,425	132,879
Mortgage-backed securities and collateralized mortgage obligations	163,014	167,899
Other	12,501	12,945
Total securities available for sale	505,663	1,048,270
Loans:		
Commercial	269,903	263,041
Residential mortgage loans	1,281,572	1,250,427
Home equity line of credit	242,606	242,555
Installment loans	6,207	6,491
Total loans	1,800,288	1,762,514
Less:		
Allowance for loan losses	35,357	35,616
Net loans	1,764,931	1,726,898
Bank premises and equipment, net	24,966	24,050
Other assets	68,921	70,631

Total assets	$ 3,244,865	3,161,187
LIABILITIES:		
Deposits:		
Demand	$ 249,034	259,401
Interest-bearing checking	280,106	290,784
Savings accounts	657,762	662,310
Money market deposit accounts	330,335	310,719
Certificates of deposit (in denominations of $100,000 or more)	332,134	299,813
Time deposits	1,032,432	976,356
Total deposits	2,881,803	2,799,383
Short-term borrowings	97,064	95,507
Long-term debt	51	59
Accrued expenses and other liabilities	25,967	26,715
Total liabilities	3,004,885	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 March 31, 2007 and December 31, 2006, respectively	82,169	82,150
Surplus	119,755	119,313
Undivided profits	102,033	110,304
Accumulated other comprehensive income (loss), net of tax	5,463	(2,928)
Treasury stock at cost - 7,270,134 and 7,276,450 shares at March 31, 2007 and December 31, 2006, respectively	(69,440)	(69,316)
Total shareholders' equity	239,980	239,523
Total liabilities and shareholders' equity	$ 3,244,865	3,161,187

See accompanying notes to unaudited consolidated interim financial statements.

TRUSTCO BANK CORP NY

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(dollars in thousands, except per share data)

	Capital Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	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	-	-	9,571	-	
January 1, 2006 beginning balance as adjusted	82,120	117,770	112,886	(6,054)	
Comprehensive income:					
Net Income - Three Months Ended March 31, 2006			12,366		12,
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 $13,039)					(7,
Reclassification adjustment for net gain realized in net income during the year (pretax loss $288)					
Other comprehensive loss				(7,666)	(7,
Comprehensive income					4,
Cash dividend declared, $.160 per share			(11,974)		
Stock options exercised and related excess tax benefits		179			
Treasury stock purchased (155,765 shares)					
Sale of treasury stock (139,702 shares)		244			
Ending balance, March 31, 2006	$82,120	118,193	113,278	(13,720)	
Beginning balance, January 1, 2007	$82,150	119,313	110,304	(2,928)	
Adjustment to initially apply FAS No. 159			(8,606)	8,606	
Comprehensive income:					
Net Income - Three Months Ended March 31, 2007			12,314		12,
Other comprehensive loss, net of tax:					
Amortization of prior service cost on pension and post retirement plans, net of tax (pretax of $121)					
Unrealized net holding loss on securities available-for-sale arising during the period, net of tax (pretax loss of $235)					(
Other comprehensive loss				(215)	(

Comprehensive income					12,
Cash dividend declared, $.160 per share			(11,979)		
Stock options exercised and related excess tax benefits	19	116			
Treasury stock purchased (180,497 shares)					
Sale of treasury stock (186,813 shares)		326			
Ending balance, March 31, 2007	$82,169	119,755	102,033	5,463	

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 YEAR ENDED MARCH 31,	2007	2006
Cash flows from operating activities:		
Net income	$ 12,314	12,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	646	700
Gain on sale of other real estate owned	-	(34)
Provision (credit) for loan losses	-	(1,800)
Deferred tax expense	1,163	999
Net gain on sale of bank premises and equipment	-	(29)
Net loss on sale of securities available for sale	-	288
Unrealized appreciation of trading securities	(3,445)	-
Decrease in taxes receivable	6,263	6,172
(Increase) decrease in interest receivable	(3,025)	260
Increase in interest payable	244	140
Increase in other assets	(2,530)	(1,535)
Decrease in accrued expenses and other liabilities	(992)	2,879)
Total adjustments	(1,676)	2,282
Net cash provided by operating activities	10,638	14,648
Cash flows from investing activities:		

