

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

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the Fiscal Year Ended December 31, 2021

Or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-10592

**TRUSTCO BANK CORP N Y**

(Exact name of registrant as specified in its charter)

**NEW YORK**

(State or other jurisdiction of incorporation or organization)

**14-1630287**

(I.R.S. Employer Identification No.)

**5 SARNOWSKI DRIVE, GLENVILLE, NEW YORK 12302**

(Address of principal executive offices) (Zip Code)

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

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

Title of each class  
**Common Stock, \$1.00 Par Value**

Trading Symbol(s)  
**TRST**

Name of exchange on which registered  
**The NASDAQ Global Select Market**

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

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

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

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

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

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

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-Accelerated Filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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

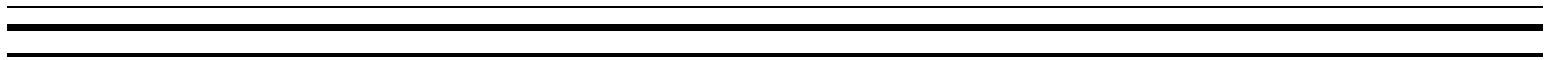
Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared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

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

The aggregate market value of the common stock held by non-affiliates as of June 30, 2021, the last business day of the Company's second fiscal quarter, was \$645 million (based upon the closing price of \$34.38 on June 30, 2021 as reported on the NASDAQ Global Select Market).

The number of shares outstanding of the registrant's common stock as of February 22, 2022 was 19,219,989.

Documents Incorporated by Reference: Portions of the registrant's Annual Report to Shareholders for the year ended December 31, 2021 are incorporated by reference into Parts I and II, and portion of the registrant's Proxy Statement filed for its 2022 Annual Meeting of Shareholders to be filed within 120 days of the registrant's fiscal year end are incorporated into Part III.



## INDEX

Description	Page
<a href="#">Use of Non-GAAP Financial Measures</a>	3
<b>PART I</b>	
Item 1 <a href="#">Business</a>	3
Item 1A <a href="#">Risk Factors</a>	16
Item 1B <a href="#">Unresolved Staff Comments</a>	26
Item 2 <a href="#">Properties</a>	26
Item 3 <a href="#">Legal Proceedings</a>	26
Item 4 <a href="#">Mine Safety Disclosure</a>	26
<b>PART II</b>	
Item 5 <a href="#">Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	28
Item 6 <a href="#">Selected Financial Data</a>	29
Item 7 <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	29
Item 7A <a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	29
Item 8 <a href="#">Financial Statements and Supplementary Data</a>	29
Item 9 <a href="#">Changes in and Disagreements with Accountants On Accounting and Financial Disclosure</a>	29
Item 9A <a href="#">Controls and Procedures</a>	29
Item 9B <a href="#">Other Information</a>	29
<b>PART III</b>	
Item 10 <a href="#">Directors, Executive Officers and Corporate Governance</a>	30
Item 11 <a href="#">Executive Compensation</a>	30
Item 12 <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	30
Item 13 <a href="#">Certain Relationships and Related Transactions and Director Independence</a>	31
Item 14 <a href="#">Principal Accounting Fees and Services</a>	31
<b>PART IV</b>	
Item 15 <a href="#">Exhibits, Financial Statement Schedules</a>	31
<a href="#">EXHIBITS INDEX</a>	32
<a href="#">Signatures</a>	36

## USE OF NON-GAAP FINANCIAL MEASURES

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

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

## PART I

### Item 1. Business

#### General

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

Through policy and practice, TrustCo continues to emphasize that it is an equal opportunity employer. There were 759 full-time equivalent employees of TrustCo at year-end. TrustCo had 7,737 shareholders of record as of December 31, 2021 and the closing price of the TrustCo common stock on that date was \$33.31.

#### Subsidiaries

##### **Trustco Bank**

Trustco Bank is a federal savings bank engaged in providing general banking services to individuals and business. At year-end 2021, the Bank operated 163 automatic teller machines and 147 banking offices in Albany, Columbia, Dutchess, Greene, Montgomery, Orange, Putnam, Rensselaer, Rockland, Saratoga, Schenectady, Schoharie, Ulster, Warren, Washington, and Westchester counties of New York, Brevard, Charlotte, Hillsborough, Flagler, Indian River, Lake, Manatee, Martin, Orange, Osceola, Palm Beach, Polk, Sarasota, Seminole, and Volusia counties in Florida, Bennington County in Vermont, Berkshire County in Massachusetts and Bergen County in New Jersey. The largest part of such business consists of accepting deposits and making loans and investments.

The Bank provides a wide range of both personal and business banking services. The Bank is supervised and regulated by the federal Office of the Comptroller of the Currency (“OCC”). Its deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”) to the extent permitted by law. The Bank’s subsidiary, Trustco Realty Corp., is a real estate investment trust (or “REIT”) that was formed to acquire, hold and manage real estate mortgage assets, including residential mortgage loans and mortgage backed securities. The income earned on these assets, net of expenses, is distributed in the form of dividends. Under current New York State tax law, 60% of the dividends received by the Bank from Trustco Realty Corp. are excluded from total taxable income for New York State income tax purposes. The Bank accounted for substantially all of TrustCo’s 2021 consolidated net income and average assets. The Bank’s other active subsidiaries, Trustco Insurance Agency, Inc. and ORE Property, Inc., did not engage in any significant business activities during 2021 and 2020.

Trustco Financial Services, the name under which Trustco Bank's trust department operates, serves as executor of estates and trustee of personal trusts, provides asset and wealth management services, provides estate planning and related advice, provides custodial services, and acts as trustee for various types of employee benefit plans and corporate pension and profit sharing trusts. The aggregate market value of the assets under trust, custody, or management of the trust department of the Bank was approximately \$1.1 billion as of December 31, 2021.

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

#### **ORE Subsidiary Corp.**

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

#### **Competition**

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

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

#### **Supervision and Regulation**

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

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

#### **Key Legislation**

##### *Certain Regulatory Developments Relating to the COVID-19 Pandemic*

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

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

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

Section 4012 of the CARES Act directed federal regulatory agencies to temporarily reduce the community bank leverage ratio. In April 2020, the regulatory agencies published a final rule which temporarily reduced the ratio to 8% through the end of 2020, and 8.5% for calendar year 2021. On December 21, 2021, the OCC, Federal Reserve Board and FDIC issued a joint interagency statement that such temporary relief measure effecting the framework would expire on December 31, 2021 and effective January 1, 2022, the ratio reverted to 9% as established under the original rule. A qualifying institution utilizing the community bank leverage ratio framework that fails to maintain a leverage ratio greater than the required percentage is allowed a two-quarter grace period in which to increase its leverage ratio back above the required percentage. During the grace period, a qualifying institution will be considered well capitalized so long as it maintains a leverage ratio of no more than one percent less than the required percentage. If an institution either fails to meet all the qualifying criteria within the grace period, or fails to maintain a leverage ratio of no more than one percent less than the required percentage, it becomes ineligible to use the community bank leverage ratio framework and must instead comply with generally applicable capital rules, sometimes referred to as Basel III rules.

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

### **Economic Growth, Regulatory Relief and Consumer Protection Act**

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

The Regulatory Relief Act also expanded the definition of qualified mortgages that may be held by a financial institution and simplifies the regulatory capital rules for financial institutions and their holding companies with total consolidated assets of less than \$10 billion by instructing the federal banking regulators to establish a single "Community Bank Leverage Ratio" of 9 percent. Any qualifying depository institution or its holding company that exceeds the "community bank leverage ratio" will be considered to have met generally applicable leverage and risk-based regulatory capital requirements and any qualifying depository institution that exceeds the ratio will be considered to be "well capitalized" under the prompt corrective action rules. In addition, the Regulatory Relief Act included regulatory relief for community banks regarding regulatory examination cycles, call reports, the Volcker Rule (proprietary trading prohibitions), mortgage disclosures and risk weights for certain high-risk commercial real estate loans. The new rule was effective as of January 1, 2020. Although TrustCo would qualify to take advantage of the community bank leverage ratio framework, it has decided it would not opt-in to the framework.

**Dividends**

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

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

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

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

See Note 14 to the consolidated financial statements contained in TrustCo's Annual Report to Shareholders for the year ended December 31, 2021 for information concerning the Bank's regulatory capital requirements.

**Regulatory Capital Requirements and Prompt Corrective Action.**

**Regulatory Capital Rules.** The Company and the Bank are subject to regulatory capital requirements contained in rules published by the Federal Reserve Board, OCC, and FDIC that establish a comprehensive capital framework for all U.S. banking organizations, including the Company and the Bank.

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

Under the capital rules, the minimum capital ratios are:

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

At December 31, 2021, the Bank had a Tier 1 leverage ratio (Tier 1 capital to total average consolidated assets) of 9.32%, CET1 capital ratio (CET1 capital to risk-weighted assets) of 18.95%, Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) of 18.95%, and a total capital ratio (total capital to risk-weighted assets) of 20.21%. Also at December 31, 2021, the Company had a Tier 1 leverage ratio (Tier 1 capital to total average consolidated assets) of 9.61%, CET1 capital ratio (CET1 capital to risk-weighted assets) of 19.54%, a Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) of 19.54% and a total capital ratio (total capital to risk-weighted assets) of 20.79%.

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

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

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

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

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

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



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

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

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

At December 31, 2021 and 2020, each of TrustCo and Trustco Bank met all capital adequacy requirements to which it was subject under the OCC and Federal Reserve Board regulations.

#### **Holding Company Activities**

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

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

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

### **Securities Regulation and Corporate Governance**

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

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

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

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

### **Federal Savings Institution Regulation**

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

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

The FDIC has the authority to raise or lower assessment rates, subject to limits, and to impose special additional assessments. The Dodd-Frank Act set the minimum reserve ratio to not less than 1.35% of estimated insured deposits or the comparable percentage of the FDIC’s assessment base. The act also required the FDIC to take the steps necessary to attain the 1.35 percent ratio by September 30, 2020, subject to an offsetting requirement for certain institutions. As of September 30, 2020, the FDIC had announced that the ratio declined to 1.30% due largely to consequences of the COVID-19 pandemic and adopted a plan to restore the fund to the 1.35% ratio within eight years but did not change its assessment rate schedule. The plan requires the FDIC to update its analysis and projections for the fund balance and reserve ratio at least semiannually and, if necessary, recommend any modifications, such as increasing assessment rates. No changes have been made as of the December 2021 semiannual update.

FDIC deposit insurance expense totaled \$1.8 million, \$1.0 million, and \$624 thousand, in 2021, 2020, and 2019, respectively. FDIC deposit insurance expense includes deposit insurance assessments and, until 2019, Financing Corporation (“FICO”) assessments related to outstanding bonds issued by FICO in the late 1980s to recapitalize the now defunct Federal Savings & Loan Insurance Corporation. The final FICO assessment was collected in 2019.

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

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

**Assessments.** The Bank is required to pay assessments to the OCC to fund the agency’s operations. The general assessments, paid on a semi-annual basis, is computed upon the Bank’s total assets, including consolidated subsidiaries, as reported in the Bank’s latest quarterly financial report. The OCC’s assessment schedule includes a surcharge for institutions that require increased supervisory resources. The assessments paid by the Bank for the year ended December 31, 2021 totaled approximately \$823 thousand.

**Community Reinvestment Act.** The Community Reinvestment Act (“CRA”) requires each savings institution, as well as commercial banks and certain other lenders, to identify the communities served by the institution’s offices and to identify the types of credit the institution is prepared to extend within those communities. The CRA also requires the OCC to assess an institution’s performance in meeting the credit needs of its identified communities as part of its examination of the institution, and to take such assessments into consideration in reviewing applications with respect to branches, mergers and other business combinations, including acquisitions by savings and loan holding companies. An unsatisfactory CRA rating may be the basis for denying such an application and community groups have successfully protested applications on CRA grounds. In connection with its assessment of CRA performance, the OCC assigns CRA ratings of “outstanding,” “satisfactory,” “needs to improve” or “substantial noncompliance.” The Bank was rated “satisfactory” in its last CRA examination. Institutions are evaluated based on (i) its record of helping to meet the credit needs of its assessment area through lending activities; (ii) its qualified investments; and (iii) the availability and effectiveness of the institution’s system for delivering retail banking services. An institution that is found to be deficient in its performance in meeting its community’s credit needs may be subject to enforcement actions, including cease and desist orders and civil money penalties. In December 2021, the OCC issued a final rule rescinding its June 2020 Community Reinvestment Act Rule and replacing it with the rules that were jointly adopted by the federal bank regulatory agencies. This action is intended to facilitate the ongoing interagency work to modernize the CRA regulatory framework and promote consistency for all insured depository institutions. The final rule became effective on January 1, 2022.

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

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

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

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

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

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

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

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

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

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

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

The federal Consumer Financial Protection Bureau ("CFPB") has adopted rules related to mortgage loan origination and mortgage loan servicing. In particular, the CFPB has issued a rule implementing the ability-to-repay and qualified mortgage ("QM") provisions of the Truth in Lending Act, as amended by the Dodd-Frank Act (the "QM Rule"). The ability-to-repay provision requires creditors to make reasonable, good faith determinations that borrowers are able to repay their mortgages before extending the credit based on a number of factors and consideration of financial information about the borrower from reasonably reliable third-party documents. Under the Dodd-Frank Act and the QM Rule, loans meeting the definition of "qualified mortgage" are entitled to a presumption that the lender satisfied the ability-to-repay requirements. The presumption is a conclusive presumption/safe harbor for prime loans meeting the QM requirements, and a rebuttable presumption for higher-priced/subprime loans meeting the QM requirements.

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

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

**Federal Home Loan Bank of New York.** The Bank is a member of Federal Home Loan Bank (“FHLB”) of New York, which is one of 11 regional FHLBs that serve as reserve or central banks for their members. The FHLBs are funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB system and makes loans or advances to members. The Bank is also required to purchase and maintain stock in the FHLB of New York at or above levels specified in the FHLB of New York capital plan. As of December 31, 2021, the Bank owned \$5.6 million in FHLB of New York stock, which was in compliance with its obligations.

### **Human Capital Resources**

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

#### **Headcount**

As of December 31, 2021, we had 844 employees (which collectively amount to 759 full-time equivalents), all based in the United States, with 592 employees (70%) at bank branches, 236 (28%) located in corporate offices and 16 (2%) in call centers.

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

## **Hiring & Promotion Practices**

At TrustCo and Trustco Bank we are continuously educating our hiring managers about recruitment and selection processes, and we strive to build our workforce from within when possible. All employees are eligible to apply for open department and branch positions following their introductory period, and during 2021, 247 (roughly 29%) of our employees were promoted within the Bank. If the best candidate for an available position is not identified from within our existing talent pool, we will look externally for the best talent, and our recruitment strategy focuses on searching for candidates directly through our participation in job fairs and social media advertising, and through our professional networks and other associations that represent diverse groups. Additionally, we have an active recruitment incentive program which awards existing employees for referring new employees to the Bank, which in turn helps us diversify our workforce.

## **Talent Development**

We believe in investing for the future which includes the future of our workforce, and we actively encourage and support the growth of our employees throughout their educational and career development, ensuring employees are given opportunities to develop and refine their skills to be successful within the Bank's competitive environment. We aim to accomplish this through a multitude of training and development programs, which include opportunities to engage in interdepartmental experiential learning, voluntary training seminars, ongoing training through our Cornerstone platform, tuition reimbursement program, BSA-AML certificate program with SUNY Schenectady County Community College and certification reimbursement for certain levels of employment. Currently, we have 39 (4.6%) employees that hold professional certificates and/or licenses. Additionally, our employees participated in over 20,000 hours of training, which included a recently expanded Leadership Program.

We take great pride in our mentoring program which was started by our CEO and was structured to allow newly hired assistant managers to report directly to the CEO for their first 10 weeks, and then met regularly for one-on-one mentoring sessions and professional development. The mentoring program has been expanded so that in addition to the CEO, all of the Bank's executive vice presidents now mentor new assistant manager-level employees in the same manner. The program was briefly suspended due to COVID-19, but is expected to come back on line as soon as public health restrictions are fully lifted. The professional success, job satisfaction, and retention of program graduates has been monitored and preliminary results are excellent. Currently, more than 40 people have been mentored through the program.

During 2021, Trustco Bank launched a Leadership Program for our management level staff members. The Trustco Leadership Program is an experiential learning opportunity for high-performing employees. It is designed to help managers gain more self-awareness, learn essential leadership skills, and build a collaborative peer network. The development program consists of 4 components: Assess, Learn, Coach, Apply. The goal is for managers to gain a greater understanding of themselves and the significant impact they have on the business.

## **Employee Feedback**

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



## **Diversity and Inclusion**

We recognize that everyone deserves respect and equal treatment, regardless of race, color, religion, sex (including gender identity, sexual orientation, and pregnancy), national origin, age (40 or older), disability or genetic information. TrustCo is committed to creating an inclusive environment that promotes diversity, equity and inclusion through training, recruiting and recognition practices to support our employees. Our Human Capital Strategic Plan focuses on identifying areas of opportunity to further diversify our workforce over time. As of December 2021, approximately 62% of our workforce identify as female, 38% identify as male. The workforce is 41% ethnically diverse, being made up of 13.86% Hispanic or Latino, 11.97% Asian, 9.24% Black or African American, 4.03% from two or more races, 1.07% American Indian or Alaska Native, and 0.59% Native Hawaiian or other Pacific Islander. Additionally, 5.2% of our workforce identifies as disabled. Furthermore, our inclusion efforts focus on age, where we seek to recruit younger candidates to create long-term career potential, while seeking to retain our experienced team members for the many benefits their presence yields.

## **Employee Compensation and Benefits**

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

## **Foreign Operations**

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

## **Statistical Information Analysis**

The “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are included in TrustCo’s Annual Report to Shareholders for the year ended December 31, 2021, which contains a presentation and discussion of statistical data relating to TrustCo, is hereby incorporated by reference. This information should not be construed to imply any conclusion on the part of the management of TrustCo that the results, causes, or trends indicated therein will continue in the future. The nature and effects of governmental monetary policy, supervision and regulation, future legislation, inflation and other economic conditions and many other factors which affect interest rates, investments, loans, deposits, and other aspects of TrustCo’s operations are extremely complex and could make historical operations, earnings, assets, and liabilities not indicative of what may occur in the future.

## **Critical Accounting Policies**

Management considers the accounting policy relating to the allowance for loan losses to be a critical accounting policy given the inherent subjectivity and uncertainty in estimating the levels of the allowance required to cover credit losses in the portfolio and the material effect that such judgments can have on the results of operations. Included in Note 1 to the Consolidated Financial Statements contained in TrustCo’s Annual Report to Shareholders for the year ended December 31, 2021, is a description of this critical policy and the other significant accounting policies that are utilized by the Company in the preparation of the Consolidated Financial Statements.

## **Availability of Reports**

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

## **Forward-Looking Statements**

Statements included in this report and in future filings by TrustCo with the SEC, in TrustCo’s press releases, and in oral statements made with the approval of an authorized executive officer, which are not historical or current facts, are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. Forward-looking statements can be identified by the use of such words as may, will, should, could, would, estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. TrustCo wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.



TrustCo's 2021 Annual Report to Shareholders, which is included as Exhibit 13 hereto, contains a list of certain important factors, in addition to the factors described under Item 1A, Risk Factors, that in some cases have affected and in the future could affect TrustCo's actual results, and could cause TrustCo's actual financial performance to differ materially from that expressed in any forward-looking statement. The list should not be construed as exhaustive, and TrustCo disclaims any obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events.

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

## **Item 1A. Risk Factors**

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

### **Risks Related to the COVID-19 Pandemic**

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

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

While the spread of COVID-19 has minimally affected our operations as of December 31, 2021, we may experience temporary closures of offices and/or suspension of certain services. Although we maintain contingency plans for a pandemic, the spread of COVID-19 could negatively affect key employees, including operational management personnel and those charged with preparing, monitoring, and evaluating our financial reporting and internal controls. Such a spread or outbreak could also negatively impact the business and operations of third-party service providers who perform critical services for us. If COVID-19, or another highly infectious or contagious disease, spreads or the response to contain COVID-19 is unsuccessful, we could experience a material adverse effect to our business, financial condition, and results of operations.

Additionally, the COVID-19 pandemic has significantly affected the financial markets and has resulted in a number of Federal Reserve actions. Market interest rates have declined significantly. Yields on the 30-year Treasury notes and 10-year Treasury notes, which significantly influence home mortgage interest rates, are at historic lows. On March 3, 2020, the Federal Reserve reduced the target federal funds rate by 50 basis points to 1.00% to 1.25%, and on March 15, 2020, it further reduced the target federal funds rate by 100 basis points to 0.00% to 0.25% and announced a quantitative easing program in response to the expected economic downturn caused by the COVID-19 pandemic. Effective July 29, 2021, the Federal Reserve amended Regulation D to eliminate references to an interest on required reserves and to an interest on excess reserves rate and replaced them with a single interest on reserve balances rate. The current rate on reserve balances is 0.15%.

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

### **Risks Related to Our Business**

#### **Certain interest rate movements may hurt earnings and asset values.**

Like other financial institutions, we are subject to interest rate risk. Our primary source of income is net interest income, which is the difference between interest earned on loans and investments, and interest paid on deposits and borrowings. Over any specific period of time, our interest-earning assets may be more sensitive to changes in market interest rates than our interest-bearing liabilities, or vice-versa. In addition, the individual market interest rates underlying our loan and deposit products may not change to the same degree over a given time period. In any event, if market interest rates should move contrary to our position, earnings may be negatively affected. Interest rates have in recent years hit historical low levels. Beginning in June 2019, the Federal Reserve began lowering the target rate in response to a slowing economy and in March 2020 quickly lowered the target rate back to 0.00% - 0.25% in response to the COVID-19 pandemic and the objective of injecting liquidity into the banking system and stimulating the credit markets. Lower rates have helped lead to a lower cost of funds, but have also lowered the yields we earn on loans, securities, and short-term investments. More recently, it is generally believed that the Federal Reserve will begin to increase the federal funds rate in the first part of 2022. To the extent that the Federal Reserve or general market conditions for deposits change rates further, our cost of funds may rise faster than the rates we earn on loans and investments, potentially causing a compression of our interest rate spread and net interest margin, which would have a negative effect on Trustco Bank's profitability.

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

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

#### **Changes in and uncertainty related to benchmark interest rates used to price loans, including the anticipated elimination of LIBOR and the adoption of a substitute may adversely affect us.**

In 2017, The United Kingdom's Financial Conduct Authority, which regulates the London Interbank Offered Rate ("LIBOR"), announced that it would no longer persuade or compel banks to submit the rates required to calculate LIBOR after 2021. The federal bank regulatory agencies issued a statement encouraging U.S. banks to transition away from the U.S. Dollar LIBOR as soon as practicable and in any event by December 31, 2021 for new contracts. LIBOR is currently anticipated to be fully phased out by June 30, 2023.

In December 2021, the CFPB finalized a rule facilitating the transition away from the LIBOR interest rate index for consumer financial products. The rule established requirements for how creditors must select replacement indices for existing LIBOR-linked consumer loans after April 1, 2022, and after December 31, 2021, new financial contracts may not reference LIBOR as the relevant index. Starting in June 2023, LIBOR can no longer be used for existing financial contracts.

Uncertainty as to the nature of such potential change, alternative reference rates, the elimination or replacement of LIBOR, or other reforms may adversely affect the value of, and the return on loans and investment securities. Trustco currently has no loans or investments tied to LIBOR.

**We are exposed to credit risk in our lending activities.**

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

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

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

Additionally, TrustCo adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“CECL”) effective January 1, 2022. This standard requires financial institutions to determine periodic estimates of lifetime expected credit losses on financial instruments and other commitments to extend credit. This changes our historical method of providing allowances for credit losses that are probable, which may require us to increase our allowance for loan losses, and may greatly increase the types of data we would need to collect and review to determine the appropriate level of the allowance for credit losses.

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

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

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

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

**Risks Related to Market Conditions**

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

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

Additionally, we have a concentration of loans secured in New York and Florida. Approximately 70.6% of our loan portfolio is comprised of loans secured by property located in our markets in and around New York, and approximately 29.4% is comprised of loans secured by property located in Florida. This makes us vulnerable to a downturn in the local economy and real estate markets. Adverse conditions in the local economy such as inflation, unemployment, recession, natural disasters, or other factors beyond our control could impact the ability of our borrowers to repay their loans. Decreases in local real estate values could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. Currently, there is not a single employer or industry in the area on which the majority of our customers are dependent.

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

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

**The soundness of other financial institutions could adversely affect us.**

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

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

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

### **Risks Related to Compliance and Regulation**

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

As discussed under "Regulation and Supervision - Regulatory Capital Requirements and Prompt Corrective Action," the Company and the Bank are subject to regulatory capital requirements. The capital rules impose stringent capital requirements on the Company and the Bank and generally require banking organizations to hold high-quality capital to act as a financial cushion to absorb losses and help banking organizations better withstand periods of financial stress.

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

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

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

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

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

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

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

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

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

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

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

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

For an entity to qualify as a REIT, it must meet certain organizational tests and it must satisfy the following six asset tests under the Internal Revenue Code each quarter: (1) at least 75% of the value of the REIT's total assets must consist of real estate assets, cash and cash items, and government securities; (2) not more than 25% of the value of the REIT's total assets may consist of securities, other than those includible under the 75% test; (3) not more than 5% of the value of its total assets may consist of securities of any one issuer, other than those securities includible under the 75% test or securities of a taxable REIT subsidiary; (4) not more than 10% of the outstanding voting power of any one issuer may be held, other than those securities includible under the 75% test or securities of a taxable REIT subsidiary; (5) not more than 10% of the total value of the outstanding securities of any one issuer may be held, other than those securities includible under the 75% test or securities of a taxable REIT subsidiary; and (6) a REIT cannot own securities in one or more taxable REIT subsidiaries which comprise more than 25% of the value of its total assets. At December 31, 2021, Trustco Realty met all six quarterly asset tests.

Also, a REIT must satisfy the following two gross income tests each year: (1) at least 75% of its gross income must be from qualifying income closely connected with real estate activities; and (2) 95% of its gross income must be derived from sources qualifying for the 75% test and dividends, interest, and gains from the sale of securities. In addition, a REIT must distribute at least 90% of its taxable income for the taxable year, excluding any net capital gains, to maintain its non-taxable status for federal income tax purposes. For 2021, Trustco Realty had met the two annual income tests and the distribution test.

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

**Changes in accounting standards could impact reported earnings.**

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

**Risks Related to Competition**

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

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

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

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

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

**Risks Related to Cybersecurity, Third Parties, and Technology**

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

We face the risk of operational disruption, failure, or capacity constraints due to our dependency on third-party vendors for components of our business infrastructure. While we have selected these third-party vendors through our vendor management process, we do not control their operations. As such, any failure on the part of these business partners to perform their various responsibilities could also adversely affect our business and operations.

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

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

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



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

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

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

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

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

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

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

#### **Other Risks**

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

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

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

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

**We are dependent upon the services of our management team.**

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

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

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

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

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

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

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

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

**We are exposed to climate risk.**

Climate change may be associated with rising sea levels as well as extreme weather conditions such as more intense hurricanes, thunderstorms, tornadoes, drought and snow or ice storms. Extreme weather conditions may increase our costs or cause damage to our facilities, and any damage resulting from extreme weather may not be fully insured. Many of our facilities are located near coastal areas or waterways where rising sea levels or flooding could disrupt our operations or adversely impact our facilities. Furthermore, periods of extended inclement weather or associated flooding may inhibit construction activity adversely affecting the use of some of our lending products. Any such events could have a material adverse effect on our costs or results of operations. These same issues also could impact the value of mortgage collateral and the security for residential and commercial loans.

As a mortgage lender, Trustco Bank has identified credit, market, liquidity, and operational factors as climate-related risks. Adverse climate factors could impact the ability of loan customers to timely repay their loans. Adverse climate impacts also could adversely impact the stock and bond markets which could adversely affect TrustCo's non-interest income earning potential. Severe physical impacts from climate change, such as rising sea levels, could reduce the value of residential and/or commercial portfolio. These two factors, given sufficiently severe impacts, could affect liquidity.

Additionally, severe weather and other climate events could impact hiring and retention of employees, facilities management, retail services, and technology infrastructure, thus creating operational risk.

**Item 1B                      Unresolved Staff Comments**

None.

**Item 2.                      Properties**

TrustCo's executive offices are located at 5 Sarnowski Drive, Glenville, New York, 12302, in a facility owned by the Company. The Company operates 147 banking offices, of which 25 are owned and 122 are leased from others on market terms.

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

**Item 3.                      Legal Proceedings**

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

**Item 4.                      Mine Safety Disclosure**

Not applicable.

### Information about our Executive Officers

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

Name, Age and Position With Trustco	Principal Occupations Or Employment Since January 1, 2008	Year First Became Executive of TrustCo
<b>Robert J. McCormick,</b> Age 58, Chairman, President and Chief Executive Officer	Chairman, President and Chief Executive Officer of TrustCo from January 2009 to December 2010, President and Chief Executive Officer of TrustCo since January 2004, Executive Officer of TrustCo since 2001 and President and Chief Executive Officer of Trustco Bank since November 2002. Chairman of TrustCo and Trustco Bank from November 2008 to December 2010. Director of TrustCo and Trustco Bank since 2005. Joined Trustco Bank in 1995.	2001
<b>Scot R. Salvador,</b> Age 55, Executive Vice President Commercial Banking	Executive Vice President of TrustCo and Trustco Bank since January 2004. Executive Officer of TrustCo and Trustco Bank since 2004. Joined Trustco Bank in 1995.	2004
<b>Robert M. Leonard,</b> Age 59, Executive Vice President Corporate Services and Risk	Executive Vice President of TrustCo and Trustco Bank from 2013 to present. Senior Vice President of TrustCo and Trustco Bank from 2010 to 2013. Secretary of TrustCo and Trustco Bank from 2003 to 2006 and 2009 to 2016. Assistant Secretary of TrustCo and Trustco Bank from 2006 to 2009. Executive Officer of TrustCo and Trustco Bank from 2003 to present. Joined Trustco Bank in 1986.	2003
<b>Michael M. Ozimek</b> Age 47, Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer, TrustCo and Trustco Bank from 2018 to present. Senior Vice President and Chief Financial Officer of TrustCo and Trustco Bank from 2014 to 2018. Executive Officer of TrustCo and Trustco Bank from 2014 to present. Joined TrustCo and Trustco Bank in 2002.	2014
<b>Eric W. Schreck</b> Age 55, Executive Vice President and Treasurer	Executive Vice President and Florida Regional President of Trustco Bank from 2021 to present. Senior Vice President and Florida Regional President of Trustco Bank from 2009 to 2020. Treasurer of TrustCo from 2010 to present. Executive Officer of TrustCo and Trustco Bank from 2010 to present. Joined Trustco Bank in 1989.	2010
<b>Michael Hall</b> Age 56, General Counsel and Corporate Secretary	General Counsel and Corporate Secretary of TrustCo and Trustco Bank from 2018 to present. Vice President and Counsel of TrustCo and Trustco Bank from 2015 to 2018. Assistant Secretary of TrustCo and Trustco Bank for 2016. Executive Officer and Secretary of TrustCo and Trustco Bank from 2017 to present. Attorney with McNamee, Lochner, Titus & William, P.C. from 1992 to 2015. Joined TrustCo and Trustco Bank in 2015.	2016
<b>Kevin M. Curley</b> Age 56, Executive Vice President Retail Banking	Executive Vice President Retail Banking of TrustCo and Trustco Bank from December 2018 to present. Joined Trustco Bank in 1990.	2018

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

TrustCo's common stock is traded on The NASDAQ Stock Market, LLC under the symbol "TRST." TrustCo had approximately 7,727 shareholders of record as of February 22, 2022, and the closing price of TrustCo's common stock on that date was \$34.15.