Proceeds from sales and calls of securities available for sale	9,593	42,133
Purchases of securities available for sale	(517)	(84,026)
Proceeds from maturities of securities available for sale	31,050	550
Net increase in loans	(38,173)	(58,933)
Proceeds from dispositions of other real estate owned	-	57
Proceeds from dispositions of bank premises and equipment	-	38
Purchases of bank premises and equipment	(1,562)	(1,514)
Net cash provided by (used in) investing activities	391	(101,695)
Cash flows from financing activities:		
Net increase in deposits	82,420	17,203
Net increase in short-term borrowings	1,557	12,301
Repayment of long-term debt	(8)	(7)
Proceeds from exercise of stock options and related excess tax benefits	135	179
Proceeds from sale of treasury stock	2,106	2,146
Purchase of treasury stock	(1,904)	(1,957)
Dividends paid	(11,979)	(11,964)
Net cash provided by financing activities	72,327	17,901
Net increase (decrease) in cash and cash equivalents	83,356	(69,146)
Cash and cash equivalents at beginning of period	291,338	312,863
Cash and cash equivalents at end of period	$ 374,694	243,717

(continued)

See accompanying notes to unaudited consolidated interim financial statements.

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
YEAR ENDED MARCH 31,

	2007	2006
Cash paid during the year for:		

Interest paid	$ 21,316	15,058
Income taxes (refunded) paid	(15)	81
Non cash investing and financing activities:		
Transfer of loans to other real estate owned	140	28
Increase in dividends payable	-	10
Change in unrealized loss on securities available for sale-gross of deferred taxes	(235)	(12,751)
Change in deferred tax effect on unrealized loss on securities available for sale	93	5,084
Amortization of prior service cost on pension and post retirement plans	121	-
Change in deferred tax effect of amortization of prior service cost	(48)	-
Securities available for sale transferred to trading securities	516,558	-
Cumulative effect of the adoption of FASB Statement No. No. 159-gross of deferred taxes	14,313	-
Change in deferred tax effect of the adoption of FASB Statement No. 159	(5,707)	-
Cumulative effect of the adoption of Staff Accounting Bulletin No. 108-gross of deferred taxes	-	15,877
Change in deferred tax effect of the adoption of Staff Accounting Bulletin No. 108	-	(6,306)

See accompanying notes to unaudited consolidated interim financial statements.

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 year amounts have been reclassified to conform to the current year presentation.

In the opinion of the management of the Company, the accompanying unaudited Consolidated Interim Financial Statements contain all adjustments necessary to present fairly the financial position as of March 31, 2007 and the results of operations and cash flows for the three months ended March 31, 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 included 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 month period ended March 31, 2007 and 2006 follows:

(In thousands,except per share	Net Income	Weighted Average Shares Outstanding	Per Share Amounts
For the quarter ended March 31, 2007:			
Basic EPS:			
Net income available to Common shareholders	$12,314	74,952	$0.164
Effect of Dilutive Securities:			
Stock options	-	102	(.000)
Diluted EPS	$12,314	75,054	$0.164
For quarter ended March 31, 2006:			
Basic EPS:			
Net income available to Common shareholders	$12,366	74,871	$0.165
Effect of Dilutive Securities:			
Stock options	-	392	(.001)
Diluted EPS	$12,366	75,263	$0.164

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

3. Benefit Plans

The table below outlines the component's of the Company's net periodic expense (benefit) recognized during the three months ended March 31, 2007 and 2006 for its pension and other postretirement benefit plans:

Components of Net Periodic Expense/(Benefit) (dollars in thousands)

	Pension Benefits		Other Postretirement Benefits	
	2007	2006	2007	2006

Service cost	$ -	191	7	9
Interest cost	354	388	14	18
Expected return on plan assets	(460)	(448)	(103)	(102)
Amortization of prior service cost	-	27	(121)	(114)
Net periodic expense/(benefit)	$(106)	158	(203)	(189)

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 March 31, 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 as the available for sale portfolio totaling approximately $517 million. 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 record 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.