The following details the purchase of shares of TrustCo's common stock made by or on behalf of TrustCo in the fourth quarter of the year ended December 31, 2021.

**Issuer Purchases of Equity Securities**

<b>Period</b>	<b>(a) Total Number of Shares Purchased</b>	<b>(b) Average Price Paid Per Share</b>	<b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)</b>
October 1 to October 31, 2021	-	\$ -	-	-
November 1 to November 30, 2021	-	\$ -	-	-
December 1 to December 31, 2021	-	\$ -	-	-
<b>Total</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>330,000</b>

(1) On February 18, 2021 the Company's Board of Directors authorized a share repurchase program of up to 400,000 shares as adjusted for the Reverse Stock Split, or approximately 2% of the Company's outstanding common stock. The Company commenced repurchases under the program during the quarter ended June 30, 2021.

## Share Price Information

The TrustCo Annual Report to Shareholders for the year ended December 31, 2021, which is filed as Exhibit 13 hereto, contains a graph comparing the yearly percentage change in the Company's cumulative total shareholder return on its common stock with the cumulative return of the Russell 2000 and S&P U.S. BMI Banks Index. Such graph is incorporated herein by reference.

### Item 6. [Removed and reserved]

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

The information required by this Item 7 is contained in TrustCo's Annual Report to Shareholders for the year ended December 31, 2021, which is filed as Exhibit 13 hereto and incorporated herein by reference.

### Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information required by this Item 7A is contained in TrustCo's Annual Report to Shareholders for the year ended December 31, 2021, which is filed as Exhibit 13 hereto and incorporated herein by reference.

### Item 8. Financial Statements and Supplementary Data

The consolidated financial statements, together with the report thereon of Crowe LLP, and the required supplementary financial data are included in TrustCo's Annual Report to Shareholders for the year ended December 31, 2021, which is filed as Exhibit 13 hereto and incorporated herein by reference.

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

None.

### Item 9A. Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures are procedures that are designed with the objective of ensuring that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, such as this Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to satisfy the objectives for which they are designed.

*Management's Report on Internal Control over Financial Reporting*, together with the report thereon of Crowe LLP is included in TrustCo's Annual Report to Shareholders for the year ended December 31, 2021, which is filed as Exhibit 13 hereto, are incorporated herein by reference.

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the Company's quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### Item 9B. Other Information

None.

**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

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

**Item 11. Executive Compensation**

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

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

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

The following table provides information, as of December 31, 2021, regarding securities authorized for issuance under TrustCo’s equity compensation plans.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	90,311	\$ 34.38	147,176
Equity compensation plan not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>90,311</b>	<b>\$ 34.38</b>	<b>147,176</b>

**Item 13. Certain Relationships, Related Transactions and Director Independence**

The information required by this Item 13 is incorporated herein by reference to the Company's Proxy Statement (Schedule 14A) for its 2022 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the Company's fiscal year-end.

**Item 14. Principal Accountant Fees and Services**

The information required by this Item 14 is incorporated herein by reference to the Company's Proxy Statement (Schedule 14A) for its 2022 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the Company's fiscal year-end.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

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

**Consolidated Statements of Condition** -- December 31, 2021 and 2020.

**Consolidated Statements of Income** -- Years Ended December 31, 2021, 2020 and 2019.

**Consolidated Statements of Comprehensive Income** -- Years Ended December 31, 2021, 2020 and 2019.

**Consolidated Statements of Changes in Shareholders' Equity** -- Years Ended December 31, 2021, 2020 and 2019.

**Consolidated Statements of Cash Flows** -- Years Ended December 31, 2021, 2020 and 2019.

**Notes to Consolidated Financial Statements.**

**Financial Statement Schedules**

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

**Supplementary Financial Information**

Summary of Unaudited Quarterly Financial Information for the years ended December 31, 2021 and 2020.



**Exhibits**

<u>Exhibit No.</u>	<u>Description</u>
<a href="#"><u>3(i)</u></a>	Amended and Restated Certificate of Incorporation of TrustCo Bank Corp NY, as amended incorporated by reference to Exhibit 3.1 to TrustCo Bank Corp NY's Quarterly Report on Form 10-Q, filed August 5, 2021.
<a href="#"><u>3(ii)</u></a>	Amended and Restated Bylaws of TrustCo Bank Corp NY, dated May 23, 2019, incorporated by reference to Exhibit 3.2 to TrustCo Bank Corp NY's Quarterly Report on Form 10-Q, filed August 8, 2019.
<a href="#"><u>4(a)**</u></a>	Description of Capital Stock.
<a href="#"><u>10(a)*</u></a>	Amended and Restated Trust For Deferred Benefits Provided under Employment Agreements of Trustco Bank, National Association and TrustCo Bank Corp NY, dated September 18, 2001 incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Annual Report on Form 10-K, for the year ended December 31, 2001.
<a href="#"><u>10(b)*</u></a>	Amended and Restated Trust Under Non-Qualified Deferred Compensation Plans of Trustco Bank, National Association and TrustCo Bank Corp NY, dated September 18, 2001, incorporated by reference to, Exhibit 10(c) to TrustCo Bank Corp NY's Annual Report on Form 10-K, for the year ended December 31, 2001.
<a href="#"><u>10(c)*</u></a>	Amended and Restated Trustco Bank and TrustCo Bank Corp NY Supplemental Retirement Plan, effective as of January 1, 2008, incorporated by reference to Exhibit 99.6 to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 22, 2008.
<a href="#"><u>10(d)*</u></a>	Second Amended and Restated TrustCo Bank Corp NY Performance Bonus Plan, effective as of January 1, 2008, incorporated by reference to Exhibit 99.5 to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 22, 2008.
<a href="#"><u>10(e)*</u></a>	Amendment No. 1 to Second Amended and Restated TrustCo Bank Corp NY Performance Bonus Plan, effective January 1, 2010, incorporated by reference to Exhibit 99(e) to TrustCo Bank Corp NY's Current Report on Form 8-K filed January 19, 2010.
<a href="#"><u>10(f)*</u></a>	Form of 2008 Amended and Restated Employment Agreement between Trustco Bank, TrustCo Bank Corp NY and Robert J. McCormick, Robert T. Cushing and Scot R. Salvador, effective as of January 1, 2008, incorporated by reference to Exhibit 99.8 to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 22, 2008.
<a href="#"><u>10(g)*</u></a>	Second Amended and Restated TrustCo Bank Corp NY Directors Performance Bonus Plan, effective as of January 1, 2008, incorporated by reference to Exhibit 99.4 to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 22, 2008.
<a href="#"><u>10(h)*</u></a>	Amendment No. 1, Second Amended and Restated TrustCo Bank Corp NY Directors Performance Bonus Plan, effective January 1, 2010, incorporated by reference to Exhibit 99(f) to TrustCo Bank Corp NY's Current Report on Form 8-K filed January 19, 2010.
<a href="#"><u>10(i)*</u></a>	Service Bureau Processing Agreement by and between Fidelity Information Services, Inc. and TrustCo Bank Corp NY dated March 3, 2004 incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Quarterly Report on Form 10-Q, for the quarter ended March 31, 2004.
<a href="#"><u>10(j)*</u></a>	Agreement between Fiserv Solutions, Inc. and Trustco Bank, National Association, dated November 14, 2001 incorporated by reference to Exhibit 10(o) to TrustCo Bank Corp NY's Annual Report on Form 10-K, for the year ended December 31, 2001.
<a href="#"><u>10(k)*</u></a>	Restatement of Trustco Bank Senior Incentive Plan, effective as of January 1, 2008, incorporated by reference to Exhibit 99.9 to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 22, 2008.
<a href="#"><u>10(l)*</u></a>	Form of Amendments to 2008 Amended and Restated Employment Agreement between Trustco Bank, TrustCo Bank Corp NY and each of Robert J. McCormick, Robert T. Cushing and Scot R. Salvador, incorporated by reference to Exhibit 99.1 to TrustCo Bank Corp NY's Current Report on Form 8-K filed March 17, 2009.

<a href="#">10(m)*</a>	First Amendment to Restatement of Trustco Bank Senior Incentive Plan, incorporated by reference to Exhibit 99.2 to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 18, 2009.
<a href="#">10(n)*</a>	Amended and Restated TrustCo Bank Corp NY 2010 Equity Incentive Plan dated as of March 21, 2017, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed March 24, 2017.
<a href="#">10(o)*</a>	Amended and Restated 2010 Directors Equity Incentive Plan dated March 17, 2015, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K filed March 23, 2015.
<a href="#">10(p)*</a>	Form of Incentive Stock Option Award Agreement under the TrustCo Bank Corp NY Amended and Restated 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 20, 2015.
<a href="#">10(q)*</a>	Employment Agreement among Trustco Bank, TrustCo Bank Corp NY And Robert M. Leonard, effective November 19, 2013, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 25, 2013.
<a href="#">10(r)*</a>	Performance-Based Stock Appreciation Unit Agreement dated as of January 21, 2014, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed January 24, 2014.
<a href="#">10(s)*</a>	Trustco Bank Executive Officer Incentive Plan (Amended and Restated as of February 16, 2016), incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Form 8-K filed February 17, 2016.
<a href="#">10(t)*</a>	Consulting Agreement between TrustCo Bank Corp NY and Robert T. Cushing effective December 22, 2017, incorporated by reference to Exhibit 10.1 to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 22, 2017.
<a href="#">10(u)*</a>	Form of 2018 Performance Share Award Agreement under the TrustCo Bank Corp NY Amended and Restated 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 23, 2018.
<a href="#">10(v)*</a>	Form of Employment Agreement between TrustCo Bank Corp NY and each of Kevin M. Curley and Michael M. Ozimek, effective December 18, 2018, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 18, 2018.
<a href="#">10(w)*</a>	Form of 2019 Performance Share Award Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 20, 2019.
<a href="#">10(x)*</a>	Form of 2019 Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 20, 2019.
<a href="#">10(y)*</a>	Form of 2019 Directors Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(c) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 20, 2019.

[Index](#)

<a href="#">10(z)*</a>	Form of 2020 Performance Share Award Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 18, 2020.
<a href="#">10(aa)*</a>	Form of 2020 Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 18, 2020.
<a href="#">10(bb)*</a>	Form of 2020 Directors Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(c) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 18, 2020.
<a href="#">10(cc)*</a>	Form of 2021 Performance Share Award Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 17, 2021.
<a href="#">10(dd)*</a>	Form of 2021 Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 17, 2021.
<a href="#">10(ee)*</a>	Form of 2021 Directors Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(c) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 17, 2021.
<a href="#">13**</a>	Portions of Annual Report to Security Holders of TrustCo for the year ended December 31, 2021.
<a href="#">21**</a>	List of Subsidiaries of TrustCo.
<a href="#">23**</a>	Consent of Independent Registered Public Accounting Firm.
<a href="#">24**</a>	Power of Attorney.
<a href="#">31(i)(a)**</a>	Rule 13a-14(a)/15d-14(a) Certification of Robert J. McCormick, principal executive officer.
<a href="#">31(i)(b)**</a>	Rule 13a-14(a)/15d-14(a) Certification of Michael M. Ozimek, principal financial officer.
<a href="#">32**</a>	Section 1350 Certifications of Robert J. McCormick, principal executive officer and Michael M. Ozimek, principal financial officer.
101.INS	XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and Contained in Exhibit 101)

[Index](#)

\* Management contract or compensatory plan or arrangement.

\*\* Filed herewith.

**Item 16.** **Form 10-K Summary**

Not applicable.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**TrustCo Bank Corp NY**

Date: February 25, 2022

By: /s/ Michael M. Ozimek

Michael M. Ozimek

Executive Vice President and Chief Financial Officer

**Signatures**

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

Name and Signature	Title	Date
<u>/s/ Robert J. McCormick</u> Robert J. McCormick	Chairman, President and Chief Executive Officer (principal executive officer)	<u>February 25, 2022</u>
<u>/s/ Michael M. Ozimek</u> Michael M. Ozimek	Executive Vice President and Chief Financial Officer (principal financial and accounting officer)	<u>February 25, 2022</u>
<u>*</u> Dennis A. DeGennaro	Lead Independent Director	<u>February 25, 2022</u>
<u>*</u> Brian C. Flynn	Director	<u>February 25, 2022</u>
<u>*</u> Thomas O. Maggs	Director	<u>February 25, 2022</u>
<u>*</u> Dr. Anthony J. Marinello	Director	<u>February 25, 2022</u>
<u>*</u> Kimberly A. Russell	Director	<u>February 25, 2022</u>
<u>*</u> Lisa M. Lucarelli	Director	<u>February 25, 2022</u>
<u>*</u> Frank B. Silverman	Director	<u>February 25, 2022</u>
<u>*</u> Curtis N. Powell	Director	<u>February 25, 2022</u>

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

DESCRIPTION OF CAPITAL STOCK

**General**

TrustCo Bank Corp NY (“TrustCo”) is currently authorized to issue 30,000,000 shares of common stock, par value \$1.00 per share, and 500,000 shares of preferred stock, par value \$10.00 per share.

**Common Stock**

*Voting Rights.* Holders of TrustCo common stock possess exclusive voting rights in TrustCo, except to the extent that shares of preferred stock issued in the future may have voting rights. Each holder of shares of TrustCo common stock is entitled to one vote for each share held of record on all matters submitted to a vote of TrustCo shareholders.

*Dividend Rights.* Holders of TrustCo common stock are entitled to receive dividends when, as and if declared by the TrustCo board of directors out of funds legally available therefor, subject to any preferential dividend rights that may attach to preferred stock that TrustCo may issue in the future. Under the New York Business Corporation Law (the “NYBCL”), TrustCo may pay dividends on its common stock unless it is or would thereby be made insolvent. Moreover, TrustCo may pay dividends out of surplus only such that its net assets remaining after the dividend payment is at least equal to the amount of TrustCo’s stated capital. If TrustCo pays any dividend, in whole or in part, from sources other than earned surplus, it must notify stockholders of that fact. The ability of TrustCo’s subsidiary Trustco Bank to pay cash dividends, which is expected to be TrustCo’s principal source of income, is restricted by applicable banking laws, including the regulations and policies of the Office of the Comptroller of the Currency, which is Trustco Bank’s primary regulator, and the Board of Governors of the Federal Reserve System, which is TrustCo’s primary regulator. Such dividends have previously been TrustCo’s principal source of income.

*Liquidation Rights.* In the event TrustCo is liquidated or dissolved, each holder of TrustCo common stock would be entitled to receive, after payment of all TrustCo’s debts and liabilities, a pro rata portion of all of TrustCo’s assets available for distribution to holders of its common stock. If TrustCo has issued any preferred stock, the holders thereof may have a priority in liquidation or dissolution over the holders of the common stock.

*Other Characteristics.* Holders of TrustCo common stock do not have preemptive rights with respect to any additional shares of common stock that TrustCo may issue in the future. There are no redemption or sinking fund provisions applicable to the shares of TrustCo common stock. The transfer agent for shares of TrustCo common stock is Computershare Trust Company, National Association.

**Preferred Stock**

TrustCo’s certificate of incorporation authorizes the issuance of up to 500,000 shares of preferred stock, par value \$10.00 per share. TrustCo’s board of directors may authorize the issuance of one or more series of preferred stock and may establish and designate series and the number of shares and the relative rights, preferences and limitations of the respective series of the preferred stock. Any voting powers of TrustCo preferred stock may be full or limited but may not exceed one vote per share.

The terms of particular series of preferred stock may differ, among other things, in:

- designation,
  - number of shares that constitute the series,
  - dividends (which may be cumulative or noncumulative), the dividend rate or the method of calculating the dividend rate,
-

- dividend periods or the method of calculating the dividend periods,
- amount of liquidation preference per share, if any,
- price at which the preferred stock will be issued,
- conversion provisions, if any,
- convertibility into other series of preferred stock or common stock and
- any other specific terms of the preferred stock being offered.

Each series of preferred stock will rank, with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up:

- junior to any series of TrustCo capital stock expressly stated to be senior to that series of preferred stock, and
- senior to TrustCo common stock and any class of TrustCo capital stock expressly stated to be junior to that series of preferred stock.

#### **Anti-Takeover Statutes and Provisions**

In general, the NYBCL prohibits any business combination (including, for example, mergers, consolidations and acquisitions of substantially all of the assets) between a New York corporation and an “interested stockholder” (defined as any owner of 20% or more of the voting stock of such corporation) unless the corporation’s board of directors has approved the business combination or the stock acquisition by which the related party’s interest reached 20% prior to the date of such stock acquisition. This restriction applies for five years after the date of such stock acquisition. Thereafter, the corporation may enter into a business combination with the related party:

- if the combination is approved by a majority of the corporation’s voting stock beneficially owned by stockholders other than the related party; or
- if such disinterested stockholders receive a price for their shares equal to or greater than a price determined in accordance with a statutory formula intended to assure that stockholders receive an equitable price in the business combination

As a New York corporation, TrustCo, and any potential acquiror of us, would be subject to this provision.

In addition, TrustCo certificate of incorporation and bylaws contain several provisions that may be deemed to be “anti-takeover” in nature. TrustCo certificate of incorporation includes a so-called “fair consideration” provision, which provides that a “business combination” (including a merger, consolidation or acquisition of substantially all of the assets) involving TrustCo or any of its subsidiaries, with any person or entity beneficially owning directly or indirectly more than 5% of TrustCo outstanding voting stock may not be consummated without the affirmative vote of at least two-thirds of TrustCo voting stock, even if the normal statutory requirements are otherwise met, unless:

- the transaction is approved by at least two-thirds of the members of the TrustCo Board who are not affiliated with the 5% stockholder; or
  - the transaction meets certain minimum price requirements (in either of which cases only the normal stockholder and director approval requirements of the NYBCL would govern the transaction).
-

TrustCo's certificate of incorporation requires an affirmative vote of at least two-thirds of TrustCo voting stock to change, modify or repeal any provision of TrustCo certificate of incorporation or bylaws.

#### **Certain Effects of Authorized But Unissued Stock**

Subject to the requirements of the NASDAQ Stock Market or other applicable rules, TrustCo may issue shares of common stock and preferred stock in future issuances without stockholder approval. TrustCo may utilize these additional shares for a variety of corporate purposes, including future public offerings to raise additional capital, facilitating corporate acquisitions or paying a dividend on TrustCo capital stock.

The existence of unissued and unreserved common stock and preferred stock may enable TrustCo board of directors to issue shares to persons friendly to current management or to issue preferred stock with terms that could render more difficult or discourage a third party attempt to obtain control of TrustCo company by means of a merger, tender offer, proxy contest or otherwise, thereby protecting the continuity of TrustCo management.

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TrustCo Bank Corp NY (the “Company,” or “TrustCo”) is a savings and loan holding company headquartered in Glenville, New York. The Company is the largest financial services company headquartered in the Capital Region of New York State, and its principal subsidiary, Trustco Bank (the “Bank” or “Trustco”), operates 144 community banking offices and 160 Automatic Teller Machines throughout the Bank’s market areas. The Company serves 5 states and 34 counties with a broad range of community banking services.

### Financial Highlights

(dollars in thousands, except per share data)

	Years ended December 31,		
	2021	2020	Percent Change
Income:			
Net interest income	\$ 160,408	\$ 153,580	4.45
Net Income	61,519	52,452	17.29
Per Share: (1)			
Basic earnings	3.194	2.718	17.51
Diluted earnings	3.194	2.717	17.56
Book value at period end	31.28	29.46	6.18
Average Balances:			
Assets	6,075,481	5,553,636	9.40
Loans, net	4,336,834	4,163,399	4.17
Deposits	5,188,347	4,742,452	9.40
Shareholders’ equity	579,923	553,632	4.75
Financial Ratios:			
Return on average assets	1.01 %	0.94 %	7.45
Return on average equity	10.61	9.47	12.04
Consolidated tier 1 capital to:			
Total assets (leverage)	9.61	9.65	(0.41)
Risk-adjusted assets	19.54	19.19	1.82
Common equity tier 1 capital ratio	19.54	19.19	1.82
Total capital to risk-adjusted assets	20.79	20.44	1.71
Net loan (recoveries) charged off to average loans	0.0001	0.0001	-
Allowance for loan losses to nonperforming loans	2.36 x	2.35 x	0.43
Efficiency ratio*	56.90 %	56.38 %	0.92
Dividend Payout ratio	42.95	50.12	(14.31)

### Per Share information of common stock

	Basic Earnings	Diluted Earnings	Cash Dividend	Book Value	Range of Stock Price	
					High	Low
2021						
First quarter (1)	\$ 0.730	\$ 0.730	\$ 0.3406	\$ 29.60	\$ 39.08	\$ 31.10
Second quarter	0.749	0.748	0.3406	30.00	39.13	34.10
Third quarter	0.871	0.871	0.3406	30.53	34.52	29.95
Fourth quarter	0.845	0.845	0.3500	31.28	34.80	32.00
2020 (1)						
First quarter	\$ 0.688	\$ 0.687	\$ 0.3406	\$ 28.40	\$ 43.83	\$ 22.60
Second quarter	0.584	0.584	0.3406	28.67	36.13	24.60
Third quarter	0.730	0.730	0.3406	29.03	31.35	25.35
Fourth quarter	0.716	0.716	0.3406	29.46	33.45	26.50

(1) All periods presented have been adjusted for the 1 for 5 reverse stock split which occurred on May 28, 2021.

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

<a href="#">Financial Highlights</a>	1
<a href="#">President’s Message</a>	3
<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	4-32
<a href="#">Glossary of Terms</a>	33-35
<a href="#">Management’s Report on Internal Control Over Financial Reporting</a>	36
<a href="#">Report of Independent Registered Public Accounting Firm (PCAOB ID 173)</a>	37-39
<a href="#">Consolidated Financial Statements and Notes</a>	40-91
<a href="#">Branch Locations</a>	92-97
<a href="#">Officers and Board of Directors</a>	98-99
<a href="#">General Information</a>	100-101
<a href="#">Share Price Information</a>	102

**TrustCo Bank Corp NY Mission**

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

**President's Message**

Dear Fellow Shareholder,

In a time when the sustainability of business enterprises, and the investments of shareholders in them, is of paramount importance, we can all be proud to say that we are the owners of Trustco Bank. We can be proud of Trustco Bank because it has a 120-year long tradition of profitability that supports dependable shareholder return in the form of dividends. We can be proud of Trustco Bank because it is made up of a team of people who reflect the rich diversity of the communities that we serve. We can be proud of Trustco because it is the Hometown Bank that helps make dreams come true for first-time homebuyers, growing families, increasingly-mobile individuals, retirees, and innovative small business entrepreneurs.

In 2021, TrustCo had record earnings, successfully implemented a reverse stock split, continued a stock buy-back program, increased the amount of its dividend, and strategically positioned the company with capital sufficient to take advantage of the opportunities that we believe the near-term future has in store for us. All of this was made possible through the skill and commitment to excellence of our team members and the fortitude of those who support us.

As our Florida operation has matured, so has the extent to which we are a part of the fabric of the places where we have the privilege of providing banking, investment, and mortgage services. Not content with over \$1 billion each in loans and deposits in the Sunshine State, our Florida operation unveiled a new full-service branch in Palm Coast on the eastern shore and deployed a new loan production office in Naples on the west coast. The Naples expansion is the first move in a strategic initiative for the company through which we intend to expand into new areas on the edges of our footprint by leading with our industry-best residential mortgage product. We could not be more proud of our family of customers and team members in the great state of Florida.

We are also very proud of our deep roots in the Northeast. As we mark the 120<sup>th</sup> anniversary of Trustco Bank, we celebrate our continued commitment to the communities where it all began for us. We are deeply grateful that we have branch locations in operation today that have been open continuously since our first days. It is upon this foundation that we stand as we roll out today's state-of-the-art technology and look ahead toward the technology of the future.

Capitalists rightly advise that to be meaningful, success must be sustainable. Our corporate commitment to running a bank that is the low-cost provider of high-quality banking products and services has sustained us for 120 years. It is our passion for empowering our team members to help make dreams come true for the people of the communities that we serve that will sustain us for years to come. Detailed information about the composition of our team and our many efforts in environmental, social, and governance matters can be found on our corporate sustainability page at [www.trustcobank.com/sustainability](http://www.trustcobank.com/sustainability) and in the human capital management section in our 10-K filing.

None of what has been accomplished would have been possible without the support of you, our shareholders. All of us at TrustCo are truly thankful for the faith that you have placed in us. As we look ahead, we are excited for the opportunities that await us.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'R. McCormick', written in a cursive style.

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



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

The financial review which follows will focus on the factors affecting the financial condition and results of operations of TrustCo during 2021 and, in summary form, the two preceding years. Unless otherwise indicated, net interest income and net interest margin are presented in this discussion on a non-GAAP, taxable equivalent basis. Balances discussed are daily averages unless otherwise described. The consolidated financial statements and related notes and the quarterly reports to shareholders for 2021 should be read in conjunction with this review. Reclassifications of prior year data are made where necessary to conform to the current year's presentation.

### COVID-19 Impact

Beginning in March 2020, we experienced negative impacts to our business in the form of requests for loan deferrals of principal and interest due to the business disruption caused by the COVID-19 pandemic. The Company evaluated the impact of the effects of COVID-19 and determined that there were no material or systematic adverse impacts on the Company's balance sheets and results of operations as of and for the years ended December 31, 2021 and 2020, except for adjustments in the provision for loan losses. At this time, it is difficult to quantify the impact COVID-19 will have on future periods due to various uncertainties, including the duration, severity, spread, variants and resurgences of COVID-19.

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

#### *Loan modifications*

We have always been committed to working with our customers or borrowers to allow time to work through the challenges of the pandemic. At this time, it is uncertain what future impact, if any, further loan modifications related to COVID-19 difficulties will have on our financial condition, results of operations and provision for loan losses. We began receiving requests from our borrowers for loan deferrals in March 2020 and agreed with many borrowers to modify their loans. Modifications included the deferral of principal and/or interest payments for terms generally up to 90 days. Requests were evaluated individually and approved modifications were based on the unique circumstances of each borrower. Loan modifications and payment deferrals as a result of the COVID-19 pandemic that meet the criteria established under Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") or under applicable interagency guidance of the federal banking regulators have been and will be excluded from evaluation of troubled debt restructuring ("TDR") classification and will continue to be reported as current during the payment deferral period. Although there are no loan deferrals outstanding as of December 31, 2021, the Company's policy is to continue to accrue interest during the deferral period if additional deferrals arise. Loans not meeting the CARES Act or regulatory guidance will be evaluated for TDR and non-accrual treatment under the Company's existing policies and procedures.

#### *Paycheck Protection Program ("PPP") and Liquidity*

As part of the CARES Act, the Small Business Administration (SBA) was authorized to guarantee loans under the PPP for small businesses that meet the necessary eligibility requirements in order to keep their workers on the payroll. The Company began accepting applications on April 3, 2020 and granted 663 PPP loans totaling \$46 million during 2020, and in 2021 the Company granted an additional 344 PPP loans totaling approximately \$23 million. As of December 31, 2021 190 PPP loans totaling approximately \$10 million remain outstanding. The Company has received loan origination fees from the SBA which are being recognized over the life of the loan using the effective yield method.

#### *Asset impairment*

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

#### *Provision for loan losses*

See "Allowance for Loan Losses" for more information.

## Financial Review

TrustCo made significant progress in 2021 despite a challenging operating environment and mixed economic conditions as a result of the pandemic. Among the key results for 2021, in management's view:

- Net income after taxes was up 17.3% or \$9.1 million to \$61.5 million as compared to the prior year;
- Period-end loans were up \$194 million for 2021 compared to the prior year;
- Period-end deposits were up \$231 million for 2021 compared to the prior year;
- Nonperforming assets declined \$2.5 million or 11.6% to \$19.1 million from year-end 2020 to year-end 2021;
- At 56.90%, the efficiency ratio remained consistent with our peer-group levels (see Non-GAAP Financial Measures Reconciliation), and;
- The regulatory capital levels of both the Company and the Bank continued to remain very strong at December 31, 2021, and the Bank continues to meet the definition of "well capitalized" for regulatory purposes.

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

Return on average equity was 10.61% in 2021 compared to 9.47% in 2020, while return on average assets was 1.01% in 2021 as compared to 0.94% in 2020.

During 2021 the U.S. saw continued economic recovery highlighted by job growth and lower unemployment claims. Despite the ongoing pandemic, labor shortages, and supply-chain bottlenecks, the stock market thrived with each of the major indexes posting double-digit gains. Contributing to these gains were additional stimulus measures, more job opportunities, increased availability of coronavirus vaccines, and low interest rates. For the year ending 2021, the Dow Jones Industrial Average ended with growth of 18.7%, as compared to growth of 7.25% in 2020. The S&P 500 Index also showed growth of 26.89% for the year, compared to growth of 16.26% in 2020. United States Three Month Treasury Bills experienced a slight decline in rates ending the year at 0.06%, 146 basis points behind the ten-year Treasury yield at year-end of 1.52%. These yields compare to 2020 year-end yields of 0.09% for the three month Treasury and 0.93% for the ten-year Treasury yields. These rates are important to the banking industry because deposit rates tend to track the changes in the shorter term treasury markets and the mortgage loans products tend to track with the ten-year Treasury yields. Beginning in 2021 the yield on the two year Treasury bond was 0.13% and increased 60 basis points during the year to close 2021 at 0.73% and the ten-year Treasury bond began 2021 at 0.93% and closed the year up 59 basis points to 1.52% at year-end. These rate changes have a significant implication to the broader economic cycle and reflect the Federal Reserve Board's desire for lower shorter term rates to help economic expansion and provide for target levels of employment as a result of the pandemic. However, during 2021 the United States experienced a significant increase in inflation which could trigger the Federal Reserve to increase interest rates.

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

Generally, a steady increase in economic activities is viewed as a positive for the banking and finance industries as economic growth creates additional demand for goods and services, which in turn result in increased revenues and profits. TrustCo like most other banking organizations prices many of its liabilities (deposits and short term debt) off of the shorter end of the Treasury maturity curve. The average for the three month Treasury was 32 basis points lower in 2021 than in 2020, with the median yield of 0.05% in 2021 down 7 basis points over the median yield in 2020. These trends generally reflect a decrease in the cost for deposit products that price off of the short term treasury market yields. At the same time the average yield of the ten-year Treasury has increased to 1.45% in 2021, up 56 basis points from 2020 when the average was 0.89%. Generally longer term loans are priced consistent with the changes in the ten-year treasury markets. These two trends – lower shorter term rates coupled with an increase in longer term rates – result in the spread of these yields widening, which is a positive trend to the banking industry, but did not mitigate historical low rates putting pressure on banking net interest margins.

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

## Overview

2021 results were marked by continued growth in the Company's loan portfolio. The loan portfolio grew to a total of \$4.44 billion, an increase of \$194 million or 4.6% over the 2020 year-end balance. Deposits ended 2021 at \$5.27 billion, up from \$5.04 billion the prior year-end. The year-over-year increases in loans and deposits reflect the success the Company has had in attracting customers to the Bank, as well as the belief that in the current pandemic environment there is a desire of customers to have additional funds in the safety and security offered by TrustCo's long history of conservative banking. Also contributing to the increase in retail deposits was additional federal stimulus payments sent to eligible customers from the Internal Revenue Service. Management believes that TrustCo's success is predicated on providing core banking services to a wider number of customers and continuing to provide added services to existing customers where possible. Growing the customer base should contribute to continued growth of loans and deposits, as well as net interest income and non-interest income.

TrustCo recorded net income of \$61.5 million or \$3.194 of diluted earnings per share for the year ended December 31, 2021, compared to \$52.5 million or \$2.717 of diluted earnings per share for the year ended December 31, 2020. Net income before taxes was \$82.1 million in 2021 compared to \$69.4 million in 2020.

During 2021, the following had a significant effect on net income:

- An increase of \$6.8 million in net interest income from 2020 to 2021 primarily as a result of lower deposit rates;
- a decrease of \$11.1 million in the provision for loan losses to a credit of \$5.5 million in 2021;
- an increase in non-interest income of \$767 thousand, and;
- an increase in non-interest expense of \$6.0 million.

TrustCo performed well in comparison to its peers with respect to a number of key performance ratios during 2021 and 2020, including:

- Tier 1 risk-based capital ratio of 19.54% for 2021 and 19.19% for 2020, compared to medians of 12.79% in 2021 and 12.90% in 2020 for a peer group comprised of all publicly traded banks and thrifts tracked by S&P Global Market Intelligence with assets of \$2 billion to \$10 billion, and
- an efficiency ratio, as calculated by S&P Global Market Intelligence, of 56.90% for 2021 and 56.38% for 2020, compared to the peer group medians of 56.70% in 2021 and 57.45% in 2020.

During 2021, TrustCo's results were affected by the growth of deposits, strong loan growth and a shift in asset mix. Despite the low interest rate environment and the ongoing effects from the pandemic during 2021, the Company was able to continue to attract and retain deposits. On average for 2021, non-maturity deposits were 77.5% of total deposits, up from 71.5% in 2020. Overall, the cost of interest bearing liabilities decreased 41 basis points to 0.16% in 2021 as compared to 2020. Average loan balances increased 4.2% from 2020 to 2021, while the total of federal funds sold and other short-term investments, available for sale securities and held to maturity securities increased 28.7%, average net loans decreased to 73.2% of average earning assets in 2021 from 77.2% in 2020. The Company has traditionally maintained a high liquidity position and taken a conservative stance in its investment portfolio through the use of relatively short-term securities. The low rate environment in 2021 as well as the current pandemic resulted in maturing and called securities being reinvested in loans and bonds, with any remaining funds continuing to be held in Federal funds sold and other short-term investments.

As discussed previously, market interest rates moved during the course of 2021, with shorter term three month Treasury rates being consistent year over year, and longer term rates increasing versus year-end 2020. Overall, trends in market rates caused a steepening of the yield curve, on average, during the year. The average daily spread between the ten-year Treasury and the two-year Treasury was 118 basis points in 2021, up from an average of 50 basis points in 2020 and 17 basis points in 2019. The spread between the ten-year Treasury and the two-year Treasury changed throughout the year but ended 2021 at 79 basis points, which was relatively flat year over year. Generally, a more positive slope in the yield curve is beneficial for the Company's earnings derived from its core mix of loans and deposits.

The tables below illustrate the range of key Treasury bond interest rates during 2021 and 2020.

	<b>3 Month T Bill (BEY) Yield(%)</b>	<b>2 Year T Note Yield(%)</b>	<b>5 Year T Note Yield(%)</b>	<b>10 Year T Note Yield(%)</b>	<b>10 Year – 2 Year Spread(%)</b>
<b>2021</b>					
Beginning of Year	0.09	0.13	0.36	0.93	0.80
Peak	0.09	0.76	1.34	1.74	1.59
Trough	0.01	0.09	0.36	0.93	0.72
End of Year	0.06	0.73	1.26	1.52	0.79
Average	0.04	0.27	0.86	1.45	1.18
Median	0.05	0.20	0.83	1.48	1.14
<b>2020</b>					
Beginning of Year	1.55	1.58	1.69	1.92	0.34
Peak	1.59	1.58	1.67	1.88	0.83
Trough	-	0.11	0.19	0.52	0.12
End of Year	0.09	0.13	0.36	0.93	0.80
Average	0.36	0.39	0.53	0.89	0.50
Median	0.12	0.17	0.36	0.74	0.52

Source: [www.treasury.gov](http://www.treasury.gov)

During 2020, management increased certain allowance qualitative factors based on its assessment of the impact of the pandemic on local, national, and global economic conditions as well as the perceived risks inherent in specific industries and credit characteristics. In light of an improving economic environment in 2021 and based on the approach utilized in the prior year the company adjusted the pandemic specific provision during the second half of 2021. Changes to the pandemic specific provision, as well as sustained improvement in asset quality trends and changes in economic conditions, has resulted in a decrease in the provision for loan losses from an expense of \$5.6 million in 2020 to a credit of \$5.5 million in 2021, which favorably affected net income. Net charge-offs decreased from \$322 thousand in 2020 to net recoveries of \$122 thousand in 2021. Total nonperforming loans decreased \$2.3 million from 2020. Details on nonperforming loans and net charge-offs are included in the notes to the financial statements. The decrease in the provision for loan losses is primarily driven by improvements in asset quality trends and economic conditions, as well as adjustments to the pandemic specific provision.

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

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

The Company continually looks for opportunities to open new offices each year by filling in or extending existing markets and in 2021 the Company expanded its Florida market by opening a branch in Palm Coast. The Company has experienced continued growth in all markets as measured by the growth in deposit and loan balances. All branches have the same products and features found at other Trustco Bank locations. Additionally, the Company has made significant investments in the online and mobile banking platforms, including new automated tools. With a combination of competitive rates, excellent service, technology, and convenient locations, management believes that as branches mature, they will continue to attract deposit and loan customers. As expected, some branches have grown more rapidly than others. Generally, new bank branches continue to grow for years after being opened, although there is no specific time frame that could be characterized as typical.

## Asset/Liability Management

In managing its balance sheet, TrustCo utilizes funding and capital sources within sound credit, investment, interest rate, and liquidity risk guidelines established by management and approved by the Board of Directors. Loans and securities (including Federal Funds sold and other short-term investments) are the Company's primary earning assets. Average interest earning assets were 97.6% and 97.3% of average total assets for 2021 and 2020, respectively.

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

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

## Interest Rates

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

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

The yield on the ten-year Treasury bond increased by 59 basis points from 0.93% at the beginning of 2021 to the year-end level of 1.52%. The rate on the ten-year Treasury bond and other long-term interest rates have a significant influence on the rates offered for new residential real estate loans. These changes in interest rates have an effect on the Company relative to the interest income on loans, securities, and Federal Funds sold and on other short-term instruments as well as the interest expense on deposits and borrowings. Residential real estate loans and longer-term investments are most affected by the changes in longer term market interest rates such as the ten-year Treasury. The Federal Funds sold portfolio and other short-term investments are affected primarily by changes in the Federal Funds target rate. Deposit interest rates are most affected by short term market interest rates. Also, changes in interest rates have an effect on the recorded balance of the securities available for sale portfolio, which are recorded at fair value. Generally, as market interest rates decrease, the fair value of the securities will increase and the reverse is also generally applicable. Interest rates on new residential real estate loan originations are also influenced by the rates established by secondary market participants such as Freddie Mac and Fannie Mae. Because TrustCo is a portfolio lender and does not sell loans into the secondary market, the Company establishes rates that management determines are appropriate in light of the long-term nature of residential real estate loans while remaining competitive with the secondary market rates. Higher market interest rates also generally increase the value of retail deposits.

The decrease in the Federal Funds target range in 2020 continues to have a negative impact on earnings on the Company's cash position. The net effect of market changes in interest rates during 2020 was that yields earned on both the investment portfolios and loans remained quite low in 2020 and 2021 relative to historic levels, which also has driven down deposit costs. However, as previously discussed, it is believed that the Federal Reserve will begin to increase the Federal Funds target rate in the first part of 2022.



## Earning Assets

Average earning assets during 2021 were \$5.9 billion, which was an increase of \$525.1 million from 2020. This increase was primarily the result of growth in the average balance of net loans of \$173.4 million and in Federal Funds sold and other short-term investments of \$363.2 million, offset by decreases of \$5.1 million in securities available for sale and \$4.6 million in held-to-maturity securities between 2020 and 2021. The increase in the loan portfolio is the result of a significant increase in residential mortgage loans, which more than offset net decreases in the other loan categories. The increase in residential real estate loans is a result of a strategic focus on growth of this product throughout the Trustco Bank branch network through an effective marketing campaign and competitive rates and closing costs.

Total average assets were \$6.1 billion for 2021 and \$5.6 billion for 2020.

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

### MIX OF AVERAGE EARNING ASSETS

(dollars in thousands)

				2021 vs. 2020	2020 vs. 2019	Components of Total Earning Assets		
	2021	2020	2019			2021	2020	2019
Loans, net	\$ 4,336,834	4,163,399	3,926,199	173,435	237,200	73.2%	77.2%	78.1
Securities available for sale (1):								
U.S. government sponsored enterprises	63,743	38,508	156,292	25,235	(117,784)	1.1	0.7	3.1
State and political subdivisions	48	111	167	(63)	(56)	-	-	-
Mortgage-backed securities and collateralized mortgage obligations- residential	308,777	333,093	345,718	(24,316)	(12,625)	5.2	6.2	6.9
Corporate bonds	53,699	50,982	34,637	2,717	16,345	0.9	0.9	0.7
Small Business Administration- guaranteed participation securities	35,723	44,379	53,269	(8,656)	(8,890)	0.6	0.8	1.1
Other	685	686	685	(1)	1	-	-	-
Total securities available for sale	462,675	467,759	590,768	(5,084)	(123,009)	7.8	8.6	11.8
Held-to-maturity securities:								
Mortgage-backed securities and collateralized mortgage obligations- residential	11,733	16,376	20,643	(4,643)	(4,267)	0.2	0.3	0.4
Total held-to-maturity securities	11,733	16,376	20,643	(4,643)	(4,267)	0.2	0.3	0.4
Federal Reserve Bank and Federal Home Loan Bank stock	5,578	7,381	9,123	(1,803)	(1,742)	0.1	0.1	0.2
Federal funds sold and other short-term investments	1,111,257	748,085	477,181	363,172	270,904	18.7	13.8	9.5
Total earning assets	\$ 5,928,077	5,403,000	5,023,914	525,077	379,086	100.0%	100.0%	100.0

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

As mentioned, average net loans decreased to 73.2% of average earning assets in 2021 from 77.2% in 2020. The low rate environment resulted in maturing and called securities, as well as increases in deposits, being reinvested in federal funds sold and other short-term investments, which has always been a source of liquidity to fund loan growth and provide flexibility for balance sheet management.

## Loans

In 2021, the Company experienced another year of solid loan growth despite the challenges of the ongoing pandemic. The \$194.3 million increase or 4.6% in the Company’s gross loan portfolio from December 31, 2020 to December 31, 2021 was due to higher residential balances, which offset lower balances in other loan categories. Average loans increased \$173.4 million during 2021 to \$4.34 billion. Interest income on the loan portfolio decreased to \$159.2 million in 2021 from \$166.0 million in 2020. The average yield decreased 32 basis points to 3.67% in 2021 compared to 3.99% in 2020.

## LOAN PORTFOLIO

(dollars in thousands)

	As of December 31,					
	2021		2020		2019	
	Amount	Percent	Amount	Percent	Amount	Percent
Commercial	\$ 180,814	4.1%	\$ 198,328	4.7%	\$ 181,635	4.5%
Real estate - construction	37,279	0.8	24,749	0.6	28,532	0.7
Real estate - mortgage	3,980,294	89.7	3,769,582	88.8	3,573,106	87.9
Home equity lines of credit	230,976	5.2	242,194	5.7	267,922	6.6
Installment loans	9,416	0.2	9,617	0.2	11,001	0.3
Total loans	4,438,779	100.0%	4,244,470	100.0%	4,062,196	100.0%
Less: Allowance for loan losses	44,267		49,595		44,317	
Net loans (1)	\$ 4,394,512		\$ 4,194,875		\$ 4,017,879	

	Average Balances									
	2021		2020		2019		2018		2017	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial	\$ 193,370	4.5%	\$ 203,314	4.9%	\$ 176,165	4.5%	\$ 175,814	4.7%	\$ 175,596	5.0%
Real estate - construction	31,014	0.7	26,641	0.6	27,728	0.7	26,717	0.7	26,616	0.8
Real estate - mortgage	3,870,097	89.2	3,667,909	88.2	3,433,683	87.4	3,236,631	86.5	2,985,870	84.9
Home equity lines of credit	233,628	5.4	255,583	6.1	277,905	7.1	297,678	7.9	318,660	9.1
Installment loans	8,725	0.2	9,952	0.2	10,718	0.3	9,242	0.2	8,158	0.2
Total loans	4,336,834	100.0%	4,163,399	100.0%	3,926,199	100.0%	3,746,082	100.0%	3,514,900	100.0%
Less: Allowance for loan losses	49,421		47,330		44,639		44,651		44,319	
Net loans (1)	\$ 4,287,413		\$ 4,116,069		\$ 3,881,560		\$ 3,701,431		\$ 3,470,581	

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

Through marketing, pricing and a customer-friendly service delivery network, TrustCo has attempted to distinguish itself from other mortgage lenders by highlighting the uniqueness of its loan products. Specifically, low closing costs, no escrow or private mortgage insurance, quick loan decisions and fast closings were identified and marketed. The fact that the Company holds mortgages in its loan portfolio rather than selling them into secondary markets was also highlighted to customers. The average balance of residential real estate mortgage loans was approximately \$3.88 billion in 2021 and approximately \$3.68 billion in 2020. Income on real estate loans decreased to \$138.8 million in 2021 from \$144.2 million in 2020. The yield on the portfolio decreased from 3.92% in 2020 to 3.57% in 2021. The vast majority of TrustCo's real estate loans are secured by properties within the Bank's market area.

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

Average commercial loans of \$210.1 million in 2021 decreased by \$9.2 million from \$219.3 million in 2020, primarily because of PPP loan payoffs. Average commercial loans included \$19.4 million and \$14.2 million of commercial real estate construction loans in 2021 and 2020, respectively. The average yield on the commercial loan portfolio increased to 5.19% for 2021 from 4.92% in 2020, primarily as a result of PPP loans being forgiven during 2021. Interest income on commercial loans was \$10.9 million in 2021 compared to \$10.8 million in 2020, up slightly primarily as a result of income recognized on the forgiveness of the PPP loans.

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

TrustCo has a strong position in the home equity credit line product in its market area. During 2021, the average balance of home equity credit lines was \$233.6 million, a decrease from \$255.6 million in 2020. Trustco Bank competes with both regional and national concerns for these lines of credit and faces stiff competition with respect to interest rates, closing costs, and customer service for these loans. TrustCo continuously reviews changes made by competitors with respect to the home equity credit line product and adjusts its offerings to remain competitive while meeting evolving needs. Changes in tax law and consumer behavior have resulted in this product being somewhat less popular in recent years. TrustCo's average yield on this portfolio was 3.77% for 2021 and 4.01% for 2020. Interest income on home equity credit lines decreased from \$10.3 million in 2020 to \$8.8 million in 2021.

## MATURITIES AND SENSITIVITIES OF LOANS TO CHANGE IN INTEREST RATES

(dollars in thousands)

	December 31, 2021			
	In 1 Year or Less	After 1 Year But Within 5 Years	After 5 Years	Total
Commercial	\$ 29,709	65,198	85,907	180,814
Real estate construction	37,279	-	-	37,279
<b>Total</b>	<b>66,988</b>	<b>65,198</b>	<b>85,907</b>	<b>218,093</b>
Predetermined rates	34,144	65,198	85,907	185,249
Floating rates	32,844	-	-	32,844
<b>Total</b>	<b>\$ 66,988</b>	<b>65,198</b>	<b>85,907</b>	<b>218,093</b>

At December 31, 2021 and 2020, the Company had approximately \$37.3 million and \$24.7 million of real estate construction loans, respectively. Of the \$37.3 million in real estate construction loans at December 31, 2021, approximately \$17.9 million were secured by first mortgages to residential borrowers with the remaining \$19.4 million were loans to commercial borrowers for residential construction projects. Of the \$24.7 million in real estate construction loans at December 31, 2020, approximately \$10.5 million were secured by first mortgages to residential borrowers with the remaining \$14.2 million were loans to commercial borrowers for residential construction projects. The vast majority of the Company's construction loans are in the Company's New York market.

## INVESTMENT SECURITIES

(dollars in thousands)

	As of December 31,					
	2021		2020		2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities available for sale:						
U. S. government sponsored enterprises	\$ 59,976	59,179	20,000	19,968	104,895	104,512
State and political subdivisions	41	41	103	103	160	162
Mortgage backed securities and collateralized mortgage obligations-residential	269,907	270,798	308,432	316,158	388,537	389,517
Corporate bonds	45,805	45,337	59,185	59,939	30,164	30,436
Small Business Administration-guaranteed participation securities	31,303	31,674	40,955	42,217	48,991	48,511
Other	685	684	685	686	685	685
<b>Total securities available for sale</b>	<b>407,717</b>	<b>407,713</b>	<b>429,360</b>	<b>439,071</b>	<b>573,432</b>	<b>573,823</b>
Held to maturity securities:						
Mortgage backed securities and collateralized mortgage obligations-residential	9,923	10,695	13,824	14,988	18,618	19,680
<b>Total held to maturity securities</b>	<b>9,923</b>	<b>10,695</b>	<b>13,824</b>	<b>14,988</b>	<b>18,618</b>	<b>19,680</b>
<b>Total investment securities</b>	<b>\$ 417,640</b>	<b>418,408</b>	<b>443,184</b>	<b>454,059</b>	<b>592,050</b>	<b>593,503</b>

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

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

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

The designation of securities as "available for sale" is made at the time of purchase, based upon management's intent and ability to hold the securities for an indefinite period of time. These securities are available for sale in response to changes in market interest rates, related changes in prepayment risk, needs for liquidity, or changes in the availability of and yield on alternative investments. At December 31, 2021, some securities in this portfolio had fair values that were less than the amortized cost due to changes in interest rates and market conditions and not related to the credit condition of the issuers. At December 31, 2021, the Company did not intend to sell, and it is not likely that the Company will be required to sell, these securities before market recovery. Accordingly, at December 31, 2021 the Company did not consider any of the unrealized losses to be other than temporary.

At December 31, 2021, the carrying value of securities available for sale amounted to \$407.7 million, compared to \$439.1 million at year-end 2020. For 2021, the average balance of securities available for sale was \$462.7 million with an average yield of 1.44%, compared to an average balance in 2020 of 467.8 million with an average yield of 2.00%. The taxable equivalent income earned on the securities available for sale portfolio in 2021 was \$6.7 million, compared to \$9.4 million earned in 2020.

Securities available for sale are recorded at their fair value, with any unrealized gains or losses, net of taxes, recognized as a component of shareholders' equity. Average balances of securities available for sale are stated at amortized cost. At December 31, 2021, the fair value of TrustCo's portfolio of securities available for sale carried gross unrealized gains of approximately \$3.9 million and gross unrealized losses also of approximately \$3.9 million. At December 31, 2020, the fair value of TrustCo's portfolio of securities available for sale carried gross unrealized gains of approximately \$9.9 million and gross unrealized losses of approximately \$217 thousand. As previously noted, in both periods, unrealized losses were related to market interest rate levels and were not credit related.

**Held to Maturity Securities:** At December 31, 2021, the Company held \$9.9 million of held to maturity securities, compared to \$13.8 million at December 31, 2020. For 2021, the average balance of held to maturity securities was \$11.7 million, compared to \$16.4 million in 2020. Similar to securities available for sale, cash flow from these securities has been reinvested in higher yielding assets, such as loans, or temporarily held in Federal Funds sold and other short-term investments to fund future loan growth or future investment opportunities. The average yield on held to maturity securities increased slightly from 3.69% in 2020 to 3.71% in 2021 as the mix within the portfolio changed due primarily to normal pay downs and prepayments on the mortgage-backed securities held in the portfolio. Interest income on held to maturity securities declined from \$604 thousand in 2020 to \$435 thousand in 2021, reflecting the decline in average balances. Held to maturity securities are recorded at amortized cost. The fair value of these securities as of December 31, 2021 was \$10.7 million.

The designation of securities as "held to maturity" is made at the time of purchase, based upon management's intent and ability to hold the securities until final maturity. At December 31, 2021 there was \$1 thousand of unrecognized losses on securities in this portfolio.

**Securities Gains:** During 2021, and 2019, TrustCo did not recognize any net gains from securities transactions. During 2020, TrustCo recognized approximately \$1.2 million from net gains from securities transactions. There were no sales or transfers of held to maturity securities in 2021, 2020 and 2019.

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

# SECURITIES PORTFOLIO MATURITY DISTRIBUTION AND YIELD

(dollars in thousands)

As of December 31, 2021					
	Maturing:				
	Within 1 Year	After 1 But Within 5 Years	After 5 But Within 10 Years	After 10 Years	Total
<b>Debt securities available for sale:</b>					
U. S. government sponsored enterprises					
Amortized cost	\$ -	59,976	-	-	59,976
Fair Value	-	59,179	-	-	59,179
Weighted average yield	-%	0.61	-	-	0.61
State and political subdivisions					
Amortized cost	\$ 7	34	-	-	41
Fair Value	7	34	-	-	41
Weighted average yield	5.23%	5.27	-	-	5.26
Mortgage backed securities and collateralized mortgage obligations-residential					
Amortized cost	\$ 1,672	162,905	101,273	4,057	269,907
Fair Value	1,689	165,913	99,217	3,979	270,798
Weighted average yield	3.83%	2.27	1.77	1.98	2.09
Corporate bonds					
Amortized cost	\$ 14,965	30,840	-	-	45,805
Fair Value	15,121	30,216	-	-	45,337
Weighted average yield	3.44%	1.01	-	-	1.82
Small Business Administration-guaranteed participation securities					
Amortized cost	\$ 6,807	24,496	-	-	31,303
Fair Value	6,893	24,781	-	-	31,674
Weighted average yield	1.99%	2.11	-	-	2.08
Other					
Amortized cost	\$ 85	600	-	-	685
Fair Value	86	598	-	-	684
Weighted average yield	2.81%	1.23	-	-	1.43
Total securities available for sale					
Amortized cost	\$ 23,536	278,851	101,273	4,057	407,717
Fair Value	23,796	280,721	99,217	3,979	407,713
Weighted average yield	3.05%	1.76	1.77	1.98	1.85
<b>Held to maturity securities:</b>					
Mortgage backed securities and collateralized mortgage obligations-residential					
Amortized cost	\$ -	339	1,319	8,265	9,923
Fair Value	-	351	1,375	8,969	10,695
Weighted average yield	-%	4.83	2.87	5.28	4.96%
Total held to maturity securities					
Amortized cost	\$ -	339	1,319	8,265	9,923
Fair Value	-	351	1,375	8,969	10,695
Weighted average yield	-%	4.83	2.87	5.28	4.96%

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

Maturity and call dates of securities: Many of the securities in the Company's portfolios have a call date in addition to the stated maturity date. Call dates allow the issuer to redeem the bonds prior to maturity at specified dates and at predetermined prices. Normally, securities are redeemed at the call date when the issuer can reissue the security at a lower interest rate. Therefore, for cash flow, liquidity and interest rate management purposes, it is important to monitor both maturity dates and call dates. The level of calls in 2020 was higher than the 2021 level due to the reduction in interest rates in early 2020 as a result of the pandemic. The probability of future calls will change depending on market interest rate levels. The tables labeled "Securities Portfolio Maturity and Call Date Distribution," show the distribution, based on both final maturity and call date of each security, broken out by the available for sale and held to maturity portfolios as of December 31, 2021. Mortgage backed securities, collateralized mortgage obligations and Small Business Administration securities are reported using an estimate of average life. Actual maturities may differ from contractual maturities because of securities' prepayments and the right of certain issuers to call or prepay their obligations without penalty. The table, "Securities Portfolio Maturity Distribution and Yield," shows the distribution of maturities for each of the securities portfolios, based on final maturity, as well as the average yields at December 31, 2021 on each type/maturity grouping.

## SECURITIES PORTFOLIO MATURITY AND CALL DATE DISTRIBUTION

### Debt securities available for sale:

(dollars in thousands)

	As of December 31, 2021			
	Based on		Based on	
	Final Maturity		Call Date	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	\$ 15,057	15,215	78,512	78,046
1 to 5 years	91,462	90,040	223,875	226,471
5 to 10 years	17,725	18,079	101,273	99,217
After 10 years	283,473	284,379	4,057	3,979
Total debt securities available for sale	\$ 407,717	407,713	407,717	407,713

### Held to maturity securities:

(dollars in thousands)

	As of December 31, 2021			
	Based on		Based on	
	Final Maturity		Call Date	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	\$ -	-	53	54
1 to 5 years	339	351	8,639	9,261
5 to 10 years	1,319	1,375	1,231	1,380
After 10 years	8,265	8,969	-	-
Total held to maturity securities	\$ 9,923	10,695	9,923	10,695

### Federal Funds Sold and Other Short-term Investments

During 2021, the average balance of Federal Funds sold and other short-term investments was \$1.1 billion, an increase from \$748.1 million in 2020. The average rate earned on these assets was 0.13% in 2021 and 0.26% in 2020. TrustCo utilizes this category of earning assets as a means of maintaining strong liquidity. The Federal Funds sold and other short-term investments portfolio is significantly affected by changes in the target Federal Funds rate, as are virtually all short-term interest-sensitive instruments.

The year-end balance of Federal Funds sold and other short-term investments was approximately \$1.2 billion for 2021, compared to \$1.1 billion at year-end 2020. While yields on investment securities with acceptable risk characteristics were insufficient to justify shifting overnight liquidity into other investment types during 2021, some funds were shifted into higher yielding loans. Management will continue to evaluate the overall level of Federal Funds sold and other short-term investments in 2022 and will make appropriate adjustments based upon market opportunities and interest rates.

### Funding Sources

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

Deposits: Average total deposits were approximately \$5.2 billion in 2021, compared to approximately \$4.7 billion in 2020, an increase of \$445.9 million. Changes in deposit categories (average balances 2021 versus 2020) included: demand deposits up \$182.8 million, interest-bearing checking deposits up \$163.3 million, savings up \$205.9 million, money market up \$77.0 million and time deposits down \$183.2 million. While many customers remain in one product type for many years, others may move funds between product types to maximize the yield earned or as a result of increased or decreased liquidity needs. The increase in retail deposits reflects the focus on growing funding sources by providing core banking services better, faster and at competitive rates. Additionally, we also believe the increase in retail deposits continues to reflect of the desire of customers to have additional funds in the safety and security offered by TrustCo's long history of conservative banking. Also contributing to the increase in retail deposits was federal stimulus payments sent to eligible customers from the Internal Revenue Service. The balance in time deposits over \$250 thousand is not the result of any incentive pricing as TrustCo does not offer premium rates on large certificates of deposit.