TrustCo Bank Corp NY
Notes to Consolidated Interim Financial Statements

(unaudited) continued

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 has sold in the second quarter all of these securities and will recognize 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 intends to re-invest these proceeds by purchasing securities, primarily Government sponsored enterprises, for its trading portfolio. As of April 30, 2007 $240 million of government sponsored enterprises securities were purchased for the trading portfolio and the Company expects that substantially all of the remainder of the proceeds will be likewise invested in government sponsored enterprises trading securities by the end of the second quarter. 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. If the trading securities were not sold, or if they were sold and the proceeds were reinvested in securities with nearly identical characteristics, then the portfolio would have a higher yield for accounting purposes, even if the cash interest earned was not changed.

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 and the $3.4 million of pre-tax unrealized gains on trading account assets recognized during the quarter would also not have been recognized.

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 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 Bank Corp NY
Notes to Consolidated Interim Financial Statements
(unaudited) continued

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 also 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 table presents the financial instruments recorded at fair value by the Company as of March 31, 2007 and for the three months ended March 31, 2007.

(in thousands)

					Janu for p
Fair Value Measurements at March 31, 2007 using:					
Total carrying amount in Statement of Financial Position As of	Statement 107 Fair Value Estimate As of	Fair Value Measurement As of	Quoted Prices in Active Markets for Identical Assets	Significant other observable input	Unrea Tradi

	3/31/2007	3/31/2007	3/31/2007	(Level 1)	(Level 2)	Gains
Assets available for sale	505,663	505,663	505,663	406,111	99,552	-
Trading account assets	505,690	505,690	505,690	505,690	-	3,445
Other real estate owned	232	232	232	-	232	-

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 three month ended March 31, 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 3/31/07	234
Balance March 31, 2007	$3,626

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 March 31, 2007 that amount would be $2.4 million, after tax). Interest expense of $30 thousand has been recorded during the first quarter of 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 $419 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 New York State 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.

(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 $4.1 million at March 31, 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 March 31, 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 March 31, 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the three-month periods ended March 31, 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
May 4, 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 period ended March 31, 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 local 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 ended March 31, 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. 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 record 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 has sold in the second quarter all of these securities and will recognize 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 intends to re-invest these proceeds by purchasing securities, primarily Government sponsored enterprises, for its trading portfolio. As of April 30, 2007 $240 million of government sponsored enterprises securities were purchased for the trading portfolio and the Company expects that substantially all of the remainder of the proceeds will be likewise invested in government sponsored enterprises trading securities by the end of the second quarter. 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. If the trading securities were not sold, or if they were sold and the proceeds were reinvested in securities with nearly identical characteristics, then the portfolio would have a higher yield for accounting purposes, even if the cash interest earned was not changed.

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 reclassifed 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 and the $3.4 million of pre-tax unrealized gains on trading account assets recognized during the quarter would also not have been recognized.

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 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 also 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 table presents the financial instruments recorded at fair value by the Company as of March 31, 2007 and for the three months ended March 31, 2007.

(in thousands)

	Fair Value Measurements at March 31, 2007 using:					Janu for p
	Total carrying amount in Statement of Financial Position As of 3/31/2007	Statement 107 Fair Value Estimate As of 3/31/2007	Fair Value Measurement As of 3/31/2007	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other observable input (Level 2)	Unrea Tradi Gains
Assets available for sale	505,663	505,663	505,663	406,111	99,552	-
Trading account assets	505,690	505,690	505,690	505,690	-	3,445
Other real estate owned	232	232	232	-	232	-

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 three month ended March 31, 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 3/31/07	234
Balance March 31, 2007	$3,626

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 March 31, 2007 that amount would be $2.4 million, after tax). Interest expense of $30 thousand has been recorded during the first quarter of 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 $419 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 New York State 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.