# MIX OF AVERAGE SOURCES OF FUNDING

(dollars in thousands)

				2021 vs. 2020	2020 vs. 2019	Components of Total Funding		
	2021	2020	2019			2021	2020	2019
Retail deposits								
Demand deposits	\$ 750,111	567,265	427,276	182,846	139,989	13.8%	9.4	9.0
Savings	1,397,432	1,191,532	1,134,050	205,900	57,482	25.8	24.8	28.2
Time deposits under \$250 thousand	964,541	1,126,636	1,189,901	(162,095)	(63,265)	17.8	26.0	22.0
Interest bearing checking accounts	1,134,702	971,385	874,700	163,317	96,685	20.9	19.1	20.4
Money market deposits	739,139	662,107	555,547	77,032	106,560	13.6	12.2	11.8
Total retail deposits	4,985,925	4,518,925	4,181,474	467,000	337,451	91.9	91.5	91.4
Time deposits over \$250 thousand	202,422	223,527	227,586	(21,105)	(4,059)	3.7	5.0	4.1
Short-term borrowings	232,815	180,065	159,220	52,750	20,845	4.4	3.5	4.4
Total purchased liabilities	435,237	403,592	386,806	31,645	16,786	8.1	8.5	8.6
Total sources of funding	\$ 5,421,162	4,922,517	4,568,280	498,645	354,237	100.0%	100.0	100.0

**AVERAGE BALANCES, YIELDS AND NET INTEREST MARGINS**

(dollars in thousands)

	2021			2020			2019		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
<b>Assets</b>									
Loans, net	\$ 4,336,834	159,168	3.67%	\$ 4,163,399	165,964	3.99%	\$ 3,926,199	166,610	4.24%
Securities available for sale:									
U.S. government sponsored enterprises	63,743	314	0.49	38,508	568	1.48	156,292	3,209	2.05
State and political subdivisions	48	3	6.56	111	9	7.82	167	13	7.78
Mortgage backed securities and collateralized mortgage obligations-residential	308,777	4,515	1.46	333,093	6,131	1.84	345,718	8,219	2.38
Corporate bonds	53,699	1,065	1.98	50,982	1,721	3.38	34,637	1,096	3.16
Small Business Administration-guaranteed participation securities	35,723	745	2.09	44,379	902	2.03	53,269	1,121	2.10
Other	685	20	2.92	686	23	3.35	685	22	3.21
Total securities available for sale	462,675	6,662	1.44	467,759	9,354	2.00	590,768	13,680	2.32
Held to maturity securities:									
Mortgage backed securities and collateralized mortgage obligations-residential	11,733	435	3.71	16,376	604	3.69	20,643	797	3.86
Total held to maturity securities	11,733	435	3.71	16,376	604	3.69	20,643	797	3.86
Federal Reserve Bank and Federal Home Loan Bank stock	5,578	260	4.66	7,381	421	5.70	9,123	568	6.23
Federal funds sold and other short-term investments	1,111,257	1,458	0.13	748,085	1,948	0.26	477,181	10,478	2.20
Total interest earning assets	5,928,077	167,983	2.83%	5,403,000	178,291	3.30%	5,023,914	192,133	3.82%
Allowance for loan losses	(49,421)			(47,330)			(44,639)		
Cash and noninterest earning assets	196,825			197,966			182,545		
Total assets	\$ 6,075,481			\$ 5,553,636			\$ 5,161,820		
<b>Liabilities and shareholders' equity</b>									
Interest bearing deposits:									
Interest bearing checking accounts	\$ 1,134,702	178	0.02%	\$ 971,385	148	0.02%	\$ 874,700	288	0.03%
Savings	1,397,432	624	0.04	1,191,532	716	0.06	1,134,050	1,338	0.12
Time deposits and money markets	1,906,102	5,863	0.31	2,012,270	22,834	1.13	1,973,034	33,227	1.68
Total interest bearing deposits	4,438,236	6,665	0.15	4,175,187	23,698	0.57	3,981,784	34,853	0.88
Short-term borrowings	232,815	909	0.39	180,065	1,010	0.56	159,220	1,468	0.92
Total interest bearing liabilities	4,671,051	7,574	0.16%	4,355,252	24,708	0.57%	4,141,004	36,321	0.88%
Demand deposits	750,111			567,265			427,276		
Other liabilities	74,396			77,487			80,051		
Shareholders' equity	579,923			553,632			513,489		
Total liabilities and shareholders' equity	\$ 6,075,481			\$ 5,553,636			\$ 5,161,820		
Net interest income	160,409			153,583			155,812		
Taxable equivalent adjustment	(1)			(3)			(5)		
Net interest income	160,408			153,580			155,807		
Net interest spread		2.67%			2.73%			2.94%	
Net interest margin (net interest income to total interest earnings assets)		2.71			2.84			3.10	

Portions of income earned on certain commercial loans, obligations of states and political subdivisions, and equity securities are exempt from federal and/or state taxation. Appropriate adjustments have been made to reflect the equivalent amount of taxable income that would have been necessary to generate an equal amount of after tax income. Federal and state tax rates used to calculate income tax on a tax equivalent basis were 21% and 6%, respectively, for 2021, 2020 and 2019. The average balances of securities available for sale and held to maturity were calculated using amortized costs. Included in the average balance of shareholders' equity is \$3.3 million, \$7.1 million, and \$(3.6) million in 2021, 2020, and 2019, respectively, of net unrealized gain (loss), net of tax, in the available for sale securities portfolio. The gross amounts of the net unrealized income (loss) has been included in cash and noninterest earning assets. Nonaccrual loans are included in average loans.



The overall cost of interest bearing deposits decreased primarily as a result of the lower interest rate environment resulting from the pandemic.

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

Other funding sources: The Company had \$232.8 million of average short-term borrowings outstanding during 2021, compared to \$180.1 million in 2020. The increase over the prior year is consistent with the overall increase in core deposits and is not attributed with efforts to grow this product type. These borrowings represent customer repurchase accounts, which behave more like deposit accounts than traditional borrowings. The average cost of short-term borrowings was 0.39% in 2021 and 0.56% in 2020. This resulted in interest expense of approximately \$909 thousand in 2021, compared to \$1.0 million in 2020.

#### AVERAGE DEPOSITS BY TYPE OF DEPOSITOR

(dollars in thousands)

	Years ended December 31,				
	2021	2020	2019	2018	2017
Individuals, partnerships and corporations	\$ 5,144,071	4,700,635	4,380,866	4,184,850	4,149,832
U.S. Government	-	-	-	-	-
States and political subdivisions	15,761	15,709	8,663	3,007	2,765
Other (certified and official checks, etc.)	28,515	26,108	19,531	18,720	18,799
Total average deposits by type of depositor	\$ 5,188,347	4,742,452	4,409,060	4,206,577	4,171,396

#### MATURITY OF TIME DEPOSITS OVER \$250 THOUSAND

(dollars in thousands)

As of December 31, 2021	
Under 3 months	\$ 44,980
3 to 6 months	27,880
6 to 12 months	69,424
Over 12 months	19,230
Total	\$ 161,514

#### VOLUME AND YIELD ANALYSIS

(dollars in thousands)

	2021 vs. 2020			2020 vs. 2019		
	Increase (Decrease)	Due to Volume	Due to Rate	Increase (Decrease)	Due to Volume	Due to Rate
Interest income (TE):						
Federal funds sold and other short-term investments	\$ (490)	714	(1,204)	(8,530)	3,909	(12,439)
Securities available for sale:						
Taxable	(2,686)	(266)	(2,420)	(4,322)	(1,853)	(2,469)
Tax-exempt	(6)	(5)	(1)	(4)	(4)	-
Total securities available for sale	(2,692)	(271)	(2,421)	(4,326)	(1,857)	(2,469)
Held to maturity securities (taxable)	(169)	(172)	3	(193)	(159)	(34)
Federal Reserve Bank and Federal Home Loan Bank stock	(161)	(92)	(69)	(147)	(102)	(45)
Loans, net	(6,796)	6,391	(13,187)	(646)	9,646	(10,292)
Total interest income	(10,308)	6,570	(16,878)	(13,842)	11,437	(25,279)
Interest expense:						
Interest bearing checking accounts	30	26	4	(140)	22	(162)
Savings	(92)	111	(203)	(622)	68	(690)
Time deposits and money markets	(16,971)	(2,061)	(14,910)	(10,393)	(611)	(9,782)
Short-term borrowings	(101)	251	(352)	(458)	172	(630)
Total interest expense	(17,134)	(1,673)	(15,461)	(11,613)	(349)	(11,264)
Net interest income (TE)	\$ 6,826	8,243	(1,417)	\$ (2,229)	11,786	(14,015)

## Capital Resources

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

Both TrustCo and Trustco Bank are subject to regulatory capital requirements. The regulatory capital rules contain a Tier 1 leverage ratio of 4.0% of consolidated assets, a common equity Tier 1 minimum capital requirement of 4.5% of risk-weighted assets, a minimum Tier 1 capital to risk-based assets requirement of 6.0% of risk-weighted assets, and a total risk-based capital ratio or 8.0% of risk-weighted assets. In addition, the Company and the Bank are required to maintain additional levels of Tier 1 common equity (known as the capital conservation buffer) above the minimum risk-based capital levels in order to avoid restrictions on dividends, repurchase shares, or payment of discretionary bonuses.

As of December 31, 2021, the capital levels of both TrustCo and the Bank exceeded the minimum standards, including with the capital conservation buffer taken into account.

Under the OCC's "prompt corrective action" regulations, a bank is deemed to be "well-capitalized" when its CET1, Tier 1, total risk-based, and leverage capital ratios are at least 6.5%, 8%, 10%, and 5%, respectively. A bank is deemed to be "adequately capitalized" or better if its capital ratios meet or exceed the minimum federal regulatory capital requirements, and "undercapitalized" if it fails to meet these minimal capital requirements. A bank is "significantly undercapitalized" if its CET1, Tier 1, total risk-based and leverage capital ratios fall below 3%, 4%, 6%, and 3%, respectively and "critically undercapitalized" if the institution has a ratio of tangible equity to total assets that is equal to or less than 2%. At December 31, 2021 and 2020, Trustco Bank met the definition of "well-capitalized."

The federal bank regulatory agencies have adopted rules creating a "community bank leverage ratio" framework designed to simplify capital requirements for qualifying banks and bank or thrift holding companies. The new rule was effective as of January 1, 2020. Although TrustCo would qualify to take advantage of the community bank leverage ratio framework, it has decided it would not opt-in to the framework.

The Company's dividend payout ratio was 42.95% of net income in 2021 and 50.12% of net income in 2020. The Company executed a 1 for 5 reverse stock split on May 28, 2021. The per-share dividend paid was \$1.372 in 2021 and \$1.363 in 2020, adjusted for the reverse split. The Company's ability to pay dividends to its shareholders is dependent upon the ability of the Bank to pay dividends to the Company. The payment of dividends by the Bank to the Company is subject to continued compliance with minimum regulatory capital requirements.

TrustCo's consolidated Tier 1 risk-based capital was 19.54% of risk-adjusted assets at December 31, 2021, and 19.19% of risk-adjusted assets at December 31, 2020. Consolidated Tier 1 capital to assets (leverage ratio) at December 31, 2021 was 9.61%, as compared to 9.65% at year-end 2020. Note 14 to the financial statements includes information on all regulatory capital ratios.

TrustCo maintains a dividend reinvestment plan (DRP) with approximately 7,156 participants. During 2021, \$2.2 million of dividends paid on the shares held in this plan were reinvested in shares of the Company. The DRP also allows for additional purchases by participants and has a discount feature (up to 5%) that can be activated by management as a tool to raise capital. To date, the discount feature has not been utilized.

On June 7, 2019 the Company's Board of Directors authorized a share repurchase program of up to 1,000,000 shares. During the three months ended March 31, 2020, the Company repurchased a total of 489 thousand shares at an average price per share of \$7.11 for a total of \$3.5 million under its Board authorized share repurchase program. The shares purchased as of March 31, 2020 represented 0.51% of our common shares outstanding. On April 16, 2020 the Company announced that it has suspended its share repurchase program. On February 18, 2021 the Company's Board of Directors authorized another share repurchase program of up to 2,000,000 shares and was adjusted to 400,000 shares as a result of the approval of the Reverse Stock Split, and represents approximately 2% of its currently outstanding common stock. During the twelve months ended December 31, 2021, the Company repurchased a total of 70 thousand shares at an average price per share of \$32.82 for a total of \$2.3 million under its Board authorized share repurchase program.

## Risk Management

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

## Credit Risk

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

Management has also developed policies and procedures to monitor the credit risk in relation to the Federal Funds sold portfolio. TrustCo maintains an approved list of third party banks to which Trustco can sell Federal Funds and monitors the credit rating and capital levels of those institutions. At December 31, 2021, virtually all of the Federal Funds sold and other short-term investments were funds on deposit at the Federal Reserve Bank of New York ("FRBNY") and the Federal Home Loan Bank of New York ("FHLBNY"). The Company also monitors the credit ratings on its investment securities and performs initial and periodic reviews of financial information for the issuers of corporate and municipal bonds.

### Nonperforming Assets

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

Nonperforming assets at year-end 2021 and 2020 totaled \$19.1 million and \$21.6 million, respectively. Nonperforming loans as a percentage of the total loan portfolio were 0.42% in 2021 and 0.50% in 2020. As of December 31, 2021 and 2020, there were \$6.5 million and \$7.1 million, respectively, of loans in non-accruing status that were less than 90 days past due.

At December 31, 2021, nonperforming loans include a mix of commercial and residential loans. Of the total nonaccrual loans of \$18.7 million, \$18.6 were residential real estate loans and \$112 thousand were commercial loans. It is the Company's policy to classify loans as nonperforming if three monthly payments have been missed. Economic conditions generally improved as compared to the prior year. The majority of the Company's loan portfolio continues to come from its historical market area in Upstate New York. As of December 31, 2021, 70.6% of loans are in New York, including both the Upstate and Downstate areas, as well as nominal loan balances in adjoining states. The remaining 29.4% of the loan portfolio are Florida loans. At December 31, 2021, 10.7% of nonperforming loans were in Florida and 89.3% were in the Company's New York area markets. At December 31, 2021 nonperforming Florida loans amounted to \$2.0 million compared to \$1.2 million at December 31, 2020.

(dollars in thousands)

	As of December 31,				
	2021	2020	2019	2018	2017
Loans in nonaccrual status	\$ 18,739	21,061	20,840	24,952	24,339
Restructured retail loans	17	23	29	34	38
Total nonperforming loans	18,756	21,084	20,869	24,986	24,377
Foreclosed real estate	362	541	1,579	1,676	3,246
Total nonperforming assets	\$ 19,118	21,625	22,448	26,662	27,623
Allowance for loan losses	\$ 44,267	49,595	44,317	44,766	44,170
Allowance coverage of nonperforming loans	2.36x	2.35	2.12	1.79	1.81
Nonperforming loans as a % of total loans	0.42%	0.50	0.51	0.64	0.67
Nonperforming assets as a % of total assets	0.31%	0.37	0.43	0.54	0.56

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

There were \$232 thousand and \$1.0 million of commercial loans classified as impaired as of December 31, 2021 and 2020, respectively. In addition, there were \$18.3 million and \$20.6 million of residential TDRs classified as impaired at December 31, 2021 and 2020, respectively. Generally, residential TDRs involve the borrower filing for bankruptcy protection. The average balances of all impaired loans were \$20.8 million during both 2021 and 2020, and \$21.0 million in 2019.

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

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

There are inherent risks associated with lending; however based on its review of the loan portfolio, including loans classified as nonperforming loans, TDRs, and impaired loans, management is aware of no other loans in the portfolio that pose significant risk of the eventual non-collection of principal and interest. As of December 31, 2021, there were no other loans classified for regulatory purposes that management reasonably expects will materially impact future operating results, liquidity, or capital resources. TrustCo has no advances to borrowers or projects located outside the United States. The Bank makes loans to executive officers, directors and to associates of such persons in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions. None of these loans involve more than normal risk of collectability or present other unfavorable features.

At year-end 2021 and 2020 there were \$362 thousand and \$541 thousand of foreclosed real estate, respectively. Although the length of time to complete a foreclosure has remained elevated in recent years, TrustCo, as a portfolio lender, has not encountered issues such as lost notes and other documents, which have been a problem in the foreclosure process for many other mortgagees.

#### **Allowance for Loan Losses**

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

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

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

The table, "Summary of Loan Loss Experience", includes an analysis of the changes to the allowance for the past five years. Net loans recovered in 2021 were \$122 thousand and net loans charged off were \$322 thousand in 2020. The decrease in net charge-offs was primarily the result of lower gross charge offs in both the New York and Florida residential, commercial and installment segments of the portfolio, and increased recoveries in the New York residential, commercial and installment segments of the portfolio. New York commercial gross recoveries were up \$22 thousand from 2020 to 2021, residential gross recoveries were up \$150 thousand in 2021 relative to 2020, and installment recoveries were up \$42 thousand from 2020 to 2021. Total gross charge-offs in 2021 were \$430 thousand versus \$661 thousand in 2020. There were no Florida commercial charge-offs in either 2021 or 2020, and New York commercial charge-offs decreased \$6 thousand from 2020 to 2021. Residential gross charge-offs were down \$64 thousand from 2020 to 2021 and gross installment charge-offs decreased \$161 thousand from 2020 to 2021. The changes in gross and net charge-offs in these categories reflected economic and market changes. The provision for loan losses was a credit in 2021 of \$5.5 million compared to an expense of \$5.6 million in 2020. The decrease in the provision for loan losses in 2021 was primarily driven by improvements in asset quality trends and economic conditions, as well as adjustments to the pandemic specific provision. The allowance for loan losses decreased from \$49.6 million at December 31, 2020, or 1.17% of total loans at that date, to \$44.3 million at December 31, 2021, or 1.00% of total loans at that date.

Conditions in most of the Bank's market areas are stabilizing or improving as compared to 2020 however, should general economic conditions weaken and/or real estate values begin to decline again, the level of problem loans may increase, as would the level of the provision for loan losses. Additionally, the foreclosure moratorium has expired and the Company could experience an increase in other real estate owned.

As noted in Note 18, In September 2016, the FASB released ASU 2016-13, “Financial Instruments - Credit Losses” (referred to as “CECL”) which amended existing guidance to replace current generally accepted accounting principles used to measure a reporting entity’s credit losses. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to form credit loss estimates. As previously disclosed, the Company formed a cross-functional team to work through its implementation of CECL. The Company has selected the Discounted Cash Flow modeling method and has run parallel processes and is in final review stages of completing its documentation including third party model validations. The Company had previously elected to delay its adoption of CECL, as provided by the CARES Act until the date on which the National Emergency concerning COVID-19 was terminated or December 31, 2020, whichever occurred first. The December 31, 2020 adoption date under the CARES Act was extended to January 1, 2022 as a part of the COVID-19 Relief Bill, which became law in December 2020, and therefore the Company has adopted CECL on January 1, 2022. The Company does not expect the adoption to have a material impact to the statement of financial position or results of operations.

## SUMMARY OF LOAN LOSS EXPERIENCE

(dollars in thousands)

	2021	2020	2019	2018	2017
Amount of loans outstanding at end of year (less unearned income)	\$ 4,438,779	4,244,470	4,062,196	3,874,096	3,636,407
Average loans outstanding during year (less average unearned income)	4,336,834	4,163,399	3,926,199	3,746,082	3,514,900
Balance of allowance at beginning of year	49,595	44,317	44,766	44,170	43,890
Loans charged off:					
Commercial and commercial real estate	30	36	20	100	72
Real estate mortgage - 1 to 4 family	340	404	974	846	2,220
Installment	60	221	213	257	219
Total	430	661	1,207	1,203	2,511
Recoveries of loans previously charged off:					
Commercial and commercial real estate	32	10	46	10	96
Real estate mortgage - 1 to 4 family	466	317	532	351	669
Installment	54	12	21	38	26
Total	552	339	599	399	791
Net loans charged off	(122)	322	608	804	1,720
Provision for loan losses	(5,450)	5,600	159	1,400	2,000
Balance of allowance at end of year	\$ 44,267	49,595	44,317	44,766	44,170
Net charge offs as a percent of average loans outstanding during year (less average unearned income)	0.00%	0.01	0.02	0.02	0.05
Allowance as a percent of loans outstanding at end of year	1.00	1.17	1.09	1.16	1.21

## Allocation of the Allowance for Loan Losses

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

(dollars in thousands)	As of December 31, 2021		As of December 31, 2020	
	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans
Commercial	\$ 2,942	4.08%	\$ 3,975	4.67%
Real estate - construction	375	0.84%	290	0.58%
Real estate mortgage - 1 to 4 family	37,650	89.67%	41,228	88.81%
Home equity lines of credit	2,857	5.20%	3,597	5.71%
Installment Loans	443	0.21%	505	0.23%
	<u>\$ 44,267</u>	<u>100.00%</u>	<u>\$ 49,595</u>	<u>100.00%</u>

## Market Risk

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

### Quantitative and Qualitative Disclosure about Market Risk

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

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

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

Using this model, the fair values of capital projections as of December 31, 2021 are referenced below. The base case scenario shows the present estimate of the fair value of capital assuming no change in the operating environment or operating strategies and no change in interest rates from those existing in the marketplace as of December 31, 2021. The table indicates the impact on the fair value of capital assuming interest rates were to instantaneously increase by 100, 200, 300 and 400 basis points (BP) or to decrease by 100 basis points.

As of December 31, 2021	Estimated Percentage of Fair value of Capital to Fair value of Assets
+400 BP	<b>23.00%</b>
+300 BP	<b>22.80</b>
+200 BP	<b>22.60</b>
+100 BP	<b>22.60</b>
Current rates	<b>21.70</b>
-100 BP	<b>18.70</b>

At December 31, 2021, the Company's consolidated Tier 1 capital to assets ratio (leverage capital ratio) was 9.61%.

The fair value of capital is calculated as the fair value of assets less the fair value of liabilities in the interest rate scenario presented. The fair value of capital in the current rate environment is 21.7% of the fair value of assets, whereas the current Tier 1 capital to assets ratio was 9.61% at December 31, 2021, as noted. The significant difference between these two capital ratios reflects the impact that a fair value calculation can have on the capital ratios of a company. The fair value of capital calculations take into consideration the fair value of deposits, including those deposits considered core deposits, along with the fair value of assets such as the loan portfolio.

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

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

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

The table, "Interest Rate Sensitivity," presents an analysis of the interest-sensitivity gap position at December 31, 2021. All interest-earning assets and interest-bearing liabilities are shown based upon their contractual maturity or repricing date adjusted for forecasted prepayment rates. Asset prepayment and liability repricing periods are selected after considering the current rate environment, industry prepayment and data specific to the Company. The interest rate sensitivity table indicates that TrustCo is asset sensitive on a cumulative basis when measured in the less than 1 year, 1-5 years, and the over 5 years time frames. The effect of being asset sensitive is that rising interest rates should result in assets repricing to higher levels faster than liabilities repricing to higher levels, thus increasing net interest income. Conversely, should interest rates decline, the Company's interest bearing assets would reprice down faster than liabilities, resulting in lower net interest income.

## INTEREST RATE SENSITIVITY

(dollars in thousands)

	At December 31, 2021				
	Repricing in:				Total
	Less than 1 year	1-5 years	Over 5 years	Rate Insensitive	
Total assets	\$ 2,090,321	2,175,752	1,774,707	155,766	6,196,546
Cumulative total assets	\$ 2,090,321	4,266,073	6,040,780	6,196,546	
Total liabilities and shareholders' equity	\$ 1,953,956	88,197	3,469,640	684,753	6,196,546
Cumulative total liabilities and shareholders' equity	\$ 1,953,956	2,042,153	5,511,793	6,196,546	
Cumulative interest sensitivity gap	\$ 136,365	2,223,920	528,987		
Cumulative gap as a % of interest earning assets for the period	6.5%	52.1%	8.8%		
Cumulative interest sensitive assets to liabilities	107.0%	208.9%	109.6%		

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

### Liquidity Risk

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

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

The Company achieves its liability-based liquidity objectives in a variety of ways. Liabilities can be classified into three categories for the purposes of managing liability-based liquidity: retail deposits, purchased money, and capital market funds. TrustCo seeks deposits that are dependable and predictable and that are based as much on the level and quality of service as they are on interest rate. Average retail deposits (total deposits less time deposits greater than \$250 thousand) amounted to \$4.99 billion in 2021 and \$4.52 billion in 2020. Average balances of core deposits are detailed in the table "Mix of Average Sources of Funding."

In addition to core deposits, another source of liability-based funding available to TrustCo is purchased money, which consists of long-term and short-term borrowings, Federal Funds purchased, securities sold under repurchase agreements, and time deposits greater than \$250 thousand. The average balances of these purchased liabilities are detailed in the table "Mix of Average Sources of Funding." During 2021, the average balance of purchased liabilities was \$435.2 million, compared with \$403.6 million in 2020. Although classified as purchased liabilities for the purposes of this analysis the Company does not offer premium rates on large time deposits and thus views its time deposits as relatively stable funds. The increase in borrowed funds is wholly the result of customer's behavioral preferences in regard to managing their funds and does not reflect any decision by management to increase this category of funding. The classification of time deposits over \$250 thousand as purchased liabilities is typical industry practice, partly reflecting that some banks pay premium rates for larger balance time deposits.

The Bank also has a line of credit available with the FHLBNY. The amount of that line is determined by the Bank's total assets and the amount and types of collateral pledged. Assets that are eligible for pledging include most loans and securities. The Bank can borrow up to 30% of its total assets from the FHLBNY without special approval and may apply to borrow up to 50% of its total assets. Securities and loans pledged as collateral against any borrowings must cover certain margin requirements. Eligible securities have a maximum lendable value of 67% to 97%, depending on the security type, with the securities in the Bank's investment portfolio generally having maximum lendable values of 80% to 95%. The maximum lendable value against loans is 90% for 1-4 family residential mortgages, 80% for multifamily mortgages and 75% for commercial mortgages. For both securities and loans, the maximum lendable limits are applied to the market value of the asset pledged. At December 31, 2021 there were no outstanding balances associated with this line of credit. In addition, the Bank has access to borrowings from the FRBNY. Borrowings from the FRBNY are subject to collateralization by securities or loans acceptable to the FRBNY and at collateral margins set by the FRBNY.



The Company's overall liquidity position remains strong. A simple liquidity proxy often used in the industry is the ratio of loans to deposits, with a lower number representing a more liquid institution. At December 31, 2021 and 2020, TrustCo's loan to deposit ratio was 84.3%, while the median peer group of all publicly traded banks and thrifts tracked by S&P Global Market Intelligence financial with assets between \$2 billion and \$10 billion had ratios of 78.2% and 86.2%, respectively. In addition, at December 31, 2021 and 2020, the Company had cash and cash equivalents totaling \$1.2 billion and \$1.1 billion, respectively, as well as unpledged securities available for sale with a fair value of \$124.5 million and \$169.6 million, respectively. Current expectations are that the Federal Reserve will be increasing the Federal Funds target rate in early 2022 which may also put pressure on deposit rates during 2022. The Company currently has strong liquidity compared to its peers and historical trends.

The Company is contractually obligated to make the following payments on leases as of December 31, 2021:

(dollars in thousands)

	Payments Due by Period:				
	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Operating leases	\$ 8,125	15,701	13,859	22,868	60,553

In addition, the Company is contractually obligated to pay data processing vendors approximately \$8 million to \$9 million per year through 2025.

Also, the Company is obligated under its various employee benefit plans to make certain payments of approximately \$1.9 to \$2.0 million per year through 2031. Additionally, the Company is obligated to pay the accumulated benefits under the Company's post retirement pension plan which amounted to \$7.0 million and \$6.6 million, respectively, as of December 31, 2021 and 2020. Actual payments under the plan are made in accordance with the plan provisions.

#### Off-Balance Sheet Risk

Commitments to extend credit: The Bank makes contractual commitments to extend credit, and extends lines of credit which are subject to the Bank's credit approval and monitoring procedures. At December 31, 2021 and 2020, commitments to extend credit in the form of loans, including unused lines of credit, amounted to \$469.7 million and \$458.2 million, respectively. In management's opinion, there are no material commitments to extend credit that represent unusual risk.

The Company has issued conditional commitments in the form of standby letters of credit to guarantee payment on behalf of a customer and guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under standby letters of credit totaled approximately \$5.3 million and \$5.4 million at December 31, 2021 and 2020, respectively, and represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of 12 months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios are generally consistent with loan-to-value requirements for other commercial loans secured by similar types of collateral. The fair value of the Company's standby letters of credit at December 31, 2021 and 2020 was insignificant.

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

#### Noninterest Income and Expense

Noninterest income: Noninterest income is an important source of revenue for the Company and a factor in overall results. Total noninterest income was \$17.9 million in 2021, \$17.2 million in 2020 and \$18.6 million in 2019. There was no net gain or loss on securities transactions in 2021 and 2019. There was \$1.2 million from net gain on securities transactions in 2020. Fees for services to customers was up \$1.0 million in 2021 compared to 2020 primarily as a result of increased interchange fees. Other income was down \$177 thousand in 2021 compared to 2020.

Trustco Financial Services contributes a large recurring portion of noninterest income through fees generated by providing fiduciary and investment management services. Income from these fiduciary activities totaled \$7.4 million in 2021, \$6.3 million in 2020 and \$6.4 million in 2019. Trust fees are generally calculated as a percentage of the assets under management by Trustco Financial Services. In addition, trust fees include fees for estate settlements, tax preparation, and other services. Assets under management by Trustco Financial Services are not included on the Company's Consolidated Financial Statements because Trustco Financial Services holds these assets in a fiduciary capacity. At December 31, 2021, 2020 and 2019, fair value of assets under management by the Trustco Financial Services were approximately \$1.1 billion, \$996.7 million and \$927.5 million, respectively. The changes in levels of assets under management reflects a combination of changing market valuations and the net impact of new customer asset additions, losses of accounts and the settlement of estates.

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

## NONINTEREST INCOME

(dollars in thousands)

	For the year ended December 31,			2021 vs. 2020	
	2021	2020	2019	Amount	Percent
Trustco Financial Services income	\$ 7,358	6,279	6,387	\$ 1,079	17.2%
Fees for services to customers	9,799	8,779	10,110	1,020	11.6
Net gain on securities transactions	-	1,155	-	(1,155)	(100.0)
Other	780	957	2,094	(177)	(18.5)
Total noninterest income	\$ 17,937	17,170	18,591	\$ 767	4.5%

Noninterest expense: Noninterest expense was \$101.7 million in 2021, \$95.7 million in 2020, and \$97.7 million in 2019. TrustCo's operating philosophy stresses the importance of monitoring and controlling the level of noninterest expense. The efficiency ratio is a strong indicator of how well controlled and monitored these expenses are for a banking enterprise. A low ratio indicates highly efficient performance. The median efficiency ratio for a peer group composed of banking institutions with assets of \$2 to \$10 billion was 56.7% for 2021. TrustCo's efficiency ratio was 56.9% in 2021, 56.4% in 2020 and 56.1% in 2019. In 2020 the ratio excludes net gain on securities transactions. Other real estate owned expense or income is also excluded from this calculation for all periods presented.

## NONINTEREST EXPENSE

(dollars in thousands)

	For the year ended December 31,			2021 vs. 2020	
	2021	2020	2019	Amount	Percent
Salaries and employee benefits	\$ 48,721	45,647	46,630	\$ 3,074	6.7%
Net occupancy expense	17,742	17,519	16,666	223	1.3
Equipment expense	6,617	6,636	7,068	(19)	(0.3)
Professional services	6,108	5,618	6,174	490	8.7
Outsourced services	8,384	7,750	7,600	634	8.2
Advertising expense	1,975	1,921	2,521	54	2.8
FDIC and other insurance	3,010	2,220	1,787	790	35.6
Other real estate expense (income), net	183	92	(166)	91	98.9
Other	8,922	8,301	9,450	621	7.5
Total noninterest expense	\$ 101,662	95,704	97,730	\$ 5,958	6.2%

Salaries and employee benefits are the most significant component of noninterest expense. For 2021, these expenses amounted to \$48.7 million, compared with \$45.6 million in 2020 and \$46.6 million in 2019. The increase in salaries and benefits in 2021 was primarily due to increased benefits in an effort to retain key personnel. Full time equivalent headcount decreased from 778 as of December 31, 2020 to 759 as of December 31, 2021. The decrease in headcount as compared to the prior year was not due to the effects of the pandemic. The Company constantly hires qualified candidates and from time-to-time experiences fluctuations in head count.

Net occupancy expense increased \$223 thousand during 2021 compared to 2020 primarily as a result of an increase in building maintenance expenses.

Professional services expense was \$6.1 million in 2021, compared to \$5.6 million in 2020 and \$6.2 million in 2019. The increase in these costs in 2021 compared to 2020 was driven by the increased use of various consultants and experts, as well as less legal fees in 2020 relating to the foreclosure moratorium.

Outsourced services expense increased \$634 thousand during 2021 compared to 2020 primarily as a result of additional services being utilized from our providers.

FDIC and other insurance expense was \$3.0 million in 2021, \$2.2 million in 2020 and \$1.8 million in 2019. The increase in 2021 was primarily due to FDIC credits received in 2020 and 2019 as a result of the FDIC reaching the Deposit Reserve Fund reserve ratio as well as increased costs due to higher asset balances.

Other real estate expense was \$183 thousand in 2021 and \$92 thousand in 2020, compared to other real estate income of \$166 thousand in 2019. Included in ORE expense (income) during 2021, 2020 and 2019 were write downs of properties included in ORE totaling \$121 thousand, \$120 thousand and \$366 thousand, respectively. Additionally, included in ORE expense (income) during 2021, 2020 and 2019 were gains of \$216 thousand, \$347 thousand and \$1.3 million, respectively.

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

The overall increase in expenses for the year ended December 31, 2021 as compared to 2020 and 2019 is primarily a result of costs of retaining key employees, increased services as the Company grows, inflation, and an improved economy from 2020.

### **Income Tax**

TrustCo recognized income tax expense of \$20.6 million, \$17.0 million and \$18.7 million in 2021, 2020 and 2019, respectively. The effective tax rates were 25.1% in 2021, 24.5% in 2020, and 24.4% in 2019.

### **Impact of Inflation and Changing Prices**

The Consolidated Financial Statements for the years ended 2021, 2020 and 2019 have been prepared in accordance with U.S. generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increasing cost of operations.

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

### **Critical Accounting Policies and Estimates**

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

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 2021 Annual Report on Form 10-K is a description of the significant accounting policies that are utilized by the Company in the preparation of the Consolidated Financial Statements.

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

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

#### **Recent Accounting Pronouncements**

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

#### **Forward-Looking Statements**

Statements included in this report and in future filings by TrustCo with the SEC, in TrustCo's press releases, and in oral statements made with the approval of an authorized executive officer, that are not historical or current facts, are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. Forward-looking statements can be identified by the use of such words as may, will, should, could, would, estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. TrustCo wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

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

- the effect of the COVID-19 pandemic on TrustCo's and Trustco Bank's businesses, financial condition, liquidity and results of operations and the impact of actions taken by governmental authorities to contain COVID-19 or address the impact of the COVID-19 pandemic on the economy, and the effect of all such items on the operations, liquidity and capital position and the financial condition of borrowers and other customers;
- TrustCo's future business strategies related to the implementation of CECL;
- credit risks and risks from concentrations (by geographic and by loan product) with TrustCo and Trustco Bank's loan portfolio
- changes in local market areas and general business economic trends, as well as changes in consumer spending, borrowing and savings habits and the ability to assess and react effectively to such changes;
- TrustCo's ability to continue to originate a significant volume of one- to- four family mortgage loans in its market areas and to otherwise maintain or increase its market share in the areas in which it operates;
- TrustCo's ability to continue to maintain noninterest expense and other overhead costs at reasonable levels relative to income;
- TrustCo's ability to make accurate assumptions and judgments regarding the credit risks associated with its lending and investing activities, including changes in the level and direction of loan delinquencies and charge-offs, changes in property values, and changes in estimates of the adequacy of the allowance for loan and lease losses;

- the effects of and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board, inflation, interest rates, market and monetary fluctuations;
- changes in and uncertainty related to benchmark interest rates used to price loans and deposits;
- restrictions or conditions imposed by TrustCo's and Trustco Bank's regulators on their operations that may make it more difficult to achieve TrustCo's and Trustco Bank's goals;
- the future earnings and capital levels of TrustCo and Trustco Bank and the continued receipt of approvals from TrustCo's and Trustco Bank's primary federal banking regulators under regulatory rules to distribute capital from Trustco Bank to TrustCo, which could affect the ability of TrustCo to pay dividends;
- the results of supervisory monitoring or examinations of Trustco Bank and the Company by their respective primary federal banking regulators, including the possibility that the regulators may, among other things, require us to increase our loss allowances or to take other actions that reduce capital or income;
- adverse conditions in the securities markets that lead to impairment in the value of securities in TrustCo's investment portfolio;
- the perceived overall value of TrustCo's products and services by users, including the features, pricing and quality, compared to competitors' products and services and the willingness of current and prospective customers to substitute competitors' products and services for TrustCo's products and services;
- changes in consumer spending, borrowing and savings habits;
- the effect of changes in financial services laws and regulations (including laws concerning taxation, banking and securities) and the impact of other governmental initiatives affecting the financial services industry, including regulatory capital requirements;
- changes in management personnel;
- real estate and collateral values;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies Financial Accounting Standards Board or the Public Company Accounting Oversight Board;
- disruptions, security breaches, or other adverse events affecting the third-party vendors who perform several of our critical processing functions;
- technological changes and electronic, cyber and physical security breaches;
- TrustCo's success at managing the risks involved in the foregoing and managing its business; and
- other risks and uncertainties included under "Risk Factors" in our Form 10-K for the year ended December 31, 2021.

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

**SUMMARY OF UNAUDITED QUARTERLY FINANCIAL INFORMATION**

(dollars in thousands, except per share data)

	2021					2020				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Income statement:										
Interest and dividend income	\$ 42,495	42,055	41,662	41,770	167,982	\$ 46,611	44,569	43,988	43,120	178,288
Interest expense	2,388	1,933	1,775	1,478	7,574	8,058	6,888	5,823	3,939	24,708
Net interest income	40,107	40,122	39,887	40,292	160,408	38,553	37,681	38,165	39,181	153,580
(Credit) Provision for loan losses	350	-	(2,800)	(3,000)	(5,450)	2,000	2,000	1,000	600	5,600
Net interest income after provision for loan losses	39,757	40,122	42,687	43,292	165,858	36,553	35,681	37,165	38,581	147,980
Noninterest income	4,428	4,688	4,295	4,526	17,937	5,334	3,426	4,341	4,069	17,170
Noninterest expense	25,335	25,440	24,697	26,190	101,662	24,268	23,932	22,674	24,830	95,704
Income before income taxes	18,850	19,370	22,285	21,628	82,133	17,619	15,175	18,832	17,820	69,446
Income tax expense	4,767	4,937	5,523	5,387	20,614	4,306	3,921	4,761	4,006	16,994
Net income	\$ 14,083	14,433	16,762	16,241	61,519	\$ 13,313	11,254	14,071	13,814	52,452
Per share data:										
Basic earnings (1)	\$ 0.730	0.748	0.871	0.845	3.194	\$ 0.688	0.584	0.730	0.716	2.718
Diluted earnings (1)	0.730	0.748	0.871	0.845	3.194	0.687	0.584	0.730	0.716	2.717
Cash dividends declared (1)	0.3406	0.3406	0.3406	0.3500	1.3719	0.3406	0.3406	0.3406	0.3406	1.3625

(1) All periods presented have been adjusted for the 1 for 5 reverse stock split which occurred on May 28, 2021.

## FIVE YEAR SUMMARY OF FINANCIAL DATA

(dollars in thousands, except per share data)

	Years ended December 31,				
	2021	2020	2019	2018	2017
Statement of income data:					
Interest and dividend income	\$ 167,982	178,288	192,128	180,914	168,960
Interest expense	7,574	24,708	36,321	20,228	14,592
Net interest income	160,408	153,580	155,807	160,686	154,368
(Credit) Provision for loan losses	(5,450)	5,600	159	1,400	2,000
Net interest income after provision for loan losses	165,858	147,980	155,648	159,286	152,368
Noninterest income	17,937	16,015	18,591	18,081	18,373
Net gain on securities transactions	-	1,155	-	-	-
Noninterest expense	101,662	95,704	97,730	97,713	93,994
Income before income taxes	82,133	69,446	76,509	79,654	76,747
Income taxes	20,614	16,994	18,669	18,209	33,602
Net income	\$ 61,519	52,452	57,840	61,445	43,145
Share data (1):					
Average equivalent diluted shares (in thousands)	19,263	19,303	19,385	19,329	19,244
Book value	\$ 31.28	29.46	27.75	25.35	23.77
Cash dividends	1.372	1.363	1.363	1.337	1.313
Basic earnings	3.194	2.718	2.986	3.185	2.243
Diluted earnings	3.194	2.717	2.984	3.180	2.242
Financial:					
Return on average assets	1.01%	0.94	1.12	1.25	0.88
Return on average shareholders' equity	10.61	9.47	11.26	13.05	9.64
Cash dividend payout ratio	42.95	50.12	45.60	42.02	58.44
Tier 1 capital to assets (leverage ratio)	9.61	9.65	10.25	10.13	9.45
Tier 1 capital as a % of total risk adjusted assets	19.54	19.19	18.99	18.79	18.02
Common equity tier 1 capital ratio	19.54	19.19	18.99	18.79	18.02
Total capital as a % of total risk adjusted assets	20.79	20.44	20.24	20.05	19.28
Efficiency ratio*	56.90	56.38	56.13	53.97	53.75
Net interest margin	2.71	2.84	3.10	3.33	3.22
Average balances:					
Total assets	\$ 6,075,481	5,553,636	5,161,820	4,900,450	4,875,668
Earning assets	5,928,077	5,403,000	5,023,914	4,822,577	4,790,890
Loans, net	4,336,834	4,163,399	3,926,199	3,746,082	3,514,900
Allowance for loan losses	(49,421)	(47,330)	(44,639)	(44,651)	(44,319)
Securities available for sale	462,675	467,759	590,768	547,721	617,180
Held to maturity securities	11,733	16,376	20,643	24,801	37,929
Federal Reserve Bank and Federal Home Loan Bank stock	5,578	7,381	9,123	8,907	9,295
Deposits	5,188,347	4,742,452	4,409,060	4,206,577	4,171,396
Short-term borrowings	232,815	180,065	159,220	194,810	228,086
Shareholders' equity	579,923	553,632	513,489	470,814	447,680

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

(1) All periods presented have been adjusted for the 1 for 5 reverse stock split which occurred on May 28, 2021.

## Non-GAAP Financial Measures Reconciliation

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

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

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

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

(dollars in thousands, except per share amounts)

(Unaudited)

	Years ended				
	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17
<b>Taxable Equivalent Net Interest Margin</b>					
Net interest income (GAAP)	\$ 160,408	153,580	155,807	160,686	154,368
Taxable Equivalent Adjustment	1	3	5	12	45
Net interest income (Taxable Equivalent) (Non-GAAP)	160,409	153,583	155,812	160,698	154,413
Total Interest Earning Assets	5,928,077	5,403,000	5,023,914	4,822,577	4,790,890
Net Interest Margin (GAAP)	2.71%	2.84%	3.10%	3.33%	3.22%
Taxable Equivalent Net Interest Margin (Non-GAAP)	2.71%	2.84%	3.10%	3.33%	3.22%
	Years ended				
	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17
<b>Efficiency Ratio</b>					
Net interest income (Taxable Equivalent) (Non-GAAP)	\$ 160,409	153,583	155,812	160,698	154,413
Non-interest income (GAAP)	17,937	17,170	18,591	18,081	18,373
Less: Net gain on securities	-	1,155	-	-	-
Less: Net gain on sale of building and net gain on sale of nonperforming loans	-	-	-	-	84
Revenue used for efficiency ratio (Non-GAAP)	178,346	169,598	174,403	178,779	172,702
Total Noninterest expense (GAAP)	101,662	95,704	97,730	97,713	93,994
Less: Other real estate (income) expense, net	183	92	(166)	1,231	1,171
Expenses used for efficiency ratio (Non-GAAP)	101,479	95,612	97,896	96,482	92,823
Efficiency Ratio	56.90%	56.38%	56.13%	53.97%	53.75%



## **Glossary of Terms**

### **Allowance for Loan Losses:**

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

### **Basic Earnings Per Share:**

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

### **Cash Dividends Per Share:**

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

### **Common equity tier 1 capital ratio**

Common equity Tier 1 capital to risk weighted assets

### **Comprehensive Income:**

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

### **Core Deposits:**

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

### **Derivative Investments:**

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

### **Diluted Earnings Per Share:**

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

### **Earning Assets:**

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

### **Efficiency Ratio:**

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

### **Federal Funds Sold:**

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

### **Government Sponsored Enterprises ("GSE"):**

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

### **Impaired Loans:**

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

**Glossary of Terms** *(continued)*

**Interest Bearing Liabilities:**

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

**Interest Rate Spread:**

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

**Liquidity:**

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

**Net Interest Income:**

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

**Net Interest Margin:**

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

**Net Loans Charged Off:**

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

**Nonaccrual Loans:**

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

**Nonperforming Assets:**

The sum of nonperforming loans plus foreclosed real estate properties.

**Nonperforming Loans:**

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

**Parent Company:**

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

**Real Estate Owned:**

Real estate acquired through foreclosure proceedings.

**Return on Average Assets:**

Net income as a percentage of average total assets.

**Return on Average Equity:**

Net income as a percentage of average equity.

**Glossary of Terms** *(continued)*

**Reverse Stock Split:**

Effective as of May 28, 2021, the Company completed a 1-for-5 reverse stock split (the “Reverse Stock Split”) of the Company’s issued and outstanding shares of common stock, par value \$1.00 per share, as previously approved by our shareholders. Proportional adjustments were made to the Company’s issued and outstanding common stock and to the exercise price and number of shares issuable upon exercise of the options outstanding under the Company’s equity incentive plans, and the number of shares subject to restricted stock units under the Company’s equity incentive plans. No fractional shares of common stock were issued in connection with the Reverse Stock Split, and shareholders received cash in lieu of any fractional shares. All references herein to common stock and per share data for all periods presented in the consolidated financial statements and notes thereto, have been retrospectively adjusted to reflect the Reverse Stock Split.

**Risk-Adjusted Assets:**

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

**Risk-Based Capital:**

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

**Subprime Loans:**

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

**Tangible Book Value Per Share:**

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

**Taxable Equivalent (“TE”):**

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

**Tier 1 Capital:**

Total shareholders’ equity excluding accumulated other comprehensive income.

**Troubled Debt Restructurings (TDRs):**

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

## Management's Report on Internal Control over Financial Reporting

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

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

Management has completed an assessment of TrustCo Bank Corp NY's internal control over financial reporting as of December 31, 2021. In making this assessment, we used the criteria set forth by the 2013 Internal Control - Integrated Framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria. Based on our assessment, we believe that, as of December 31, 2021, the Company maintained effective internal control over financial reporting.

The Company's internal control over financial reporting as of December 31, 2021 has been audited by Crowe LLP, the Company's independent registered public accounting firm, as stated in their report which is included herein.



Robert J. McCormick  
Chairman, President, and Chief Executive Officer



Michael M. Ozimek  
Executive Vice President, and Chief Financial Officer

February 25, 2022



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

**Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated statements of condition of Trustco Bank Corp NY (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in shareholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework: (2013) issued by COSO.

**Basis for Opinions**

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

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

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

***Definition and Limitations of Internal Control Over Financial Reporting***

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

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

***Critical Audit Matter***

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

***Allowance for Loan Losses – Qualitative Factors***

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

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

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

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

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

/s/ Crowe LLP

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

New York, New York  
February 25, 2022

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

	Years ended December 31,		
	2021	2020	2019
Interest and dividend income:			
Interest and fees on loans	\$ 159,168	165,964	166,610
Interest and dividends on securities available for sale:			
U. S. government sponsored enterprises	314	568	3,209
State and political subdivisions	2	6	8
Mortgage-backed securities and collateralized mortgage obligations-residential	4,515	6,131	8,219
Corporate bonds	1,065	1,721	1,096
Small Business Administration-guaranteed participation securities	745	902	1,121
Other	20	23	22
Total interest and dividends on securities available for sale	6,661	9,351	13,675
Interest on held to maturity securities:			
Mortgage-backed securities and collateralized mortgage obligations-residential	435	604	797
Total interest on held to maturity securities	435	604	797
Federal Reserve Bank and Federal Home Loan Bank stock	260	421	568
Interest on federal funds sold and other short-term investments	1,458	1,948	10,478
Total interest and dividend income	167,982	178,288	192,128
Interest expense:			
Interest on deposits	6,665	23,698	34,853
Interest on short-term borrowings	909	1,010	1,468
Total interest expense	7,574	24,708	36,321
Net interest income	160,408	153,580	155,807
(Credit) Provision for loan losses	(5,450)	5,600	159
Net interest income after provision for loan losses	165,858	147,980	155,648
Noninterest income:			
Trustco Financial Services income	7,358	6,279	6,387
Fees for services to customers	9,799	8,779	10,110
Net gain on securities transactions	-	1,155	-
Other	780	957	2,094
Total noninterest income	17,937	17,170	18,591
Noninterest expense:			
Salaries and employee benefits	48,721	45,647	46,630
Net occupancy expense	17,742	17,519	16,666
Equipment expense	6,617	6,636	7,068
Professional services	6,108	5,618	6,174
Outsourced services	8,384	7,750	7,600
Advertising expense	1,975	1,921	2,521
FDIC and other insurance expense	3,010	2,220	1,787
Other real estate expense (income), net	183	92	(166)
Other	8,922	8,301	9,450
Total noninterest expense	101,662	95,704	97,730
Income before income taxes	82,133	69,446	76,509
Income taxes	20,614	16,994	18,669
Net income	\$ 61,519	52,452	57,840
Earnings per share (1):			
Basic	\$ 3.194	2.718	2.986
Diluted	3.194	2.717	2.984

(1) All periods presented have been adjusted for the 1 for 5 reverse stock split which occurred on May 28, 2021.

See accompanying notes to consolidated financial statements.



**TRUSTCO BANK CORP NY**  
**Consolidated Statements of Comprehensive Income**  
(dollars in thousands)

	Years ended December 31,		
	2021	2020	2019
Net income	\$ 61,519	52,452	57,840
Net unrealized holding (loss) gain on securities available for sale	(9,715)	10,475	14,459
Reclassification adjustments for net gain recognized in income	-	(1,155)	-
Tax effect	2,503	(2,420)	(3,757)
Net unrealized (loss) gain on securities available for sale, net of tax	(7,212)	6,900	10,702
Change in overfunded position in pension and postretirement plans arising during the year	10,297	1,681	5,967
Tax effect	(2,675)	(437)	(1,550)
Change in overfunded position in pension and postretirement plans arising during the year, net of tax	7,622	1,244	4,417
Amortization of net actuarial gain	(674)	(708)	(274)
Amortization of prior service cost (credit)	405	(196)	(197)
Tax effect	70	235	122
Amortization of net actuarial gain and prior service cost (credit) on pension and postretirement plans, net of tax	(199)	(669)	(349)
Other comprehensive income, net of tax	211	7,475	14,770
Comprehensive income	\$ 61,730	59,927	72,610

See accompanying notes to consolidated financial statements.

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

	As of December 31,	
	2021	2020
<b>ASSETS</b>		
Cash and due from banks	\$ 48,357	47,196
Federal funds sold and other short term investments	1,171,113	1,059,903
Total cash and cash equivalents	1,219,470	1,107,099
Securities available for sale	407,713	439,071
Held to maturity securities (\$10,695 and \$14,988 fair value at December 31, 2021 and 2020, respectively)	9,923	13,824
Federal Home Loan Bank stock	5,604	5,506
Loans, net of deferred net costs	4,438,779	4,244,470
Less: Allowance for loan losses	44,267	49,595
Net loans	4,394,512	4,194,875
Bank premises and equipment, net	33,027	34,412
Operating lease right-of-use assets	48,090	47,885
Other assets	78,207	59,124
Total assets	\$ 6,196,546	5,901,796
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Demand	\$ 794,878	652,756
Savings accounts	1,504,554	1,285,501
Interest-bearing checking	1,191,304	1,086,558
Money market deposit accounts	782,079	716,005
Time accounts	995,314	1,296,373
Total deposits	5,268,129	5,037,193
Short-term borrowings	244,686	214,755
Operating lease liabilities	52,720	52,784
Accrued expenses and other liabilities	29,883	28,903
Total liabilities	5,595,418	5,333,635
Commitments and contingent liabilities		
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock: \$1 par value; 30,000,000 shares authorized, 20,045,684 and 20,040,966 shares issued and 19,219,989 and 19,286,531 shares outstanding at December 31, 2021 and 2020, respectively (1) (2)	20,046	20,041
Surplus (1)	256,661	256,606
Undivided profits	349,056	313,974
Accumulated other comprehensive income, net of tax	12,147	11,936
Treasury stock: 825,695 and 754,435 shares, at cost, at December 31, 2021 and 2020, respectively (2)	(36,782)	(34,396)
Total shareholders' equity	601,128	568,161
Total liabilities and shareholders' equity	\$ 6,196,546	5,901,796

(1) All periods presented have been adjusted for the 1 for 5 reverse stock split which occurred on May 28, 2021.

(2) Share amounts have been adjusted for all periods presented for the 1 for 5 reverse stock split which occurred on May 28, 2021.

See accompanying notes to consolidated financial statements.

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

	Capital Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Beginning balance, January 1, 2019 (1)	\$ 20,035	256,850	256,397	(10,309)	(33,102)	489,871
Net income	-	-	57,840	-	-	57,840
Change in other comprehensive income (loss), net of tax	-	-	-	14,770	-	14,770
Stock options exercised (1)	6	179	-	-	-	185
Cash dividend declared, \$1.3625 per share (2)	-	-	(26,170)	-	-	(26,170)
Purchase of treasury stock (826 shares) (2)	-	-	-	-	(35)	(35)
Sale of treasury stock (47,479 shares) (2)	-	(443)	-	-	2,234	1,791
Stock based compensation expense	-	5	-	-	-	5
Ending balance, December 31, 2019	\$ 20,041	256,591	288,067	4,461	(30,903)	538,257
Net income	-	-	52,452	-	-	52,452
Change in other comprehensive income (loss), net of tax	-	-	-	7,475	-	7,475
Cash dividend declared, \$1.3625 per share (1)	-	-	(26,545)	-	-	(26,545)
Purchase of treasury stock (97,800 shares) (2)	-	-	-	-	(3,493)	(3,493)
Stock based compensation expense	-	15	-	-	-	15
Ending balance, December 31, 2020	\$ 20,041	256,606	313,974	11,936	(34,396)	568,161
Net income	-	-	61,519	-	-	61,519
Change in other comprehensive income (loss), net of tax	-	-	-	211	-	211
Cash used to settle fractional shares in the Reverse Stock Split	(5)	(195)	-	-	-	(200)
Stock options exercises (9,923 shares issued) (2)	10	250	-	-	-	260
Cash dividend declared, \$1.3719 per share (2)	-	-	(26,437)	-	-	(26,437)
Purchase of treasury stock (71,260 shares) (2)	-	-	-	-	(2,386)	(2,386)
Ending balance, December 31, 2021	\$ 20,046	256,661	349,056	12,147	(36,782)	601,128

(1) All periods presented have been adjusted for the 1 for 5 reverse stock split which occurred on May 28, 2021.

(2) Share amounts and per share amounts have been adjusted for all periods presented for the 1 for 5 reverse stock split which occurred on May 28, 2021.

**TRUSTCO BANK CORP NY****Consolidated Statements of Cash Flows**

(dollars in thousands, except per share data)

	Years ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income	\$ 61,519	52,452	57,840
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,219	4,040	3,954
Amortization of right-of-use asset	6,383	6,138	5,989
Net gain on sale of other real estate owned	(216)	(347)	(1,316)
Writedown of other real estate owned	121	120	366
(Credit) Provision for loan losses	(5,450)	5,600	159
Deferred tax (benefit) expense	(238)	(1,067)	1,139
Net amortization of securities	3,955	3,883	2,971
Stock based compensation expense	-	15	5
Net gain on sale of bank premises and equipment	-	-	(3)
Net gain on securities transactions	-	(1,155)	-
(Increase) Decrease in taxes receivable	(148)	(1,243)	2,049
Decrease in interest receivable	932	884	426
(Decrease) Increase in interest payable	(311)	(985)	435
Increase in other assets	(10,247)	(2,625)	(4,013)
Decrease in operating lease liabilities	(6,652)	(6,317)	(6,093)
Increase (Decrease) in accrued expenses and other liabilities	1,498	2,764	(110)
Total adjustments	(6,154)	9,705	5,958
Net cash provided by operating activities	55,365	62,157	63,798
Cash flows from investing activities:			
Proceeds from sales, paydowns and calls of securities available for sale	148,609	276,843	192,003
Purchases of securities available for sale	(139,962)	(145,339)	(262,754)
Proceeds from maturities of securities available for sale	9,162	10,007	10,052
Proceeds from calls and maturities of held to maturity securities	3,780	4,627	3,710
Purchases of Federal Reserve Bank and Federal Home Loan Bank stock	(98)	(380)	(230)
Proceeds from redemptions of Federal Reserve Bank stock	-	4,057	-
Net increase in loans	(194,677)	(183,320)	(193,283)
Proceeds from dispositions of other real estate owned	764	1,989	5,622
Proceeds from dispositions of bank premises and equipment	6	-	15
Purchases of bank premises and equipment	(2,840)	(3,830)	(3,894)
Net cash used in investing activities	(175,256)	(35,346)	(248,759)
Cash flows from financing activities:			
Net increase in deposits	230,936	587,177	175,769
Net change in short-term borrowings	29,931	66,089	(13,227)
Proceeds from exercise of stock options and related tax benefits	260	-	185
Proceeds from sales of treasury stock	-	-	1,791
Cash used to settle fractional shares in the Reverse Stock Split	(200)	-	-
Purchases of treasury stock	(2,386)	(3,493)	(35)
Dividends paid	(26,279)	(26,331)	(26,385)
Net cash provided by (used in) financing activities	232,262	623,442	138,098
Net decrease in cash and cash equivalents	112,371	650,253	(46,863)
Cash and cash equivalents at beginning of period	1,107,099	456,846	503,709
Cash and cash equivalents at end of period	\$ 1,219,470	1,107,099	456,846
Cash paid during the year for:			
Interest paid	\$ 7,885	25,693	35,886
Income taxes paid	20,493	18,185	16,806
Non cash investing and financing activities:			
Transfer of loans to real estate owned	490	724	4,575
Change in dividends payable	158	214	(215)
Change in unrealized (loss) gain on securities available for sale - gross of deferred taxes	(9,715)	9,320	14,459
Change in deferred tax effect on unrealized (gain) loss on securities available for sale, net of reclassification adjustment	2,503	(2,420)	(3,757)
Amortization of net actuarial gain and prior service credit on pension and post retirement plans, gross of deferred taxes	(269)	(904)	(471)
Change in deferred tax effect of amortization of net actuarial gain and prior service credit on pension and post retirement plans	70	235	122
Change in overfunded portion of pension and post retirement benefit plans (ASC 715) - gross of deferred taxes	10,297	1,681	5,967
Deferred tax effect of change in overfunded portion of pension and post retirement benefit plans (ASC 715)	(2,675)	(437)	(1,550)

See accompanying notes to consolidated financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (1) Basis of Presentation

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

#### Consolidation

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

#### Reverse Stock Split

Effective as of May 28, 2021, the Company completed a 1-for-5 reverse stock split (the "Reverse Stock Split") of the Company's issued and outstanding shares of common stock, par value \$1.00 per share. Proportional adjustments were made to the Company's issued and outstanding common stock and to the exercise price and number of shares issuable upon exercise of the options outstanding under the Company's equity incentive plans, and the number of shares subject to restricted stock units under the Company's equity incentive plans. No fractional shares of common stock were issued in connection with the Reverse Stock Split, and shareholders received cash in lieu of any fractional shares. All references herein to common stock and per share data for all periods presented in the consolidated financial statements and notes thereto, have been retrospectively adjusted to reflect the Reverse Stock Split.

#### Use of Estimates

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

#### Risks and Uncertainties

Beginning in March 2020, the Company experienced negative impacts to its business in the form of requests for loan deferrals of principal and interest due to the business disruption caused by COVID-19. In March 2020, the World Health Organization categorized COVID-19 as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. On March 3, 2020, the Federal Reserve reduced the target federal funds rate by 50 basis points, followed by an additional reduction of 100 basis points on March 16, 2020. The Company has evaluated the impact of the effects of COVID-19 and determined that there were no material or systematic adverse impacts on the Company's December 31, 2021 and 2020 financial statements except for adjustments to the provision for loan losses and related allowance for loan losses. As of December 31, 2021 and 2020 the Company and Bank capital ratios were in excess of all regulatory requirements. While management believes that we have sufficient capital to withstand any further economic challenges brought on by the COVID-19 pandemic, our reported and regulatory capital ratios, as well as the ability of the Company and the Bank to pay dividends or make other distributions, could be adversely impacted by unanticipated credit losses. At this time, we do not believe there exists any impairment to our goodwill, long-lived assets, right of use assets, held to maturity investment securities, or available-for-sale investment securities due to the COVID-19 pandemic. It is uncertain whether prolonged effects of the COVID-19 pandemic will result in future impairment charges related to any of the aforementioned assets and continue to negatively impact net interest income, provision for loan losses, and noninterest income.

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

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

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

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

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

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

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

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

**Federal Reserve Bank of New York (Reserve Bank) and Federal Home Loan Bank (FHLB) stock**

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

**Loans**

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

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

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

**Allowance for Loan Losses**

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

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

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

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

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

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

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

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

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

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



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

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

### **Bank Premises and Equipment**

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

### **Other Real Estate Owned**

Assets that are acquired through or instead of foreclosure are initially recorded at fair value less costs to sell. These assets are subsequently accounted for at the lower of cost or fair value less costs to sell. Subsequent write downs and gains and losses on sale are included in noninterest expense. Operating costs after acquisition are also included in noninterest expense. At December 31, 2021 and 2020, there were \$362 thousand and \$541 thousand, respectively, of other real estate owned included in the category of Other Assets in the accompanying Consolidated Statements of Condition.