(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 $12.3 million, or $0.164 of diluted earnings per share for the three months ended March 31, 2007, as compared to net income of $12.4 million or $0.164 of diluted earnings per share in the same period in 2006.

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

- Increase in the average balance of interest earning assets by $258.2 million to $3.08 billion for the first quarter of 2007 compared to the comparable period in 2006,

- Increase in the average balance of interest bearing liabilities by $273.0 million to $2.68 billion for the first quarter of 2007 as compared to 2006,

- Decrease in net interest margin from 3.70% for the first quarter of 2006 to 3.16% for the first quarter of 2007,

- Decrease in the credit for loan losses from $1.8 million at March 31, 2006 to $-0- million in 2007,

- Increase in noninterest income from $3.3 million for the first quarter of 2006 to $7.5 million for the comparable period in 2007. Included in non interest income were $288 thousand of net losses on securities transactions for 2006 and none for 2007 and $3.4 million of unrealized gains on trading account assets in 2007 and none in 2006, and,

- An increase of $781 thousand in non interest expense for the first quarter of 2007 as compared to the first quarter 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 first quarter of 2007 compared to the comparable period 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 first quarter 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 March 31, 2007. This is a 100 basis point increase during this time period. Over the same time period, for comparison purposes, the 10 year treasury rate increased from 4.11% at January 1, 2006 to 4.64% by March 31, 2007, an increase of only 53 basis points. 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 March 31, 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 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 and trading portfolio, 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 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 first quarter of 2007 the net interest margin decreased to 3.16% from 3.70% for the first quarter of 2006. The quarterly results reflect the following significant factors:

- The average balance of securities available for sale and trading decreased by $68.3 million and the average yield increased to 5.43%.

- The average balance of federal funds sold and other short term investments increased by $41.0 million and the average yield increased 74 basis points to 5.22%. 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.

- The loan portfolio grew by $285.5 million to $1.78 billion and the average yield decreased 9 basis points to 6.44%.

- The average balance of interest bearing liabilities (primarily deposit accounts) increased $273.0 million and the average rate paid increased 71 basis points to 3.27%.

These changes resulted in a net interest margin decrease of 54 basis points from 3.70% for the first quarter of 2006 to 3.16% for the comparable period in 2007.

During the first 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 portfolio and trading account in total remained relatively consistent with the balance of the available for sale securities as of year end 2006. The decrease in the average balance of the combination of securities available for sale and trading from the first quarter of 2006 to the first quarter of 2007 primarily reflects changes made throughout 2006.

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 $2.82 billion in 2006 to $3.08 billion in 2007 with an average yield of 5.89% in 2006 and 6.00% in 2007. Income on average earning assets increased during this same time-period from $41.4 million in 2006 to $46.1 million in 2007.

Loans

The average balance of loans was $1.78 billion in 2007 and $1.50 billion in 2006. The yield on loans decreased from 6.53% in 2006 to 6.44% in 2007. The combination of the higher average balances offset by lower rates resulted in an increase in the interest income on loans by $4.3 million.

Compared to the first quarter of 2006, the average balance of the loan portfolio during the first quarter of 2007 increased in all loan categories. The average balance of residential mortgage loans was $1.08 billion in 2006 compared to $1.27 billion in 2007, an increase of 17.3%. The average yield on residential mortgage loans increased by 3 basis points 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 the prime rate, the federal funds rate, rates set by competitors and secondary market participants. As noted earlier, market interest rates have changed significantly as a result of national economic policy in the United States. During this period of changing interest rates TrustCo aggressively marketed the unique aspects of its loan products thereby attempting to create a differentiation from other lenders. These unique aspects include extremely low closing costs, fast turn around time on loan approvals, no escrow or mortgage insurance requirements and the fact that the Company holds these loans in portfolio and does not sell them into the secondary markets. 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 93 basis points during 2007 compared to 2006 primarily as a result of the number of new equity credit lines that have been originated at the 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. These lines of credit are not tied to a time period and can be refinanced at other institutions. 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 the comparisons between the first quarter of 2007 and the first quarter of 2006 have significant changes in the balances.