### **Income Taxes**

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

### **Dividend Restrictions**

The Company's ability to pay dividends to its shareholders is dependent upon the ability of the Bank to pay dividends to the Company. The payment of dividends by the Bank to the Company is subject to continued compliance with minimum regulatory capital requirements and the filing of notices with the Bank's and the Company's regulators. The Bank's primary regulator may disapprove a dividend if: the Bank would be undercapitalized following the distribution; the proposed capital distribution raises safety and soundness concerns; or the capital distribution would violate a prohibition contained in any statute, regulation or agreement between the Bank and a regulator or a condition imposed in a previously approved application or notice. Currently the Bank meets the regulatory definition of a well-capitalized institution. During 2022, the Bank could declare dividends of approximately \$86.1 million plus any 2022 net profits retained to the date of the dividend declaration.

### **Benefit Plans**

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

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

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

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

## **Stock-Based Compensation Plans**

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

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

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

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

## **Earnings Per Share**

Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. All outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends are considered participating securities for this calculation. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options. At December 31, 2021, 2020, and 2019, the Company did not have any unvested awards that would be considered participating securities.

## **Segment Reporting**

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

## **Cash and Cash Equivalents**

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

## **Trust Assets**

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

## **Comprehensive Income**

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

## **Fair Value of Financial Instruments**

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

## (2) Balances at Other Banks

The Company is required to maintain certain reserves of vault cash and/or deposits with the Federal Reserve Bank. The amount of this reserve requirement, included in cash and due from banks and federal funds sold and other short-term investments, was approximately \$69.6 million and \$61.5 million at December 31, 2021 and 2020, respectively.

## (3) Investment Securities

### (a) Securities available for sale

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

(dollars in thousands)

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	\$ 59,976	-	797	59,179
State and political subdivisions	41	-	-	41
Mortgage backed securities and collateralized mortgage obligations - residential	269,907	3,367	2,476	270,798
Corporate bonds	45,805	157	625	45,337
Small Business Administration - guaranteed participation securities	31,303	371	-	31,674
Other	685	-	1	684
<b>Total securities available for sale</b>	<b>\$ 407,717</b>	<b>3,895</b>	<b>3,899</b>	<b>407,713</b>

(dollars in thousands)

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

The following table distributes the amortized cost and fair value of debt securities included in the available for sale portfolio as of December 31, 2021, based on the securities' final maturity. Actual maturities may differ because of securities prepayments and the right of certain issuers to call or prepay their obligations without penalty. Securities not due at a single maturity are shown separately:

(dollars in thousands)

	Amortized Cost	Fair Value
Due in one year or less	\$ 15,057	15,215
Due in one year through five years	91,450	90,026
Mortgage backed securities and collateralized mortgage obligations - residential	269,907	270,798
Small Business Administration - guaranteed participation securities	31,303	31,674
<b>Total</b>	<b>\$ 407,717</b>	<b>407,713</b>

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

(dollars in thousands)

	December 31, 2021					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss
U.S. government sponsored enterprises	\$ 49,279	697	9,900	100	59,179	797
Mortgage backed securities and collateralized mortgage obligations - residential	93,447	1,888	22,098	588	115,545	2,476
Corporate bonds	15,670	171	14,546	454	30,216	625
Other	648	1	-	-	648	1
Total	\$ 159,044	2,757	46,544	1,142	205,588	3,899

(dollars in thousands)

	December 31, 2020					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss
U.S. government sponsored enterprises	\$ 19,968	32	-	-	19,968	32
Mortgage backed securities and collateralized mortgage obligations - residential	19,471	23	-	-	19,471	23
Corporate bonds	14,901	99	4,937	63	19,838	162
Total	\$ 54,340	154	4,937	63	59,277	217

The proceeds from sales, calls/paydowns and maturities of securities available for sale, and gross realized gains and gross realized losses from sales during 2021, 2020, and 2019 are as follows:

	Years ended December 31,		
	2021	2020	2019
Proceeds from sales	\$ -	29,219	-
Proceeds from calls/paydowns	148,609	247,624	192,003
Proceeds from maturities	9,162	10,007	10,052
Gross realized gains	-	1,155	-
Gross realized losses	-	-	-

The amount of securities pledged to secure short-term borrowings and for other purposes amounted to \$283.2 million and \$267.6 million at December 31, 2021 and 2020, respectively.

(b) *Held to maturity securities*

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

(dollars in thousands)	December 31, 2021			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Mortgage backed securities and collateralized mortgage obligations - residential	\$ 9,923	773	1	10,695
Total held to maturity	\$ 9,923	773	1	10,695

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

The following table distributes the debt securities included in the held to maturity portfolio as of December 31, 2021, based on the securities' final maturity. Actual maturities may differ because of securities prepayments and the right of certain issuers to call or prepay their obligations without penalty. Securities not due at a single maturity date are shown separately.

(dollars in thousands)	Amortized Cost	Fair Value
Mortgage backed securities and collateralized mortgage obligations - residential	\$ 9,923	10,695
	\$ 9,923	10,695

As of December 31, 2021 held to maturity securities with a fair value of \$442 thousand had an unrecognized loss of approximately one thousand dollars that was less than twelve months. There were no held to maturity securities in an unrecognized loss position for 2020. There were no sales or transfers of held to maturity securities during 2021 and 2020.

(c) *Concentrations*

The Company has the following balances of securities held in the available for sale and held to maturity portfolios as of December 31, 2021 that represent greater than 10% of shareholders' equity:

(dollars in thousands)	Amortized Cost	Fair Value
Federal National Mortgage Association	\$ 179,997	180,857
Federal Home Loan Mortgage Corporation	70,829	71,027

(d) *Other-Than-Temporary-Impairment*

Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. The investment securities portfolio is evaluated for OTTI by segregating the portfolio by type and applying the appropriate OTTI model.

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

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

As of December 31, 2021, the Company's security portfolio included certain securities which were in an unrealized loss position, and are discussed below.

#### U.S. government sponsored enterprises

In the case of unrealized losses on U.S. government sponsored enterprises, because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2020.

#### Mortgage backed securities and collateralized mortgage obligations – residential

At December 31, 2021, all mortgage backed securities and collateralized mortgage obligations held by the Company were issued by U.S. government sponsored entities and agencies, primarily Ginnie Mae, Fannie Mae and Freddie Mac, institutions which the government has affirmed its commitment to support. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2021.

#### Corporate Bonds and other

At December 31, 2021, corporate bonds held by the Company are investment grade quality. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2021.

#### (4) Loans and Allowance for Loan Losses

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

(dollars in thousands)	December 31, 2021		
	New York and other states*	Florida	Total
Commercial:			
Commercial real estate	\$ 147,063	21,653	168,716
Other	30,889	595	31,484
Real estate mortgage - 1 to 4 family:			
First mortgages	2,723,734	1,212,568	3,936,302
Home equity loans	48,190	13,695	61,885
Home equity lines of credit	175,134	55,842	230,976
Installment	7,368	2,048	9,416
Total loans, net	\$ 3,132,378	1,306,401	4,438,779
Less: Allowance for loan losses			44,267
Net loans			\$ 4,394,512

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

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

As December 31, 2021 and 2020, the commercial loan class included \$10 million and \$29 million, respectively, of PPP loans.

At December 31, 2021 and 2020, the Company had approximately \$37.3 million and \$24.7 million of real estate construction loans, respectively. Of the \$37.3 million in real estate construction loans at December 31, 2021, approximately \$17.9 million were secured by first mortgages to residential borrowers with the remaining \$19.4 million were to commercial borrowers for residential construction projects. Of the \$24.7 million in real estate construction loans at December 31, 2020, approximately \$10.5 million were secured by first mortgages to residential borrowers with the remaining \$14.2 million were to commercial borrowers for residential construction projects. The vast majority of construction loans are in the Company's Florida market.

At December 31, 2021 and 2020, loans to executive officers, directors, and to associates of such persons aggregated \$17.9 million and \$16.3 million, respectively. During 2021, approximately \$8.6 million of new loans were made and repayments of loans totaled approximately \$7.0 million. The composition of the related parties' loan balances had no changes during the year. All loans are current according to their term.

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

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

(dollars in thousands)	December 31, 2021		
	New York and other states*	Florida	Total
Loans in non-accrual status:			
Commercial:			
Commercial real estate	\$ 67	-	67
Other	45	-	45
Real estate mortgage - 1 to 4 family:			
First mortgages	13,990	1,797	15,787
Home equity loans	247	45	292
Home equity lines of credit	2,337	174	2,511
Installment	23	14	37
Total non-accrual loans	16,709	2,030	18,739
Restructured real estate mortgages - 1 to 4 family	17	-	17
Total nonperforming loans	\$ 16,726	2,030	18,756

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

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

The Company transfers loans to other real estate owned, at fair value less cost to sell, in the period the Company obtains physical possession of the property (through legal title or through a deed in lieu). As of December 31, 2021 and 2020, other real estate owned included \$362 thousand and \$541 thousand, respectively, of residential foreclosed properties. In addition, non-accrual residential mortgage loans that are in the process of foreclosure had a recorded investment of \$9.7 million and \$11.6 million as of December 31, 2021 and 2020, respectively.



The following tables present the aging of the recorded investment in past due loans by loan class and by region as of December 31, 2021 and 2020:

December 31, 2021						
New York and other states*: (dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$ -	233	45	278	146,785	147,063
Other	-	-	-	-	30,889	30,889
Real estate mortgage - 1 to 4 family:						
First mortgages	1,303	239	9,867	11,409	2,712,325	2,723,734
Home equity loans	136	-	224	360	47,830	48,190
Home equity lines of credit	355	458	911	1,724	173,410	175,134
Installment	27	5	4	36	7,332	7,368
Total	\$ 1,821	935	11,051	13,807	3,118,571	3,132,378
Florida:						
(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$ -	-	-	-	21,653	21,653
Other	-	-	-	-	595	595
Real estate mortgage - 1 to 4 family:						
First mortgages	869	180	1,146	2,195	1,210,373	1,212,568
Home equity loans	-	45	-	45	13,650	13,695
Home equity lines of credit	-	89	-	89	55,753	55,842
Installment	18	-	5	23	2,025	2,048
Total	\$ 887	314	1,151	2,352	1,304,049	1,306,401
Total:						
(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$ -	233	45	278	168,438	168,716
Other	-	-	-	-	31,484	31,484
Real estate mortgage - 1 to 4 family:						
First mortgages	2,172	419	11,013	13,604	3,922,698	3,936,302
Home equity loans	136	45	224	405	61,480	61,885
Home equity lines of credit	355	547	911	1,813	229,163	230,976
Installment	45	5	9	59	9,357	9,416
Total	\$ 2,708	1,249	12,202	16,159	4,422,620	4,438,779

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

December 31, 2020

New York and other states\*:

(dollars in thousands)

	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$ 125	77	279	481	146,582	147,063
Other	-	-	80	80	44,852	44,932
Real estate mortgage - 1 to 4 family:						
First mortgages	1,220	982	10,927	13,129	2,593,652	2,606,781
Home equity loans	120	1	48	169	59,231	59,400
Home equity lines of credit	401	344	1,273	2,018	191,636	193,654
Installment	3	-	43	46	7,764	7,810
Total	\$ 1,869	1,404	12,650	15,923	3,045,429	3,061,352

Florida:

(dollars in thousands)

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

Total:

(dollars in thousands)

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

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

At December 31, 2021 and 2020, there were no loans that are 90 days past due and still accruing interest. As a result, non-accrual loans includes all loans 90 days past due and greater as well as certain loans less than 90 days past due that were placed in non-accruing status for reasons other than delinquent status. There are no commitments to extend further credit on nonaccrual or restructured loans.

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

(dollars in thousands)	For the year ended December 31, 2021			
	Commercial	Real Estate Mortgage- 1 to 4 Family	Installment	Total
Balance at beginning of period	\$ 4,140	44,950	505	49,595
Loans charged off:				
New York and other states*	30	339	58	427
Florida	-	1	2	3
Total loan chargeoffs	30	340	60	430
Recoveries of loans previously charged off:				
New York and other states*	32	464	54	550
Florida	-	2	-	2
Total recoveries	32	466	54	552
Net loans charged off	(2)	(126)	6	(122)
Credit for loan losses	(1,007)	(4,387)	(56)	(5,450)
Balance at end of period	\$ 3,135	40,689	443	44,267

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

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2021 and 2020:

December 31, 2021				
	Commercial Loans	1-to-4 Family Residential Real Estate	Installment Loans	Total
(dollars in thousands)				
Allowance for loan losses:				
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	\$ -	-	-	-
Collectively evaluated for impairment	3,135	40,689	443	44,267
Total ending allowance balance	\$ 3,135	40,689	443	44,267
Loans:				
Individually evaluated for impairment	\$ 232	18,272	-	18,504
Collectively evaluated for impairment	199,968	4,210,891	9,416	4,420,275
Total ending loans balance	\$ 200,200	4,229,163	9,416	4,438,779
December 31, 2020				
	Commercial Loans	1-to-4 Family Residential Real Estate	Installment Loans	Total
(dollars in thousands)				
Allowance for loan losses:				
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	\$ -	-	-	-
Collectively evaluated for impairment	4,140	44,950	505	49,595
Total ending allowance balance	\$ 4,140	44,950	505	49,595
Loans:				
Individually evaluated for impairment	\$ 1,028	20,553	-	21,581
Collectively evaluated for impairment	211,464	4,001,808	9,617	4,222,889
Total ending loans balance	\$ 212,492	4,022,361	9,617	4,244,470

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

A loan for which the terms have been modified, and for which the borrower is experiencing financial difficulties, is considered a TDR and is classified as impaired. TDR's at December 31, 2021 and 2020 are measured at the present value of estimated future cash flows using the loan's effective rate at inception or the fair value of the underlying collateral if the loan is considered collateral dependent.

The following tables present impaired loans by loan class as of December 31, 2021 and 2020:

		December 31, 2021			
New York and other states*:		Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Avg Recorded Investment
(dollars in thousands)					
Commercial:					
Commercial real estate	\$	187	279	-	1,154
Other		45	45	-	107
Real estate mortgage - 1 to 4 family:					
First mortgages		13,687	13,875	-	14,072
Home equity loans		161	161	-	235
Home equity lines of credit		1,852	1,939	-	2,256
Total	\$	15,932	16,299	-	17,824
Florida:					
(dollars in thousands)		Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Avg Recorded Investment
Commercial:					
Commercial real estate	\$	-	-	-	105
Other		-	-	-	-
Real estate mortgage - 1 to 4 family:					
First mortgages		2,368	2,368	-	2,562
Home equity loans		-	-	-	16
Home equity lines of credit		204	204	-	246
Total	\$	2,572	2,572	-	2,929
Total:					
(dollars in thousands)		Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Avg Recorded Investment
Commercial:					
Commercial real estate	\$	187	279	-	1,259
Other		45	45	-	107
Real estate mortgage - 1 to 4 family:					
First mortgages		16,055	16,243	-	16,634
Home equity loans		161	161	-	251
Home equity lines of credit		2,056	2,143	-	2,502
Total	\$	18,504	18,871	-	20,753

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

December 31, 2020

New York and other states\*:

(dollars in thousands)

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

Florida:

(dollars in thousands)

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

Total:

(dollars in thousands)

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

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

The Company has not committed to lend additional amounts to customers with outstanding loans that are classified as impaired. Interest income recognized on impaired loans was not material in 2021, 2020, and 2019.

Included in impaired loans are approximately \$10.7 million and \$11.7 million of loans in accruing status that were identified as TDR's as of December 31, 2021 and 2020, respectively.

Management evaluates impairment on impaired loans on a quarterly basis. If, during this evaluation, impairment of the loan is identified, a charge-off is taken at that time if necessary. As a result, as of December 31, 2021 and 2020, based upon management's evaluation and due to the sufficiency of charge-offs taken, none of the allowance for loan losses has been allocated to a specific impaired loan(s).

The following table presents modified loans by class that were determined to be TDR's that occurred during the years ended December 31, 2021, 2020 and 2019:

	Year ended 12/31/21			Year ended 12/31/20			Year ended 12/31/19		
New York and other states*:	Pre-Modification Outstanding	Post-Modification Outstanding		Pre-Modification Outstanding	Post-Modification Outstanding		Pre-Modification Outstanding	Post-Modification Outstanding	
(dollars in thousands)	Number of Contracts	Recorded Investment	Recorded Investment	Number of Contracts	Recorded Investment	Recorded Investment	Number of Contracts	Recorded Investment	Recorded Investment
Commercial:									
Commercial real estate	-	\$ -	-	1	\$ 125	125	1	\$ 125	125
Real estate mortgage - 1 to 4 family:									
First mortgages	6	1,114	1,114	12	2,303	2,303	18	2,621	2,621
Home equity loans	1	2	2	-	-	-	-	-	-
Home equity lines of credit	2	40	40	3	169	169	2	235	235
Total	9	\$ 1,156	1,156	16	\$ 2,597	2,597	21	\$ 2,981	2,981
Florida:									
(dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Real estate mortgage - 1 to 4 family:									
First mortgages	1	\$ 77	77	4	\$ 586	586	6	\$ 632	632
Home equity loans	-	-	-	-	-	-	-	-	-
Home equity lines of credit	1	50	50	-	-	-	-	-	-
Total	2	\$ 127	127	4	\$ 586	586	6	\$ 632	632

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

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

The following table presents loans by class modified as TDR's that occurred during the years ended December 31, 2021, 2020 and 2019 for which there was a payment default within 12 months of modification:

	Year ended 12/31/21		Year ended 12/31/20		Year ended 12/31/19	
New York and other states*:	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
(dollars in thousands)						
Real estate mortgage - 1 to 4 family:						
First mortgages	-	\$ -	4	\$ 457	2	\$ 418
Home equity loans	-	-	1	19	-	-
Home equity lines of credit	1	56	-	-	-	-
Total	1	\$ 56	5	\$ 476	2	\$ 418
Florida:						
(dollars in thousands)	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
Real estate mortgage - 1 to 4 family:						
First mortgages	-	\$ -	-	\$ -	-	\$ -
Home equity lines of credit	-	-	-	-	-	-
Total	-	\$ -	-	\$ -	-	\$ -

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



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

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

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

As noted above, loan modifications and payment deferrals as a result of COVID-19 that meet the criteria established under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators were excluded from evaluation of TDR classification and were reported as current during the payment deferral period. The Company's policy is to continue to accrue interest during the deferral period. Loans not meeting the CARES ACT or regulatory guidance are evaluated for TDR and non-accrual treatment under the Company's existing policies and procedures. There was no loan modifications made pursuant to the CARES ACT that were in payment deferral at December 31, 2021. As of December 31, 2020 there was \$2 million of residential loan deferrals. There were no commercial or installment loan deferrals as of December 31, 2021 and 2020.

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

The Company uses the following definitions for classified loans:

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

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

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

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

As of December 31, 2021 and 2020, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

New York and other states*: (dollars in thousands)	December 31, 2021		
	Pass	Classified	Total
Commercial:			
Commercial real estate	\$ 145,500	1,563	147,063
Other	30,726	163	30,889
	<u>\$ 176,226</u>	<u>1,726</u>	<u>177,952</u>

Florida: (dollars in thousands)			
	Pass	Classified	Total
Commercial:			
Commercial real estate	\$ 21,113	540	21,653
Other	595	-	595
	<u>\$ 21,708</u>	<u>540</u>	<u>22,248</u>

Total: (dollars in thousands)			
	Pass	Classified	Total
Commercial:			
Commercial real estate	\$ 166,613	2,103	168,716
Other	31,321	163	31,484
	<u>\$ 197,934</u>	<u>2,266</u>	<u>200,200</u>

\* Includes New York, New Jersey and Massachusetts.

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

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

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

\* Includes New York, New Jersey and Massachusetts.

Included in classified loans in the above tables are impaired loans of \$226 thousand and \$796 thousand at December 31, 2021 and 2020, respectively.

For homogeneous loan pools, such as residential mortgages, home equity lines of credit, and installment loans, the Company uses payment status to identify the credit risk in these loan portfolios. Payment status is reviewed on a daily basis by the Bank's collection area and on a monthly basis with respect to determining the adequacy of the allowance for loan losses. The payment status of these homogeneous pools at December 31, 2021 and 2020 is included in the aging of the recorded investment of past due loans table. In addition, the total nonperforming portion of these homogeneous loan pools at December 31, 2021 and 2020 is presented in the recorded investment in non-accrual loans table.

In 2020, the company granted 663 PPP loans totaling \$46 million of which 514 PPP loans totaling \$29 million remained outstanding as of December 31, 2020. In 2021 the bank granted an additional 344 PPP loans totaling \$23 million and as of December 31, 2021, 190 PPP loans totaling \$10 million remain outstanding.

#### (5) Bank Premises and Equipment

A summary of premises and equipment at December 31, 2021 and 2020 follows:

(dollars in thousands)

	2021	2020
Land	\$ 2,443	2,414
Buildings	36,327	36,077
Furniture, fixtures and equipment	58,163	56,317
Leasehold improvements	33,918	33,697
Total bank premises and equipment	130,851	128,505
Accumulated depreciation and amortization	(97,824)	(94,093)
Total	\$ 33,027	34,412

Depreciation and amortization expense was approximately \$4.2 million, \$4.0 million, and \$4.0 million for the years 2021, 2020, and 2019, respectively. Occupancy expense of the Bank's premises included rental expense of \$8.1 million in 2021, \$8.0 million in 2020, and \$7.8 million in 2019.

#### (6) Deposits

Interest expense on deposits was as follows:

(dollars in thousands)

	For the year ended December 31,		
	2021	2020	2019
Interest bearing checking accounts	\$ 178	148	288
Savings accounts	624	716	1,338
Time deposits and money market accounts	5,863	22,834	33,227
Total	\$ 6,665	23,698	34,853

At December 31, 2021, the maturity of total time deposits is as follows:

(dollars in thousands)

Under 1 year	\$	906,995
1 to 2 years		75,370
2 to 3 years		11,176
3 to 4 years		1,141
4 to 5 years		499
Over 5 years		133
	\$	<u>995,314</u>

Included in total time deposits as of December 31, 2021 and 2020 is \$ 161.5 million and \$235.8 million in time deposits with balances in excess of \$250,000.

## (7) Short-Term Borrowings

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

(dollars in thousands)

	2021	2020	2019
Amount outstanding at December 31,	\$ 244,686	214,755	148,666
Maximum amount outstanding at any month end	244,686	213,043	169,214
Average amount outstanding	232,815	180,065	159,220
Weighted average interest rate:			
For the year	0.39%	0.56%	0.92%
As of year end	0.37	0.47	0.90

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

Trustco Bank also has an available line of credit with the Federal Home Loan Bank of New York which approximates the balance of securities and/or loans pledged against such borrowings. The line of credit requires securities and/or loans to be pledged as collateral for the amount borrowed. As of December 31, 2021 and 2020, the Company had no outstanding borrowings with the Federal Home Loan Bank of New York.

Trustco Bank is approved to borrow on a short-term basis from the Federal Reserve Bank of New York. The Bank can pledge certain securities to the Federal Reserve Bank to support this arrangement. As of December 31, 2021 and 2020, the Bank had no outstanding borrowings and loans with the Federal Reserve Bank of New York.

## (8) Income Taxes

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

(dollars in thousands)

	For the year ended December 31,		
	2021	2020	2019
Current tax expense:			
Federal	\$ 17,657	15,662	15,171
State	3,195	2,399	2,359
Total current tax expense	20,852	18,061	17,530
Deferred tax (benefit) expense	(238)	(1,067)	1,139
Total income tax expense	\$ 20,614	16,994	18,669

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2021 and 2020, are as follows:

(dollars in thousands)	December 31,	
	2021	2020
	Deductible temporary differences	Deductible temporary differences
Benefits and deferred remuneration	\$ (7,335)	(6,178)
Difference in reporting the allowance for loan losses, net	12,369	12,820
Other income or expense not yet reported for tax purposes	1,907	534
Depreciable assets	(2,068)	(2,541)
Net deferred tax asset at end of year	4,873	4,635
Net deferred tax asset at beginning of year	4,635	3,568
Deferred tax (benefit) expense	\$ (238)	(1,067)

Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. Based primarily on the sufficiency of expected future taxable income, management believes it is more likely than not that the remaining deferred tax asset of \$4.9 million and \$4.6 million at December 31, 2021 and 2020, respectively, will be realized.

In addition to the deferred tax items described in the preceding table, the Company has deferred tax assets/(liabilities) of \$1 thousand and \$(2.5) million at December 31, 2021 and 2020, respectively, relating to the net unrealized losses/ gains on securities available for sale and deferred tax liabilities of approximately \$4.2 million and \$1.6 million at December 31, 2021 and 2020, respectively, as a result of changes in the unrecognized overfunded position in the Company's pension and postretirement benefit plans recorded, net of tax, as an adjustment to accumulated other comprehensive income.

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

	For the year ended December 31,		
	2021	2020	2019
Statutory federal income tax rate	21.0%	21.0	21.0
Increase/(decrease) in taxes resulting from:			
State income tax, net of federal tax benefit	3.2	2.4	2.6
Other items	0.9	1.1	0.8
Effective income tax rate	25.1%	24.5	24.4

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

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

The Company recognizes interest and/or penalties related to income tax matters in noninterest expense. For the years 2021, 2020, and 2019, these amounts were not material. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction as well as in various states. In the normal course of business, the Company is subject to U.S. federal, state, and local income tax examinations by tax authorities. The Company's federal and state income tax returns for the years 2017 through 2020 remain open to examination. The Company's 2017, 2018, 2019 and 2020 New York State income tax returns are currently under examination.

## (9) Benefit Plans

### (a) Retirement Plan

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

The following tables set forth the plan's funded status and amounts recognized in the Company's consolidated statements of condition at December 31, 2021 and 2020:

#### Change in Projected Benefit Obligation:

(dollars in thousands)	December 31,	
	2021	2020
Projected benefit obligation at beginning of year	\$ 33,504	30,824
Service cost	-	37
Interest cost	856	1,076
Benefit payments and expected expenses	(2,142)	(1,956)
Net actuarial (gain) loss	(1,313)	3,523
Projected benefit obligation at end of year	\$ 30,905	33,504

**Change in Plan Assets and Reconciliation of Funded Status:**

(dollars in thousands)	December 31,	
	2021	2020
Fair Value of plan assets at beginning of year	\$ 56,237	51,264
Actual gain on plan assets	8,952	6,953
Benefit payments and actual expenses	(2,123)	(1,980)
Fair value of plan assets at end of year	63,066	56,237
Funded status at end of year	\$ 32,161	22,733

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

	December 31,	
	2021	2020
Net actuarial (gain) loss	\$ (6,038)	1,401

The accumulated benefit obligation was \$30.9 million and \$33.5 million at December 31, 2021 and 2020, respectively.

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

(dollars in thousands)	For the years ended December 31,		
	2021	2020	2019
Service cost	\$ -	37	42
Interest cost	856	1,076	1,244
Expected return on plan assets	(2,846)	(3,020)	(2,811)
Amortization of net loss	-	-	59
Net periodic pension credit	(1,990)	(1,907)	(1,466)
Amortization of net loss	-	-	(59)
Net actuarial (gain) loss included in other comprehensive income (loss)	(7,439)	(386)	(3,275)
Total recognized in other comprehensive income (loss)	(7,439)	(386)	(3,334)
Total recognized in net periodic benefit (credit) cost and other comprehensive income (loss)	\$ (9,429)	(2,293)	(4,800)

**Estimated Future Benefit Payments**

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

(dollars in thousands)

Year	Pension Benefits
2022	\$ 1,743
2023	1,739
2024	1,753
2025	1,763
2026	1,780
2027 - 2031	8,984

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

	2021	2020	2019
Discount rate	2.96%	2.65	3.56

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

	2021	2020	2019
Discount rate	2.65%	3.56	4.53
Expected long-term rate of return on assets	5.25	6.00	6.50

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

*(b) Supplemental Retirement Plan*

The Company also has a supplementary pension plan under which additional retirement benefits are accrued for eligible executive officers. This plan supplements the defined benefit retirement plan for eligible employees that exceed the Internal Revenue Service limit on the amount of pension payments that are allowed from a retirement plan. The supplemental plan provides eligible employees with total benefit payments as calculated by the retirement plan without regard to this limitation. Benefits under this plan are calculated using the same actuarial assumptions and interest rates as used for the retirement plan calculations. The accumulated benefits under this supplementary pension plan was approximately \$2.3 million as of December 31, 2021 and 2020. Effective as of December 31, 2008, this plan has been frozen and no additional benefits will accrue. Instead, the amount of the Company's annual contribution to the plan plus interest is paid directly to each eligible employee. The expense recorded for this plan was \$2.7 million, \$2.2 million, and \$1.9 million, in 2021, 2020, and 2019, respectively.

Rabbi trusts have been established for this plan. These trust accounts are administered by the Trustco Financial Services Department and invest primarily in bonds issued by government-sponsored enterprises and money market instruments. These assets are recorded at their fair value and are included in short-term investments in the Consolidated Statements of Condition. As of December 31, 2021 and 2020, the trusts had assets totaling \$2.3 million, respectively.

*(c) Postretirement Benefits*

The Company permits retirees under age 65 to participate in the Company's medical plan by making certain payments. In addition, the plan provides a death benefit to certain eligible employees and retirees. In 2003, the Company amended the medical plan to reflect changes to the retiree medical insurance coverage portion. The Company's subsidy of the retiree medical insurance premiums was eliminated at that time. The Company continues to provide postretirement medical benefits for a limited number of executives in accordance with their employment contracts.



The following tables show the plan's funded status and amounts recognized in the Company's Consolidated Statements of Condition at December 31, 2021 and 2020:

**Change in Accumulated Benefit Obligation:**

(dollars in thousands)

	December 31,	
	2021	2020
Accumulated benefit obligation at beginning of year	\$ 6,609	6,134
Service cost	75	73
Interest cost	190	203
Prior Service cost	611	-
Benefits paid	(80)	(116)
Net actuarial (gain) loss	(389)	315
Accumulated benefit obligation at end of year	\$ 7,016	6,609

**Change in Plan Assets and Reconciliation of Funded Status:**

(dollars in thousands)

	December 31,	
	2021	2020
Fair value of plan assets at beginning of year	\$ 29,126	26,358
Actual gain on plan assets	4,243	2,793
Company contributions	55	91
Benefits paid and actual expenses	(80)	(116)
Fair value of plan assets at end of year	33,344	29,126
Funded status at end of year	\$ 26,328	22,517

**Amounts recognized in accumulated other comprehensive income consist of the following as of:**

(dollars in thousands)

	December 31,	
	2021	2020
Net actuarial gain	\$ (10,165)	(7,370)
Prior service credit	(232)	(438)
Total	\$ (10,397)	(7,808)

The accumulated benefit obligation was \$7.0 million and \$6.6 million at December 31, 2021 and 2020, respectively.