The average balance of the securities available for sale portfolio for the first quarter of 2007 was $528.5 million compared to $1.09 billion for the comparable period in 2006. The average yield was 5.44% for 2007 and 5.31% for 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. Changes in balances between the two time periods was the result of paydowns on bonds, the purchase of certain bonds during the remainder of 2006 that are affecting the first quarter 2007 balances, calls on bonds and the transfer of bonds to the trading portfolio.

TrustCo Bank Corp NY
Management's Discussion and Analysis - continued
March 31, 2007

Trading Securities

The average balance of trading securities for the first quarter of 2007 was $502.3 million compared to none in 2006. The average yield was 5.42% for 2007.

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.

For the first quarter 2007 the Company recorded an increase of $3.4 million in the fair value of these securities between the implementation date of January 1, 2007 and quarter end March 31, 2007. Subsequent to quarter end the Company sold this portfolio and recorded a realized loss of $2.7 million in the second quarter. Proceeds from the sale of these securities were initially invested in federal funds sold and other short term investments. As of April 30, 2007 $240 million of Government sponsored enterprises securities were purchased for the trading portfolio and the Company expects that substantially all of the remainder of the proceeds will be likewise invested in Government sponsored enterprises trading securities by the end of the second quarter.

Federal Funds Sold and Other Short-term Investments

The 2007 first quarter average balance of federal funds sold and other short-term investments was $265.9 million, $41.0 million more than the $224.9 million in 2006. The portfolio yield increased from 4.48% in 2006 to 5.22% 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 $1.0 million from $2.5 million in 2006 to $3.4 million in 2007.

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 $2.31 billion during 2006 to $2.58 billion in the final quarter of 2007, and the average rate paid increased from 2.53% for 2006 to

3.24% for 2007. Total interest expense on these deposits increased $6.1 million to $20.6 million.

Average short-term borrowings for the quarter were $97.9 million in 2007 compared to $91.8 million in 2006. The average rate increased during this time period from 3.44% in 2006 to 4.11% in 2007. Rates on short-term borrowings tend to change with the rates on the target Federal Funds.

Net Interest Income

Taxable equivalent net interest income decreased by $1.7 million to $24.5 million in 2007. The net interest spread decreased from 3.33% in 2006 to 2.73% in 2007. The net interest margin decreased by 54 basis points to 3.16% for the first quarter of 2007.

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 March 31, 2007.

Nonperforming loans: Total nonperforming loans were $8.1 million at March 31, 2007, an increase from the $7.1 million of nonperforming loans at December 31, 2006 and the $3.4 million of nonperforming loans at March 31, 2006. There were $6.7 million nonaccrual loans at March 31, 2007 compared to the $5.7 million at December 31, 2006 and $1.9 million at March 31, 2006. Restructured loans were $1.0 million at March 31, 2007 compared to the $1.2 million at December 31, 2006 and $1.5 million at March 31, 2006. There were $356 thousand of loans at March 31, 2007 and the $211 thousand at December 31, 2006 and none at March 31, 2006 that are past due 90 days or more and still accruing interest.

All of the nonperforming loans at March 31, 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 chargeoffs from commercial and commercial real estate to the residential real estate and retail consumer loan portfolios.

TrustCo strives to identify borrowers that are experiencing financial difficulties and to work aggressively with them so as to minimize losses or exposures. Beginning in 2004 the number of new bankruptcy filings in the Capital District area were lower than statewide trends. Also the demand for housing in the Capital District area has stabilized which has resulted in increased real estate prices in selected sectors of the marketplace.