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

(dollars in thousands)

	December 31,		
	2021	2020	2019
Service cost	\$ 75	73	65
Interest cost	190	203	239
Expected return on plan assets	(1,163)	(1,183)	(990)
Amortization of net actuarial gain	(674)	(708)	(333)
Amortization of prior service cost (credit)	405	(196)	(197)
Net periodic benefit credit	(1,167)	(1,811)	(1,216)
Net (gain) loss	(3,469)	(1,295)	(2,692)
Amortization of prior service (cost) credit	(405)	196	197
Prior service cost	611	-	-
Amortization of net gain	674	708	333
Total amount recognized in other comprehensive loss	(2,589)	(391)	(2,162)
Total amount recognized in net periodic benefit cost and other comprehensive loss	\$ (3,756)	(2,202)	(3,378)

The estimated amount of net gain that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit income over the next fiscal year is approximately \$1.1 million while the estimated amount of prior service cost that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit income (loss) over the next fiscal year is approximately \$313 thousand.

**Expected Future Benefit Payments**

The following benefit payments are expected to be paid:

(dollars in thousands)

Year	Postretirement Benefits
2022	\$ 114
2023	130
2024	148
2025	172
2026	199
2027 - 2031	1,412

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

	2021	2020	2019
Discount rate	2.96%	2.65	3.56

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

	2021	2020	2019
Discount rate	2.65%	3.56	4.53
Expected long-term rate of return on assets, net of tax	4.00	4.50	4.50

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

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

The following table details the change in the components of other comprehensive income (loss) related to the retirement plan and the postretirement benefit plan, at December 31, 2021 and 2020, respectively:

(dollars in thousands)

	December 31, 2021		
	Retirement Plan	Post-Retirement Benefit Plan	Total
Change in overfunded position of pension and postretirement benefits	\$ (7,439)	(3,469)	(10,908)
Prior service cost	-	611	611
Amortization of net actuarial gain	-	674	674
Amortization of prior service cost	-	(405)	(405)
Total	\$ (7,439)	(2,589)	(10,028)

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

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

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

	Pension Benefit Plan Assets		Postretirement Benefit Plan Assets	
	2021	2020	2021	2020
Debt Securities	33%	23	32	24
Equity Securities	62	68	63	66
Other	5	9	5	10
Total	100%	100	100	100

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

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

#### Fair Value of Plan Assets:

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

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

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

The fair value of the plan assets at December 31, 2021 and 2020, by asset category, is as follows:

Retirement Plan (dollars in thousands)	Fair Value Measurements at December 31, 2021 Using:			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets				
Cash and cash equivalents	\$ 3,075	3,075	-	-
Equity mutual funds	39,249	39,249	-	-
U.S. government sponsored enterprises	17,032	-	17,032	-
Corporate bonds	3,041	-	3,041	-
Fixed income mutual funds	669	669	-	-
Total Plan Assets	\$ 63,066	42,993	20,073	-

Postretirement Benefits (dollars in thousands)	Fair Value Measurements at December 31, 2021 Using:			
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets				
Cash and cash equivalents	\$ 1,600	1,600	-	-
Equity mutual funds	21,005	21,005	-	-
U.S. government sponsored enterprises	8,712	-	8,712	-
Corporate bonds	2,027	-	2,027	-
Total Plan Assets	\$ 33,344	22,605	10,739	-

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

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

At December 31, 2021 and 2020, the majority of the equity mutual funds included in the plan assets of the retirement plan and postretirement benefit plan consist of large-cap index funds, while the remainder of the equity mutual funds consists of mid-cap, small-cap and international funds.

There were no transfers between Level 1 and Level 2 in 2021 and 2020.

The Company made no contributions to its pension and postretirement benefit plans in 2021 or 2020. The Company does not expect to make any contributions to its pension and postretirement benefit plans in 2022.

(f) *Incentive and Bonus Plans*

During 2006, the Company amended its profit sharing plan to include a 401(k) feature. Under the 401(k) feature, the Company matches 100% of the aggregate salary contribution up to the first 3% of compensation and 50% of the aggregate contribution of the next 3%. No profit sharing contributions were made in 2021, 2020 or 2019 but were replaced with Company contributions to the 401(k) feature of the plan. Expenses related to the plan aggregated \$1.3 million for 2021, and \$1.2 million for both 2020 and 2019.

The Company also has an officers and executive incentive plan. The expense of these plans generally are based on the Company's performance and estimated distributions to participants are accrued during the year and generally paid in the following year. The expense recorded for this plan was \$3.2 million, \$3.3 million and \$2.9 million in 2021, 2020 and 2019, respectively.

The Company has also awarded 291 thousand performance bonus units to the executive officers and directors. These units become vested and exercisable only under a change of control as defined in the plan. The units were awarded based upon the stock price at the time of grant and, if exercised under a change of control, allow the holder to receive the increase in value offered in the exchange over the stock price at the date of grant for each unit, if any. As of December 31, 2010, the weighted average strike price of each unit was \$44.37. The performance bonus units and the weighted average strike price of each unit were adjusted for the 1 for 5 reverse stock split effective May 28, 2021.

(g) *Stock-Based Compensation Plans-Equity Awards*

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

In May 2019, shareholders of the Company approved the TrustCo Bank Corp NY 2019 Equity Incentive Plan (2019 Equity Incentive Plan) which replaced and combined into one plan both the Amended and Restated TrustCo Bank Corp NY 2010 Equity Incentive Plan (2010 Equity Incentive Plan) and the Amended and Restated TrustCo Bank Corp NY 2010 Directors Equity Incentive Plan (Directors Plan), and all remaining shares eligible for issuance thereunder were canceled. Awards previously made under the prior plans remain in effect in accordance with the terms of those awards. Under the 2019 Equity Incentive Plan the Company may provide for the issuance of 400,000 shares of our common stock which is available for issuance pursuant to options, SARs, restricted stock, and restricted stock units (both time based and performance based), to eligible employees and directors. This allotment of 400,000 shares includes the authorized but unissued shares remaining available for issuance under the 2010 Equity Incentive Plan and the Directors Plan. As of December 31, 2021, the Company may issue approximately 147 thousand shares of our common stock pursuant to options, SARs, restricted stock, and restricted stock units (both time based and performance based). The plans were adjusted for the 1 for 5 reverse stock split effective May 28, 2021.

Under the 2019 Equity Incentive Plan, the exercise price of each option may not be less than 100% of the fair value of the Company's stock on the date of grant, and for an Incentive Stock Option (ISO) granted to a ten percent shareholder the option price may not be less than 110% of the fair value of the Company's stock on the date of the ISO grant. The vesting period and term of the option will be determined at the time of the option grant as set forth in the Award Agreement. Options granted under the 2010 Equity Incentive Plan and the Directors Plan will continue to expire ten years, and vest over five years, from the date the options were granted. A summary of the status of TrustCo's stock option awards as of December 31, 2021 and changes during the year then ended, are as follows and are adjusted for the 1 for 5 reverse stock split which occurred on May 28, 2021:

	Outstanding Options		
	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, January 1, 2021	103,824	\$ 33.35	
New options awarded - 2021	-	-	
Expired options - 2021	(3,590)	27.08	
Options forfeited - 2021	-	-	
Exercised options - 2021	(9,923)	26.23	
Balance, December 31, 2021	90,311	\$ 34.38	2.81 years
	Exercisable Options		
Balance, December 31, 2021	90,311	\$ 34.38	2.81 years

At December 31, 2021, the intrinsic value of outstanding stock options and vested stock options was approximately \$43 thousand. All outstanding options were vested as of December 31, 2021 and there was no stock based compensation expense in 2021.

During 2021 and 2019, options for 10 thousand, and 6 thousand shares of stock were exercised, respectively., adjusted for the 1 for 5 reverse stock split which occurred on May 28, 2021. There were no stock options exercised in 2020. The intrinsic value and related tax benefits of stock options exercised in these years was not material. It is the Company's policy to generally issue stock upon stock option exercises from previously unissued shares of common stock or treasury shares.

Income tax benefits recognized in the accompanying Consolidated Statements of Income related to stock-based compensation were not material.

Valuation of Stock-Based Compensation: The fair value of the Company's employee and director stock options granted is estimated on the measurement date, which, for the Company, is the date of grant. The Company did not grant new stock option awards in 2021, 2020, or 2019.

There was no stock-based compensation expense recognized in 2021. During 2020, and 2019, the Company recognized \$15 thousand, and \$5 thousand in stock-based compensation expense related to the equity awards, respectively.

*(h) Stock-Based Compensation Plans-Liability Awards*

Liability awards are types of stock-based compensation that can be settled in cash (not shares). As such, the amount of compensation expense to be paid at the time of settlement is included in accrued expenses and other liabilities in the Consolidated Statement of Condition. The Company granted both service-based and performance based liability awards in 2021, 2020 and 2019.

The activity for service-based awards during 2021 was as follows:

**Restricted share units**

	Outstanding Units
Balance, December 31, 2020 (1)	69,264
New awards granted	46,940
Forfeited awards	-
Awards settled (1)	(33,572)
Balance, December 31, 2021 (1)	82,632

(1) Unit amounts have been adjusted for all periods presented for the 1 for 5 reverse stock split which occurred on May 28, 2021.

Service-Based Awards: During 2021 and 2020, the Company issued restricted share units to certain eligible officers, executives and members of its board of directors. The restricted share units do not hold voting powers, and are not eligible for common stock dividends. Depending on the year of the grant the awards either become 100% vested after one year, or vest in whole units in equal installments from the first through the third year following the award date. Upon issuance, the fair value of these awards is the fair value of the Company's common stock on the grant date. Thereafter, the amount of compensation expense recognized is based on the fair value of the Company's stock.

During 2021, 2020 and 2019, the Company recognized \$1.2 million, \$715 thousand and \$743 thousand, respectively, in stock-based compensation expense related to these awards. Unrecognized stock-based compensation expense related to the outstanding restricted share units totaled approximately \$2.9 million at December 31, 2021. During 2021, one third of the awards granted in 2018, 2019 and 2020 became vested and settled. The weighted average period over which the unrecognized expense is expected to be recognized was approximately 25 months as of December 31, 2021.

The liability related to service-based liability awards was approximately \$229 thousand and \$187 thousand at December 31, 2021 and 2020, respectively.



The activity for performance-based awards during 2021 was as follows:

### Performance share units

	Outstanding Units
Balance, December 31, 2020 (1)	118,320
New awards granted (1)	54,478
Forfeited awards	-
Awards settled (1)	(27,683)
Balance, December 31, 2021 (1)	145,115

(1) Unit amounts have been adjusted for all periods presented for the 1 for 5 reverse stock split which occurred on May 28, 2021.

Performance Based Awards: During 2021, 2020 and 2019, the Company issued performance share units to certain eligible officers and executives. These units do not hold voting powers, are not eligible for common stock dividends, and become 100% vested after three years based upon a cliff-vesting schedule and the satisfaction of performance metrics. Upon issuance, fair value of these units was the fair value of the Company's common stock on the grant date. Thereafter, the amount of compensation expense recognized is based upon the Company's achievement of certain performance criteria in accordance with Plan provisions as well as the fair value of the Company's stock.

For units granted in 2018, those have been fully vested and unpaid. For units granted subsequent to 2018, all of the units are unvested as of December 31, 2021, and the Company expects to meet the required performance criteria of the awards.

During 2021, 2020 and 2019, the Company recognized approximately \$1.8 million, \$500 thousand and \$1.6 million, respectively, in stock based compensation expense related to these units. Unrecognized stock-based compensation expense related to the outstanding performance share units totaled \$2.8 million at December 31, 2021. The weighted average period over which the unrecognized expense is expected to be recognized was approximately 25 months as of December 31, 2021.

The liability related to performance based liability awards totaled \$2.9 million and \$2.1 million at December 31, 2021 and 2020, respectively.

### (10) Commitments and Contingent Liabilities

#### (a) Litigation

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

#### (b) Outsourced Services

The Company contracted with third-party service providers to perform certain banking functions. The outsourced services include data and item processing for the Bank and trust operations. The service expense can vary based upon the volume and nature of transactions processed. Outsourced service expense was \$8.4 million for 2021, \$7.8 million for 2020 and \$7.6 million in 2019. The Company is contractually obligated to pay these third-party service providers approximately \$8 to \$9 million per year through 2025.

### (11) Earnings Per Share

The Company computes earnings per share in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 260, *Earnings Per Share* ("ASC 260"). TrustCo adopted FASB Staff Position on Emerging Issues Task Force 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, as codified in FASB ASC 260-10 ("ASC 260-10"), which clarified that unvested share-based payment awards that contain nonforfeitable rights to receive dividends or dividend equivalents (whether paid or unpaid) are participating securities, and thus, should be included in the two-class method of computing earnings per share ("EPS"). Participating securities under this statement include the unvested employees' and directors' restricted stock awards with time-based vesting, which receive nonforfeitable dividend payments. For the years presented, the Company no longer has unvested awards that would be considered participating securities.

A reconciliation of the component parts of earnings per share for 2021, 2020 and 2019 follows:

(dollars in thousands,  
except per share data)

	For the years ended December 31		
	2021	2020	2019
Net income	\$ 61,519	52,452	57,840
Weighted average common shares (1)	19,259	19,301	19,370
Effect of dilutive common stock options (1)	4	2	16
Weighted average common shares including potential dilutive shares (1)	19,263	19,303	19,386
Basic EPS (1)	\$ 3.194	2.718	2.986
Diluted EPS (1)	\$ 3.194	2.717	2.984

(1) Share and per share amounts have been adjusted for all periods presented for the 1 for 5 reverse stock split which occurred on May 28, 2021.

For the years ended December 31, 2021 and 2020, there were 60 thousand and 90 thousand, respectively, of antidilutive stock options excluded from diluted earnings per share. The stock options are antidilutive because the strike price is greater than the average fair value of the Company's common stock for the periods presented.

## (12) Off-Balance Sheet Financial Instruments

Loan commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require a fee. Commitments sometimes expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. These arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject to the Bank's normal credit policies, including obtaining collateral. The Bank's maximum exposure to credit loss for loan commitments, including unused lines of credit, at December 31, 2021 and 2020, was \$469.7 million and \$458.2 million, respectively. Approximately 81% and 83% of these commitments were for variable rate products at the end of 2021 and 2020, respectively.

The Company does not issue any guarantees that require liability-recognition or disclosure, other than its standby letters of credit. The Company has issued conditional commitments in the form of standby letters of credit to guarantee payment on behalf of a customer and guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under standby letters of credit totaled approximately \$5.3 million and \$5.4 million at December 31, 2021 and 2020, respectively, and represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of 12 months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios are generally consistent with loan-to-value requirements for other commercial loans secured by similar types of collateral. The fair value of the Company's standby letters of credit at December 31, 2021 and 2020 was insignificant.

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

**(13) Fair Value**

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

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

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

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

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

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

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

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

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

		Fair Value Measurements at December 31, 2021 Using:			
		Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(dollars in thousands)					
Securities available for sale:					
U.S. government sponsored enterprises	\$	59,179	\$	-	\$ 59,179 \$ -
State and political subdivisions		41		-	41 -
Mortgage backed securities and collateralized mortgage obligations - residential		270,798		-	270,798 -
Corporate bonds		45,337		-	45,337 -
Small Business Administration - guaranteed participation securities		31,674		-	31,674 -
Other		684		-	684 -
Total securities available for sale	\$	407,713	\$	-	\$ 407,713 \$ -

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

There were no transfers between Level 1 and Level 2 in 2021 and 2020.

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

(dollars in thousands)	Fair Value Measurements at December 31, 2021 Using:				Valuation technique	Unobservable inputs	Range (Weighted Average)
	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
Other real estate owned	\$ 362	\$ -	\$ -	\$ 362	Sales comparison approach	Adjustments for differences between comparable sales	1% - 14% (6%)

Impaired loans:

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

Impaired loans:

Real estate mortgage - 1 to 4 family	211	-	-	211	Sales comparison approach	Adjustments for differences between comparable sales	11% - 12% (12%)
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Other real estate owned, which is carried at fair value less costs to sell, was approximately \$362 thousand at December 31, 2021, and consisted of only residential real estate properties. A valuation charge of \$121 thousand is included in earnings for the year ended December 31, 2021.

Of the total impaired loans of \$18.5 million at December 31, 2021, there are no impairments that are collateral dependent and are carried at fair value measured on a non-recurring basis. Due to the sufficiency of charge-offs taken on these loans and the adequacy of the underlying collateral, there were no specific valuation allowances for these loans at December 31, 2021. There were no gross charge-offs related to residential impaired loans included in the table above.

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

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

In accordance with ASC 825, the carrying amounts and estimated fair values (exit price) of financial instruments at December 31, 2021 and 2020 are as follows:

(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2021 Using:			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	\$ 1,219,470	1,219,470	-	-	1,219,470
Securities available for sale	407,713	-	407,713	-	407,713
Held to maturity securities	9,923	-	10,695	-	10,695
Federal Reserve Bank and Federal Home Loan Bank stock	5,604	N/A	N/A	N/A	N/A
Net loans	4,394,512	-	-	4,451,031	4,451,031
Accrued interest receivable	9,099	10	1,235	7,854	9,099
Financial liabilities:					
Demand deposits	794,878	794,878	-	-	794,878
Interest bearing deposits	4,473,251	3,477,937	993,676	-	4,471,613
Short-term borrowings	244,686	-	244,686	-	244,686
Accrued interest payable	163	34	129	-	163

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

#### (14) Regulatory Capital Requirements

Depository institutions and their holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy rules and regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can result in regulatory action. The capital rules include a capital conservation buffer of 2.5% that is designed to absorb losses during periods of economic stress and to require increased capital levels before capital distributions and certain other payments can be made. Failure to meet the full amount of the buffer will result in restrictions on capital distributions, including dividend payments and stock repurchases, and to pay discretionary bonuses to executive officers. As of December 31, 2021, the Company and Bank meet all capital adequacy requirements to which they are subject and reported capital in levels that exceeded the capital conservation buffer.

Prompt corrective action regulations, to which banks, but not their holding companies, are subject, provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. If a bank is not classified as well capitalized, its ability to accept brokered deposits is restricted. If a bank is undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. The federal banking agencies are required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution or its holding company. Such actions could have a direct material effect on an institution's or its holding company's financial statements. As of December 31, 2021 and December 31, 2020, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The following is a summary of actual capital amounts and ratios as of December 31, 2021 and 2020, for Trustco Bank:

(dollars in thousands)	As of December 31, 2021		Well Capitalized <sup>(1)</sup>	Minimum for Capital Adequacy plus Capital Conservation Buffer <sup>(1)(2)</sup>
	Amount	Ratio		
Tier 1 leverage ratio	\$ 570,594	9.324%	5.000%	4.000%
Common equity Tier 1 capital	570,594	18.954	6.500	7.000
Tier 1 risk-based capital	570,594	18.954	8.000	8.500
Total risk-based capital	608,308	20.206	10.000	10.500

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

The following is a summary of actual capital amounts and ratios as of December 31, 2021 and 2020 for TrustCo on a consolidated basis.

(dollars in thousands)	As of December 31, 2021		Well Capitalized <sup>(1)</sup>	Minimum for Capital Adequacy plus Capital Conservation Buffer <sup>(1)(2)</sup>
	Amount	Ratio		
Tier 1 leverage ratio	\$ 588,427	9.614%	5.000%	4.000%
Common equity Tier 1 capital	588,427	19.541	6.500	7.000
Tier 1 risk-based capital	588,427	19.541	8.000	8.500
Total risk-based capital	626,150	20.794	10.000	10.500

(dollars in thousands)	As of December 31, 2020		Well Capitalized <sup>(1)</sup>	Minimum for Capital Adequacy plus Capital Conservation Buffer <sup>(1)(2)</sup>
	Amount	Ratio		
Tier 1 leverage ratio	\$ 555,672	9.650%	5.000%	4.000%
Common equity Tier 1 capital	555,672	19.187	6.500	7.000
Tier 1 risk-based capital	555,672	19.187	8.000	8.500
Total risk-based capital	592,040	20.443	10.000	10.500

(1) Federal regulatory minimum requirements to be considered to be Well Capitalized and Adequately Capitalized

(2) The December 31, 2021 and 2020 common equity tier 1, tier 1 risk-based, and total risk-based capital ratios include a capital conservation buffer of 2.50 percent.

# (15) Accumulated Other Comprehensive Income

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

(dollars in thousands)	December 31, 2021				
	Balance at 12/31/2020	Other Comprehensive Income (loss)- Before Reclassifications	Amount reclassified from Accumulated Other Comprehensive Income	Other Comprehensive Income (loss)- year ended 12/31/2021	Balance at 12/31/2021
Net unrealized holding gain (loss) on securities available for sale, net of tax	\$ 7,186	(7,212)	-	(7,212)	(26)
Net change in overfunded position in pension and postretirement plans arising during the year, net of tax	6,084	7,622	-	7,622	13,706
Net change in net actuarial gain and prior service credit on pension and pension and postretirement benefit plans, net of tax	(1,334)		(199)	(199)	(1,533)
Accumulated other comprehensive income (loss), net of tax	11,936	410	(199)	211	12,147

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

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

The following represents the reclassifications out of accumulated other comprehensive income (loss) for the years ended December 31, 2021, 2020 and 2019:

(dollars in thousands)	Years ended December 31,			Affected Line Item in Financial Statements
	2021	2020	2019	
Unrealized gains on securities available for sale:				
Realized gain on securities transactions	\$ -	1,155	-	Net gain on securities transactions
Income tax expense	-	(300)	-	Income taxes
Net of tax	-	855	-	
Amortization of pension and postretirement benefit items:				
Prior Service Cost				
Amortization of net actuarial gain	674	708	274	Salaries and employee benefits
Amortization of prior service (cost) credit	(405)	196	197	Salaries and employee benefits
Income tax benefit	(70)	(235)	(122)	Income taxes
Net of tax	199	669	349	



Total reclassifications, net of tax

**\$ 199 1,524 349**

## (16) Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within Non-Interest Income. The following table presents the Company's sources of Non-Interest Income for the years ended December 31, 2021, 2020 and 2019. Items outside the scope of ASC 606 are noted as such.

(dollars in thousands)

	December 31,		
	2021	2020	2019
Non-interest income			
Service Charges on Deposits			
Overdraft fees	\$ 2,660	2,665	3,571
Other	1,940	1,629	459
Interchange Income	5,281	4,199	4,065
Net gain on securities transactions (a)	—	1,155	—
Wealth management fees	7,358	6,279	6,387
Other (a)	698	1,243	4,109
Total non-interest income	\$ 17,937	17,170	18,591

(a) Not within the scope of ASC 606.

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

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

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

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

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

**(17) Operating leases**

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

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

Operating lease ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company’s leases do not provide an implicit rate, therefore the Company used its incremental collateralized borrowing rates commensurate with the underlying lease terms to determine present value of operating lease liabilities. Additionally, the Company does allocate the consideration between lease and non-lease components. The Company’s lease terms may include options to extend when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Variable lease components, such as fair market value adjustments, are expensed as incurred and not included in ROU assets and operating lease liabilities. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. As of December 31, 2021 the Company did not have any leases with terms of twelve months or less.

As of December 31, 2021 the Company has one lease that the construction has not started yet. At December 31, 2021 lease expiration dates ranged from three months to 22.8 years and have a weighted average remaining lease term of 9.3 years. Certain leases provide for increases in future minimum annual rental payments as defined in the lease agreements. As mentioned above the leases generally also include variable lease components which include real estate taxes, insurance, and common area maintenance (“CAM”) charges in the annual rental payments.

Other information related to leases was as follows:

(dollars in thousands)	2021	2020	2019
Operating lease cost	\$ 8,128	8,044	7,808
Variable lease cost	2,015	2,029	1,968
Total Lease costs	<u>\$ 10,143</u>	<u>10,073</u>	<u>9,776</u>
Supplemental cash flows information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 8,192	8,042	7,839
Right-of-use assets obtained in exchange for lease obligations:	\$ 6,588	2,548	57,464
Weighted average remaining lease term (years)	9.3	9.0	9.4
Weighted average discount rate	3.0%	3.2%	3.3%

Future minimum lease payments under non-cancellable leases as of December 31, 2021 were as follows:

(dollars in thousands)

Year ending December 31,

2022	\$	8,125
2023		7,912
2024		7,789
2025		7,416
2026		6,443
Thereafter		22,868
Total lease payments	\$	60,553
Less: Interest		7,833
Present value of lease liabilities	\$	52,720

A member of the Board of Directors has an ownership interest in five entities that own commercial real estate leased by the Company for use as branch locations. Total lease payments from the Company to those entities, which are included in the table above, owed at December 31, 2021, were \$3.6 million, which includes interest in the amount of \$498 thousand.

As of December 31, 2021 and 2020, the operating lease right-of-use asset was \$48.1 million and \$47.9 million, respectively.

#### (18) Recent Accounting Pronouncements

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

As previously disclosed, the Company formed a cross-functional team to work through its implementation of CECL. The Company has selected the Discounted Cash Flow modeling method and has run parallel processes and is in final review stages of completing its documentation including third party model validations. The Company had previously elected to delay its adoption of CECL, as provided by the CARES Act until the date on which the National Emergency concerning COVID-19 was terminated or December 31, 2020, whichever occurred first. The December 31, 2020 adoption date under the CARES Act was extended to January 1, 2022 as a part of the COVID-19 Relief Bill, which became law in December 2020, and therefore the Company has adopted CECL on January 1, 2022.

**(19) Parent Company Only**

The following statements pertain to TrustCo Bank Corp NY (Parent Company):

**Statements of Comprehensive Income**

(dollars in thousands)

	Years ended December 31,		
	2021	2020	2019
Income:			
Dividends and interest from subsidiaries	\$ 34,096	31,100	28,340
Net gain on securities transactions	—	—	—
Miscellaneous income	—	—	—
Total income	34,096	31,100	28,340
Expense:			
Operating supplies	21	20	82
Professional services	819	655	651
Miscellaneous expense	3,419	1,666	2,811
Total expense	4,259	2,341	3,544
Income before income taxes and subsidiaries' undistributed earnings	29,837	28,759	24,796
Income tax benefit	(972)	(558)	(837)
Income before subsidiaries' undistributed earnings	30,809	29,317	25,633
Equity in undistributed earnings of subsidiaries	30,710	23,135	32,207
Net income	\$ 61,519	52,452	57,840
Change in other comprehensive income	211	7,475	14,770
Comprehensive income	\$ 61,730	59,927	72,610

**Statement of Condition**

(dollars in thousands)

	December 31,	
	2021	2020
Assets:		
Cash in subsidiary bank	\$ 26,725	24,154
Investments in subsidiaries	583,307	552,399
Securities available for sale	36	36
Other assets	681	555
Total assets	610,749	577,144
Liabilities and shareholders' equity:		
Accrued expenses and other liabilities	9,621	8,983
Total liabilities	9,621	8,983
Shareholders' equity	601,128	568,161
Total liabilities and shareholders' equity	\$ 610,749	577,144

**Statements of Cash Flows**

(dollars in thousands)

	Years ended December 31,		
	2021	2020	2019
Increase/(decrease) in cash and cash equivalents:			
Cash flows from operating activities:			
Net income	\$ 61,519	52,452	57,840
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(30,710)	(23,135)	(32,207)
Stock based compensation expense	–	15	5
Net change in other assets and accrued expenses	354	515	246
Total adjustments	(30,356)	(22,605)	(31,956)
Net cash provided by operating activities	31,163	29,847	25,884
Cash flows from investing activities:			
Purchases of securities available for sale	–	(1)	–
Net cash used in investing activities	–	(1)	–
Cash flows from financing activities:			
Cash used to settle fractional shares in the Reverse Stock Split	(200)	–	–
Proceeds from exercise of stock options	260	–	185
Dividends paid	(26,266)	(26,317)	(26,372)
Payments to acquire treasury stock	(2,386)	(3,493)	(35)
Proceeds from sales of treasury stock	–	–	1,791
Net cash used in financing activities	(28,592)	(29,810)	(24,431)
Net increase in cash and cash equivalents	2,571	36	1,453
Cash and cash equivalents at beginning of year	24,154	24,118	22,665
Cash and cash equivalents at end of year	\$ 26,725	24,154	24,118

## Branch Locations

### New York

Airmont Office  
327 Route 59 East  
Airmont, NY  
Telephone: (845) 357-2435

Altamont Ave. Office  
1400 Altamont Ave.  
Schenectady, NY  
Telephone: (518) 356-1317

Altamont Ave. West Office  
1900 Altamont Ave.  
Rotterdam, NY  
Telephone: (518) 355-1900

Amsterdam Office  
4931 Route 30  
Amsterdam, NY  
Telephone: (518) 842-5459

Ardsley Office  
33-35 Center St.  
Ardsley, NY  
Telephone: (914) 693-3254

Ballston Spa Office  
235 Church Ave.  
Ballston Spa, NY  
Telephone: (518) 885-1561

Balltown Road Office  
1475 Balltown Rd.  
Niskayuna, NY  
Telephone: (518) 377-2460

Brandywine Office  
1048 State St.  
Schenectady, NY  
Telephone: (518) 346-4295

Briarcliff Manor Office  
75 North State Rd.  
Briarcliff Manor, NY  
Telephone: (914) 762-7133

Bronxville Office  
5-7 Park Place  
Bronxville, NY  
Telephone: (914) 771-4180

Brunswick Office  
740 Hoosick Rd.  
Troy, NY  
Telephone: (518) 272-0213

Campbell West Plaza Office  
141 West Campbell Rd.  
Rotterdam, NY  
Telephone: (518) 377-2393

Central Ave. Office  
40 Central Ave.  
Albany, NY  
Telephone: (518) 426-7291

Chatham Office  
193 Hudson Ave.  
Chatham, NY  
Telephone: (518) 392-0031

Clifton Country Road Office  
7 Clifton Country Rd.  
Clifton Park, NY  
Telephone: (518) 371-5002

Clifton Park Office  
1026 Route 146  
Clifton Park, NY  
Telephone: (518) 371-8451