Total impaired loans at March 31, 2007 of $1.0 million, consisted of restructured retail loans. During the first quarter of 2007, there were $210 thousand of commercial loan charge offs, $146 thousand of consumer loan charge offs and $701 thousand of residential mortgage loan charge offs as compared with no commercial loan charge offs, $12 thousand of consumer loan charge offs and $356 thousand of residential mortgage loan charge offs in the first quarter of 2006. Recoveries during the quarter were $800 thousand in 2007 and $820 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 March 31, 2007, the allowance for loan losses was $35.4 million, which represents a decrease from the $35.6 million in the allowance at December 31, 2006. The allowance represents 1.96% of the loan portfolio as of March 31, 2007 compared to 2.38% at March 31, 2006. The provision for loan losses was zero for the quarter ended March 31, 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 first 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 upstate New York territory over the last two years.

Management continues to monitor these factors in determining future provisions or negative provisions 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 first quarter was $7.5 million, compared to $3.3 million in 2006. Included in the first quarter results are net securities losses of $288 thousand in 2006 and none in 2007 and $3.4 million of unrealized trading gains in 2007 and none in 2006.

Trust department income increased to $1.5 million for the first quarter of 2007. Trust department assets under management were $876 million at March 31, 2007 compared to $891 million at March 31, 2006. The increase was due to nonrecuring fees earned by the Trust department for services rendered to trust customers.

Fees for other services to customers increased by $375 thousand between the first quarter of 2007 and 2006 to $2.3 million. The increase is the result of new fees charged to customers with respect to deposit overdrafts.

The Company recognized $3.4 million of unrealized trading gains in 2007 and none in 2006. The 2007 unrealized gains resulted from the appreciation in values of the trading account assets from January 1, 2007 to March 31, 2007. These trading account assets were subsequently sold in the second quarter and a realized loss of $2.7 million was recognized.

Noninterest Expenses

Total noninterest expense increased from $11.9 million for the three months ended March 31, 2006 to $12.7 million for the three months ended March 31, 2007. Within the category of noninterest expense, salaries and employee benefits decreased $52 thousand to $4.9 million for 2007.

Net occupancy expense increased $443 thousand to $2.4 million during the first quarter of 2007. The increase is the result of new branch lease costs and the increased cost of utilities and taxes on branch locations.

Income Taxes

In the first quarter of 2007, TrustCo recognized income tax expense of $6.2 million as compared to $6.3 million for 2006. The effective tax rates were 33.7% and 33.8% for the first quarter of 2007 and 2006, respectively. 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 New York State income taxes.

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 March 31, 2007 was $240.0 million, an increase from the $239.5 million at year-end 2006. TrustCo declared dividends of $0.160 per share in the first quarter of 2007. This results in a dividend payout ratio of 97.3% in 2007.

The Company achieved the following ratios as of March 31, 2007 and 2006:

	March 31, 2007	March 31, 2006	Minimum Regulatory Guidelines
Tier 1 risk adjusted capital	14.02%	16.81%	4.00%
Total risk adjusted capital	15.28%	18.08%	8.00%

In addition, at March 31, 2007 and 2006, the consolidated equity to total assets ratio (excluding the mark to market effect of securities available for sale) was 7.24% and 8.31%, respectively, compared to a minimum regulatory requirement of 4.00%.

The decrease in capital ratios reflects the impact of the initial Adoption of SFAS No. 159 which resulted in a charge to undivided profits as of January 1, 2007 of $8.6 million and the growth in the overall balance sheet.

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 - 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 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 balance of shareholders' equity is unrealized depreciation, net of tax, in the available for sale portfolio of $2.9 million in 2007 and $7.0 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 allocated 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	$ 665	$ 8	4.61%	$ 727	$ 7	3.96%
Gov't Sponsored Enterprises	217,592	2,847	5.23%	770,746	9,976	5.18