Cobleskill Office  
104 Merchant Pl.  
Cobleskill, NY  
Telephone: (518) 254-0290

Colonie Office  
1818 Central Ave.  
Albany, NY  
Telephone: (518) 456-0041

Crestwood Plaza Office  
415 Whitehall Rd.  
Albany, NY  
Telephone: (518) 482-0693

Delmar Office  
167 Delaware Ave.  
Delmar, NY  
Telephone: (518) 439-9941

East Greenbush Office  
501 Columbia Tpk.  
Rensselaer, NY  
Telephone: (518) 479-7233

Elmsford Office  
100 Clearbrook Rd.  
Elmsford, NY  
Telephone: (914) 345-1808

Exit 8/Crescent Rd. Office  
1541 Crescent Rd.  
Clifton Park, NY  
Telephone: (518) 383-0039

Exit 11 Office  
43 Round Lake Rd.  
Ballston Lake, NY  
Telephone: (518) 899-1558

Fishkill Office  
1545 Route 52  
Fishkill, NY  
Telephone: (845) 896-8260

Freemans Bridge Rd. Office  
1 Sarnowski Dr.  
Glenville, NY  
Telephone: (518) 344-7510

Glenmont Office  
380 Route 9W  
Glenmont, NY  
Telephone: (518) 449-2128

Glens Falls Office  
100 Glen St.  
Glens Falls, NY  
Telephone: (518) 798-8131

Greenwich Office  
131 Main St.  
Greenwich, NY  
Telephone: (518) 692-2233

Guilderland Office  
3900 Carman Rd.  
Schenectady, NY  
Telephone: (518) 355-4890

**Branch Locations (continued)**

Halfmoon Office  
215 Guideboard Rd.  
Country Dollar Plaza  
Halfmoon, NY  
Telephone: (518) 371-0593

Hartsdale Office  
220 East Hartsdale Ave.  
Hartsdale, NY  
Telephone: (914) 722-2640

Highland Office  
3580 Route 9W  
Highland, NY  
Telephone: (845) 691-7023

Hoosick Falls Office  
47 Main St.  
Hoosick Falls, NY  
Telephone: (518) 686-5352

Hudson Office  
507 Warren St.  
Hudson, NY  
Telephone: (518) 828-9434

Hudson Falls Office  
3750 Burgoyne Ave.  
Hudson Falls, NY  
Telephone: (518) 747-0886

Katonah Office  
18 Woods Bridge Road  
Katonah, NY  
Telephone: (914) 666-6230

Kingston Office  
1220 Ulster Ave.  
Kingston, NY  
Telephone: (845) 336-5372

Lake George Office  
4066 Route 9L  
Lake George, NY  
Telephone: (518) 668-2352

Latham Office  
1 Johnson Rd.  
Latham, NY  
Telephone: (518) 785-0761

Loudon Plaza Office  
372 Northern Blvd.  
Albany, NY  
Telephone: (518) 462-6668

Madison Ave. Office  
1084 Madison Ave.  
Albany, NY  
Telephone: (518) 489-4711

Mahopac Office  
945 South Lake Blvd  
Mahopac, NY  
Telephone: (845) 803-8756

Malta 4 Corners Office  
2471 Route 9  
Malta, NY  
Telephone: (518) 899-1056

Mamaroneck Office  
180-190 East Boston Post Rd.  
Mamaroneck, NY  
Telephone: (914) 777-3023

Mayfair Office  
286 Saratoga Rd.  
Glenville, NY  
Telephone: (518) 399-9121

Mechanicville Office  
9 Price Chopper Plaza  
Mechanicville, NY  
Telephone: (518) 664-1059

Milton Office  
2 Trieble Ave.  
Ballston Spa, NY  
Telephone: (518) 885-0498

Monroe Office  
791 Route 17M  
Monroe, NY  
Telephone: (845) 782-1100

Mont Pleasant Office  
959 Crane St.  
Schenectady, NY  
Telephone: (518) 346-1267

Mt. Kisco Office  
222 East Main St.  
Mt. Kisco, NY  
Telephone: (914) 666-2362

New City Office  
20 Squadron Blvd.  
New City, NY  
Telephone: (845) 634-4571

New Scotland Office  
301 New Scotland Ave.  
Albany, NY  
Telephone: (518) 438-7838

Newton Plaza Office  
602 New Loudon Rd.  
Latham, NY  
Telephone: (518) 786-3687

Niskayuna-Woodlawn Office  
3461 State St.  
Schenectady, NY  
Telephone: (518) 377-2264

Northern Pines Road Office  
649 Maple Ave.  
Saratoga Springs, NY  
Telephone: (518) 583-2634

Nyack Office  
388 Route 59  
Nyack, NY  
Telephone: (845) 535-3728

Peekskill Office  
20 Welcher Ave.  
Peekskill, NY  
Telephone: (914) 739-1839

Pelham Office  
132 Fifth Ave.  
Pelham, NY  
Telephone: (914) 632-1983

Pomona Office  
1581 Route 202  
Pomona, NY  
Telephone: (845) 354-0176



**Branch Locations (continued)**

Poughkeepsie Office  
2656 South Rd.  
Poughkeepsie, NY  
Telephone: (845) 485-7413

Queensbury Office  
118 Quaker Rd.  
Suite 1  
Queensbury, NY  
Telephone: (518) 798-7226

Red Hook Office  
4 Morgans Way  
Red Hook, NY  
Telephone: (845) 752-2224

Rotterdam Office  
1416 Curry Rd.  
Schenectady, NY  
Telephone: (518) 355-8330

Route 2 Office  
201 Troy-Schenectady Rd.  
Latham, NY  
Telephone: (518) 785-7155

Route 7 Office  
1156 Troy-Schenectady Rd.  
Latham, NY  
Telephone: (518) 785-4744

Saratoga Springs Office  
34 Congress St.  
Saratoga Springs, NY  
Telephone: (518) 587-3520

Schaghticoke Office  
2 Main St.  
Schaghticoke, NY  
Telephone: (518) 753-6509

Scotia Office  
123 Mohawk Ave.  
Scotia, NY  
Telephone: (518) 372-9416

Sheridan Plaza Office  
1350 Gerling St.  
Schenectady, NY  
Telephone: (518) 377-8517

Slingerlands Office  
1569 New Scotland Rd.  
Slingerlands, NY  
Telephone: (518) 439-9352

South Glens Falls Office  
133 Saratoga Rd.  
Suite 1  
South Glens Falls, NY  
Telephone: (518) 793-7668

State Farm Road Office  
2050 Western Ave.  
Guilderland, NY  
Telephone: (518) 452-6913

State St. Albany Office  
112 State St.  
Albany, NY  
Telephone: (518) 436-9043

State St. Schenectady - Main Office  
320 State St.  
Schenectady, NY  
Telephone: (518) 381-3831

Stuyvesant Plaza Office  
Western Ave. at Fuller Rd.  
Albany, NY  
Telephone: (518) 489-2616

Tanners West Office  
238 West Bridge St.  
Catskill, NY  
Telephone: (518) 943-5090

Troy Office  
5th Ave. and State St.  
Troy, NY  
Telephone: (518) 274-5420

Upper Union Street Office  
1620 Union St.  
Schenectady, NY  
Telephone: (518) 374-4056

Ushers Road Office  
308 Ushers Rd.  
Ballston Lake, NY  
Telephone: (518) 877-8069

Valatie Office  
2929 Route 9  
Valatie, NY  
Telephone: (518) 758-2265

Wappingers Falls Office  
1490 Route 9  
Wappingers Falls, NY  
Telephone: (845) 298-9315

Warrensburg Office  
9 Lake George Plaza Rd.  
Lake George, NY  
Telephone: (518) 623-3707

West Sand Lake Office  
3690 NY Route 43  
West Sand Lake, NY  
Telephone: (518) 674-3327

Wilton Mall Office  
Route 50  
Saratoga Springs, NY  
Telephone: (518) 583-1716

Wolf Road Office  
34 Wolf Rd.  
Albany, NY  
Telephone: (518) 458-7761

Wynantskill Office  
134-136 Main St.  
Wynantskill, NY  
Telephone: (518) 286-2674

**Branch Locations (continued)****Florida**

Alafaya Woods Office  
1500 Alafaya Trl.  
Oviedo, FL  
Telephone: (407) 359-5991

Aloma Office  
4070 Aloma Ave.  
Winter Park, FL  
Telephone: (407) 677-1969

Apollo Beach Office  
205 Apollo Beach Blvd.  
Apollo Beach, FL  
Telephone: (813) 649-0460

Apopka Office  
1134 North Rock Springs Rd.  
Apopka, FL  
Telephone: (407) 464-7373

Avalon Park Office  
3662 Avalon Park East Blvd.  
Orlando, FL  
Telephone: (407) 380-2264

Bay Hill Office  
6084 Apopka Vineland Road  
Orlando, FL  
Telephone: (321) 251-1859

BeeLine Center Office  
10249 South John Young Pkwy.  
Suite 101  
Orlando, FL  
Telephone: (407) 240-0945

Beneva Village Office  
5950 South Beneva Road  
Sarasota, FL  
Telephone: (941) 923-8269

Bradenton Office  
5858 Cortez Rd. West  
Bradenton, FL  
Telephone: (941) 792-2604

Colonial Drive Office  
4301 East Colonial Dr.  
Orlando, FL  
Telephone: (407) 895-6393

Curry Ford Road Office  
3020 Lamberton Blvd., Suite 116  
Orlando, FL  
Telephone: (407) 277-9663

Curry Ford West Office  
2838 Curry Ford Rd.  
Orlando, FL  
Telephone: (407) 893-9878

Davenport Office  
2300 Deer Creek Commons Ln.  
Suite 600  
Davenport, FL  
Telephone: (863) 424-9493

Dean Road Office  
3920 Dean Rd.  
Orlando, FL  
Telephone: (407) 657-8001

Downtown Orlando Office  
415 East Pine St.  
Orlando, FL  
Telephone: (407) 422-7129

East Colonial Office  
12901 East Colonial Dr.  
Orlando, FL  
Telephone: (407) 275-3075

Englewood Office  
2930 South McCall Rd.  
Englewood, FL  
Telephone: (941) 460-0601

Gateway Commons Office  
1525 East Osceola Pkwy., Suite 120  
Kissimmee, FL  
Telephone: (407) 932-0398

Juno Beach Office  
14051 US Highway 1  
Juno Beach, FL  
Telephone: (561) 630-4521

Lady Lake Office  
873 North US Highway 27/441  
Lady Lake, FL  
Telephone: (352) 205-8893

Lake Brantley Office  
909 North SR 434  
Altamonte Springs, FL  
Telephone: (407) 339-3396

Lake Mary Office  
350 West Lake Mary Blvd.  
Sanford, FL  
Telephone: (407) 330-7106

Lake Nona Office  
9360 Narcoossee Rd.  
Orlando, FL  
(407) 801-7330

Lake Square Office  
10105 Route 441  
Leesburg, FL  
Telephone: (352) 323-8147

Lee Road Office  
1084 Lee Rd., Suite 11  
Orlando, FL  
Telephone: (407) 532-5211

Lee Vista Office  
8288 Lee Vista Blvd., Suite E  
Orlando, FL  
Telephone: (321) 235-5583

Leesburg Office  
1330 Citizens Blvd., Suite 101  
Leesburg, FL  
Telephone: (352) 365-1305

Maitland Office  
9400 US Route 17/92, Suite 101  
Maitland, FL  
Telephone: (407) 332-6071

Melbourne Office  
2481 Croton Rd.  
Melbourne, FL  
Telephone: (321) 752 0446

Metro West Office  
2619 S. Hiawasse Rd.  
Orlando, FL  
Telephone: (407) 293-1580

**Branch Locations (continued)**

North Clermont Office  
12302 Roper Blvd.  
Clermont, FL  
Telephone: (352) 243-2563

Orange City Office  
902 Saxon Blvd., Suite 101  
Orange City, FL  
Telephone: (386) 775-1392

Ormond Beach Office  
115 North Nova Rd.  
Ormond Beach, FL  
Telephone: (386) 256-3813

Osprey Office  
1300 South Tamiami Trl.  
Osprey, FL  
Telephone: (941) 918-9380

Oviedo Office  
1875 West County Rd. 419  
Suite 600  
Oviedo, FL  
Telephone: (407) 365-1145

Palm Coast Office  
120 Belle Terre Pkwy  
Palm Coast, FL  
Telephone: (386) 524-5044

Pleasant Hill Commons Office  
3307 South Orange Blossom Trl.  
Kissimmee, FL  
Telephone: (407) 846-8866

Port Orange Office  
3751 Clyde Morris Blvd.  
Port Orange, FL  
Telephone: (386) 322-3730

Rinehart Road Office  
1185 Rinehart Rd.  
Sanford, FL  
Telephone: (407) 268-3720

Sarasota Office  
2704 Bee Ridge Rd.  
Sarasota, FL  
Telephone: (941) 929-9451

South Clermont Office  
16908 High Grove Blvd.  
Clermont, FL  
Telephone: (352) 243-9511

Stuart Office  
951 SE Federal Highway  
Stuart, FL  
Telephone: (772) 286-4757

Sun City Center  
4441 Sun City Center  
Sun City Center, FL  
Telephone: (813) 633-1468

Sweetwater Office  
671 North Hunt Club Rd.  
Longwood, FL  
Telephone: (407) 774-1347

Tuskawilla Road Office  
1295 Tuskawilla Rd., Suite 10  
Winter Springs, FL  
Telephone: (407) 695-5558

Venice Office  
2057 South Tamiami Trl.  
Venice, FL  
Telephone: (941) 496-9100

Vero Beach Office  
4125 20th Street  
Vero Beach, FL  
Telephone: (772) 492-9295

Westwood Plaza Office  
4942 West State Route 46  
Suite 1050  
Sanford, FL  
Telephone: (407) 321-4925

Windermere Office  
2899 Maguire Rd.  
Windermere, FL  
Telephone: (407) 654-0498

Winter Garden Office  
16118 Marsh Rd.  
Winter Garden, FL  
Telephone: (407) 654-4609

Winter Haven Office  
7476 Cypress Gardens Blvd. Southeast  
Winter Haven, FL  
Telephone: (863) 326-1918

Winter Park Office  
1211 N. Orange Ave.  
Winter Park, FL  
Telephone: (407) 755-6707

Winter Springs Office  
851 East State Route 434  
Winter Springs, FL  
Telephone: (407) 327-6064

**Branch Locations (continued)**

**Massachusetts**

Allendale Office  
5 Cheshire Rd.  
Suite 18  
Pittsfield, MA  
Telephone: (413) 236-8400

**New Jersey**

Northvale Office  
220 Livingston St.  
Northvale, NJ  
Telephone: (201) 750-1501  
  
Ramsay Office  
385 North Franklin Tpk.  
Ramsay, NJ  
Telephone: (201) 934-1429

**Vermont**

Bennington Office  
215 North St.  
Bennington, VT  
Telephone: (802) 447-4952

**EXECUTIVE OFFICERS**

**CHAIRMAN, PRESIDENT AND CHIEF  
EXECUTIVE OFFICER**  
Robert J. McCormick

**EXECUTIVE VICE PRESIDENT  
RETAIL BANKING**  
Kevin M. Curley

**EXECUTIVE VICE PRESIDENT CORPORATE  
SERVICES AND RISK**  
Robert M. Leonard

**EXECUTIVE VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER**  
Michael M. Ozimek

**EXECUTIVE VICE PRESIDENT  
AND COMMERCIAL BANKING**  
Scot R. Salvador

**EXECUTIVE VICE PRESIDENT AND  
TREASURER**  
Eric W. Schreck

**GENERAL COUNSEL AND CORPORATE  
SECRETARY**  
Michael Hall

*Directors of TrustCo Bank Corp NY  
are also Directors of Trustco Bank*

**HONORARY DIRECTORS**

Lionel O. Barthold  
Nancy A. McNamara

John S. Morris, Ph.D  
James H. Murphy, D.D.S.

William F. Terry

**BOARD OF DIRECTORS**

**Dennis A. De Gennaro**, President  
Camelot Associates Corporation  
Commercial and Residential Construction

**Brian C. Flynn**, CPA  
KPMG LLP  
Retired Partner

**Lisa M. Lucarelli**, Owner  
LMKD Properties, LLC  
Property Management

**Thomas O. Maggs**, President  
Maggs & Associates  
Insurance Agency

**Anthony J. Marinello**, M.D., Ph.D.  
Chief Medical Officer, CDPHP

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

**Curtis N. Powell**, Vice President  
Rensselaer Polytechnic Institute

**Kimberly A. Russell**, President & COO  
Frank Adams Jewelers, Inc

**Frank B. Silverman**  
Managing member of Vision Development and Management  
Managing member of Central Florida Championship Karate  
Executive Director of the Martial Arts Industry Association

**Trustco Bank Officers**

**CHAIRMAN, PRESIDENT,  
AND CHIEF EXECUTIVE OFFICER**

Robert J. McCormick

**EXECUTIVE VICE PRESIDENT  
RETAIL BANKING**

Kevin M. Curley

**EXECUTIVE VICE PRESIDENT  
CORPORATE SERVICES AND RISK**

Robert M. Leonard

**EXECUTIVE VICE PRESIDENT  
AND CHIEF FINANCIAL OFFICER**

Michael M. Ozimek

**EXECUTIVE VICE PRESIDENT  
COMMERCIAL BANKING**

Scot R. Salvador

**EXECUTIVE VICE PRESIDENT  
AND TREASURER  
FLORIDA REGIONAL PRESIDENT**

Eric W. Schreck

**GENERAL COUNSEL AND  
CORPORATE SECRETARY**

Michael Hall

**ACCOUNTING/FINANCE**

Vice Presidents

Andrea A. McGuire

Michael Rydberg

Assistant Vice President

Lynn M. Hallenbeck

Officer

Hurbert Bhagwandeem

**AUDIT**

Director of Internal Audit

Daniel R. Saullo

Officers

Allison R. Downs

Kenneth E. Hughes Jr.

Jeff P. Klingbeil

Dennis M. Pitaniello

**BRANCH ADMINISTRATION**

Administrative Vice President

Carly K. Batista

Assistant Vice Presidents

Mark J. Cooper

Gloryvel Morales

Jocelyn E. Vizcara

Regional Officers

Takla A. Awad

Thomas L. McCormick

James J. Smith

Officers

Victor J. Berger

Albert N. Estopinal

Lesly Jean-Louis

Kevin R. Mason

Nicolette C. Messina

Ronald G. Patterson

Carmen Ramjeet

Berkley K. Young

**COLLECTIONS/ OPERATIONS/  
CREDIT**

Vice President

Stacy L. Marble

Officer

Aislinn E. Melia

**COMPLIANCE/ RISK/ BSA/  
CREDIT ADMINISTRATION**

Administrative Vice President and Chief

Compliance Officer and Information

Security Officer

Michael J. Ewell

Administrative Vice President

Michael J. Lofrumento

Vice Presidents

Lara Ann Gough

Jennifer L. Meadows

Assistant Vice President

Michael V. Pitnell

Officers

Amanda L. Biance

James A.P. McCarthy, Esq.

Michael F. McMahon

June M. Ryder

**FINANCIAL SERVICES**

Administrative Vice President and

Chief Trust Officer

Patrick J. LaPorta, Esq.

Vice President

Thomas M. Poitras

Assistant Vice President

Lauren A. Maxwell

Officers

Michael D. Bates

John W. Bresonis

Clint M. Mallard

**INFORMATION TECHNOLOGY/  
PLANNING AND SYSTEMS/  
MARKETING**

Senior Vice President

John R. George

Vice President and

Chief Technology Officer

Volney R. LaRowe

Vice President

Adam E. Roselan

Officers

Sean Dougherty

Jonathan R. Goodell

**LENDING**

Administrative Vice President

Michelle L. Simmonds

Vice Presidents

Suzanne E. Breen

Patrick M. Canavan

Assistant Vice President

Pratik A. Shah

Officers

Christiane Feliciano

Douglas L. Hall

Joseph Lucarelli

Rebecca L. O'Hare

Sara Steinback

Lisa Tully

**PERSONNEL/  
QUALITY CONTROL/  
TRAINING**

Assistant Vice Presidents

Jason T. Goodell

Jessica M. Marshall

## General Information

### ANNUAL MEETING

Thursday, May 19, 2022  
10:00 AM  
Albany, NY 12205

### CORPORATE HEADQUARTERS

5 Sarnowski Drive  
Glenville, NY 12302  
(518) 377-3311

### DIVIDEND REINVESTMENT PLAN

A Dividend Reinvestment Plan is available to shareholders of TrustCo Bank Corp NY. It provides for the reinvestment of cash dividends and optional cash payments to purchase additional shares of TrustCo stock. The Dividend Reinvestment Plan has certain administrative charges and provides a convenient method of acquiring additional shares. Computershare acts as administrator for this service and is the agent for shareholders in these transactions. Shareholders who want additional information may contact Computershare at 1-800-368-5948.

### DIRECT DEPOSIT OF DIVIDENDS

Electronic deposit of dividends, which offers safety and convenience, is available to TrustCo shareholders who wish to have dividends deposited directly to personal checking, savings or other accounts. If you would like to arrange direct deposit, please write to Computershare listed as transfer agent at the bottom of this page.

### FORM 10-K

TrustCo Bank Corp NY will provide, without charge, a copy of its Form 10-K for the year ended December 31, 2021 upon written request. Requests and related inquiries should be directed to Robert M. Leonard, Executive Vice President Corporate Services and Risk, TrustCo Bank Corp NY, P.O. Box 380, Schenectady, New York 12301-0380.

### CODE OF CONDUCT

TrustCo Bank Corp NY will provide, without charge, a copy of its Code of Conduct upon written request. Requests and related inquiries should be directed to Michael Hall, Corporate Secretary, TrustCo Bank Corp NY, P.O. Box 1082, Schenectady, New York 12301-1082. The Code of Conduct also is available on the Company's web site at [www.trustcobank.com](http://www.trustcobank.com) under the "Investor Relations" link.

### NASDAQ SYMBOL: TRST

The Corporation's common stock trades on The Nasdaq Stock Market under the symbol TRST. There were approximately 7,770 shareholders of record of TrustCo common stock as of January 31, 2022.

### SUBSIDIARIES:

#### Trustco Bank

Glenville, New York  
Member FDIC  
(and its wholly owned subsidiaries)

#### Trustco Realty Corp

Glenville, New York

#### Trustco Insurance Agency, Inc.

Glenville, New York

#### ORE Property, Inc.

Glenville, New York  
(and its wholly owned subsidiaries)

#### ORE Property One, Inc.

Orlando, Florida

#### ORE Property Two, Inc.

Orlando, Florida

#### ORE Subsidiary Corporation

Glenville, New York

[Index](#)

**TRANSFER AGENT**

Computershare  
Regular Mail  
PO BOX 505000  
Louisville, KY 40233-5000  
UNITED STATES

Overnight Delivery  
462 South 4th Street  
Suite 1600 Louisville, KY 40202  
UNITED STATES

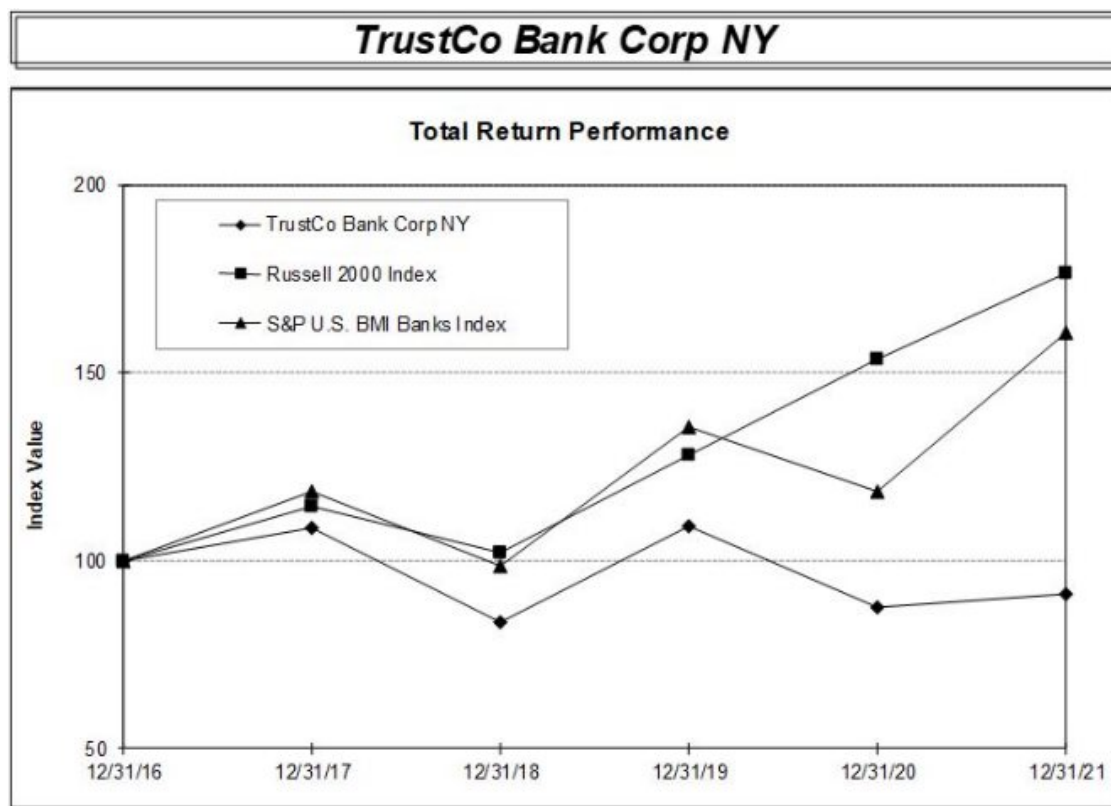
Toll Free: 1-800-368-5948 or 1-781-575-4223

Trustco Bank® is a registered service mark with the U.S. Patent & Trademark Office.



## Share Price Information

The following graph shows changes over a five-year period in the value of \$100 invested in: (1) TrustCo's common stock; (2) Russell 2000 and (3) the S&P U.S. BMI Banks Index, an appropriate industry representation on the exchange in which our common stock is traded to replace the SNL Bank and Thrift Index because the SNL Bank and Thrift Index is no longer published. The S&P U.S. BMI Banks Index is an industry group compiled by S&P Global Market Intelligence, that includes all major exchange (NYSE, NYSE MKT, NASDAQ) banks and thrifts in S&P's coverage universe. The index included 304 companies as of December 31, 2021. A list of the component companies can be obtained by contacting TrustCo.



Index	Period Ending					
	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21
TrustCo Bank Corp NY	100.00	108.57	83.58	109.28	87.71	91.19
Russell 2000 Index	100.00	114.65	102.02	128.06	153.62	176.39
S&P U.S. BMI Banks Index	100.00	118.21	98.75	135.64	118.33	160.89

Source: S&P Global Market Intelligence  
© 2022

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**Exhibit 21****SUBSIDIARIES OF TRUSTCO BANK CORP NY**

Trustco Bank	Federal savings bank
ORE Subsidiary Corp.	New York corporation
Trustco Realty Corp.	New York corporation (Subsidiary of Trustco Bank)
Trustco Insurance Agency, Inc.	New York corporation (Subsidiary of Trustco Bank)
ORE Property, Inc.	New York corporation (Subsidiary of Trustco Bank)
ORE Property One, Inc.	Florida corporation (Subsidiary of ORE Property, Inc.)
ORE Property Two, Inc.	Florida corporation (Subsidiary of ORE Property, Inc.)

Each subsidiary does business under its own name. The activities of each are described in Part I, Item 1 of Form 10-K.

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors  
TrustCo Bank Corp NY

We consent to incorporation by reference in the Registration Statements, Form S-8 (No. 333-175868), Form S-8 (No. 333-233122), Form S-8 (No. 333-175867), Form S-8 (No. 333-206685), and Form S-3 (No. 333-238208) of TrustCo Bank Corp NY of our report dated February 25, 2022 with respect to the consolidated financial statements of TrustCo Bank Corp NY and the effectiveness of internal control over financial reporting which is incorporated by reference in the Annual Report on Form 10-K of TrustCo Bank Corp NY for the year ended December 31, 2021.

/s/Crowe LLP

New York, New York  
February 25, 2022

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**Exhibit 24**

**Power of Attorney**

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned, being a director of TrustCo Bank Corp NY, a New York corporation (the “Company”), hereby constitutes and appoints Michael M. Ozimek and Robert M. Leonard, and each of them, his or her true and lawful attorney-in-fact and agent, with full power to act separately and full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, to sign the Annual Report on Form 10-K for the year ended December 31, 2021, and any amendments thereto, each in such form as they or any one of them may approve, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitute or resubstitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has hereunto set his or her signature on the dates indicated.

/s/ Brian C. Flynn

Brian C. Flynn

February 15, 2022

/s/ Robert J. McCormick

Robert J. McCormick

February 15, 2022

/s/ Kimberly A. Russell

Kimberly A. Russell

February 15, 2022

/s/ Lisa M. Lucarelli

Lisa M. Lucarelli

February 15, 2022

/s/ Curtis N. Powell

Curtis N. Powell

February 15, 2022

/s/ Dennis A. De Gennaro

Dennis A. De Gennaro

February 15, 2022

/s/ Thomas O. Maggs

Thomas O. Maggs

February 15, 2022

/s/ Dr. Anthony J. Marinello

Dr. Anthony J. Marinello

February 15, 2022

/s/ Frank B. Silverman

Frank B. Silverman

February 15, 2022

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**Exhibit 31(i)(a)**

**Certification**

I, Robert J. McCormick, certify that:

1. I have reviewed this Annual Report on Form 10-K of TrustCo Bank Corp NY (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 25, 2022

/s/ Robert J. McCormick

Robert J. McCormick

Chairman, President and Chief Executive Officer

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**Exhibit 31(i)(b)**

**Certification**

I, Michael M. Ozimek, certify that:

1. I have reviewed this Annual Report on Form 10-K of TrustCo Bank Corp NY (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 25, 2022

/s/ Michael M. Ozimek

Michael M. Ozimek

Executive Vice President and Chief Financial Officer

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**Exhibit 32**

**Section 1350 Certifications**

In connection with the Annual Report of TrustCo Bank Corp NY (the “Company”) on Form 10-K for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies pursuant to 18 U.S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert J. McCormick

Robert J. McCormick  
Chairman, President and Chief Executive Officer

/s/ Michael M. Ozimek

Michael M. Ozimek  
Executive Vice President and Chief Financial Officer

February 25, 2022

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