Mortgage-backed securities and collateralized mortgage obligations	168,217	1,964	4.67%	197,702	2,294	4.64%
States and political subdivisions	129,384	2,205	6.82%	117,924	2,073	7.03%
Other	12,625	160	5.11%	11,925	239	8.09%
Total securities available for sale	528,483	7,184	5.44%	1,099,024	14,589	5.31%
Federal funds sold and other short-term Investments	265,902	3,439	5.22%	224,920	2,492	4.48%
Trading Securities	502,283	6,803	5.42%	0	0	0.00%
Commercial Loans	266,412	5,022	7.55%	218,477	4,073	7.47%
Residential mortgage loans	1,265,674	19,685	6.22%	1,078,655	16,688	6.19%
Home equity lines of credit	243,675	3,737	6.22%	193,413	3,412	7.15%
Installment loans	5,572	197	14.25%	5,322	189	14.42%
Loans, net of unearned income	1,781,333	28,641	6.44%	1,495,867	24,362	6.53%
Total interest earning assets	3,078,001	46,067	6.00%	2,819,811	41,443	5.89%
Allowance for loan losses	(35,590)			(36,929)		
Cash & non-interest earning assets	136,689			116,755		
Total assets	$3,179,100			$2,899,637		
Liabilities and shareholders' equity						
Deposits:						
Interest Bearing Checking Accounts	$ 278,192	202	0.29%	$ 294,506	284	0.39%
Money market accounts	324,253	3,304	4.13%	202,855	1,841	3.68%
Savings	656,207	2,424	1.50%	718,844	2,366	1.34%
Time deposits	1,319,586	14,636	4.50%	1,095,128	9,928	3.68%
Total interest bearing deposits	2,578,238	20,567	3.24%	2,311,333	14,419	2.53%
Short-term borrowings	97,883	993	4.11%	91,752	778	3.44%
Long-term debt	54	1	5.29%	82	1	5.29%
Total Interest Bearing Liabilities	2,676,175	21,560	3.27%	2,403,167	15,198	2.56%
Demand deposits	244,005			241,903		
Other liabilities	22,394			19,964		
Shareholders' equity	236,526			234,603		
Total liab. & shareholders' equity	$3,179,100			$2,899,637		
Net Interest Income		24,507			26,245	

Net Interest Spread		2.73%		3.33%
Net Interest margin (net interest income to total interest earning assets)		3.16%		3.70%
Tax equivalent adjustment	(786)		(734)	
Net Interest Income per book	23,721		25,511	

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 ended March 31, 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 $265.9 million in 2007 from $224.9 million in 2006. As investment opportunities present themselves, management plans to continue to invest funds from the federal funds sold and other short-term investment portfolio into the securities trading, available for sale and loan portfolios. This trend is expected to continue into the second quarter.

The Company has $505.7 million of trading account assets at March 31, 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. Subsequent to March 31, 2007 these securities have been sold and a realized loss of approximately $2.7 million will be recognized in the second quarter of 2007. The Company has determined that disclosure of the actual loss realized is more relevant than hypothetical disclosures of potential market risk.

The trading account securities at March 31, 2007 were all fixed rate callable bonds issued by Government sponsored enterprises with a final average maturity of approximately 9 years and weighted average yield of 5.42%.

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 Purchase Under the Plans or Programs
January 1 - January 31	88,500	$10.53	0	N/A
February 1 - February 28	6,500	$10.58	0	N/A
March 1 - March 31	5,497	$10.40	0	N/A
Total	180,497	$10.55	0	N/A

All 180,497 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

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Reg S-K (Item 601) Exhibit No.	Description
10(a)	Amended and Restated Trustco Bank Senior Incentive Plan, dated January 1, 2006.
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 March 31, 2007, TrustCo filed the following reports on Form 8-K:

January 16, 2007, regarding a press release dated January 16, 2007, detailing fourth quarter and year to date results for the period ending December 31, 2006.

February 20, 2007, regarding a press release dated February 20, 2007, declaring a cash dividend of $0.16 per share on April 2, 2007, to shareholders of record at the close of business on March 2, 2007. On February 20, 2007, TrustCo's Board of Directors adopted changes to the Company's bylaws to provide for more detailed and comprehensive procedures to address the circumstances under which an officer or director of TrustCo may seek indemnification and under which the board or other persons, including TrustCo's shareholders, may authorize idemnification payments.

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: May 8, 2007

Exhibits Index

Reg S-K Exhibit No.	Description
10(a)	Amended and Restated Trustco Bank Senior Incentive Plan, dated January 1, 2006.
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.