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, 2022
Or
☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________________ to ____________________

Commission file number 0-10592

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

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those errors corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the common stock held by non-affiliates as of June 30, 2022, the last business day of the Company's second fiscal quarter, was $573 million (based upon the closing price of $30.84 on June 30, 2022 as reported on the Nasdaq Global Select Market).

The number of shares outstanding of the registrant's common stock as of February 23, 2023 was 19,024,433 .

Documents Incorporated by Reference: Portions of the registrant's Annual Report to Shareholders for the year ended December 31, 2022 are incorporated by reference into Parts I and II, and portion of the registrant's Proxy Statement filed for its 2023 Annual Meeting of Shareholders to be filed within 120 days of the registrant's fiscal year end are incorporated into Part III.

INDEX

[Index](#)

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Statements included in this report and in future filings by TrustCo with the Securities and Exchange Commission (“SEC”), in TrustCo’s press releases, and in oral statements made with the approval of an authorized executive officer, including statements regarding the effect of the COVID-19 pandemic on our business and macroeconomic or geopolitical concerns related to inflation and rising interest rates, 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 such 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 risk factors listed in Item 1A, Risk Factors of this Annual Report on Form 10-K and TrustCo’s 2022 Annual Report to Shareholders, which is included as Exhibit 13 hereto, and in TrustCo’s other filings with the SEC, 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. Additionally, many of these risks and uncertainties are currently elevated by and may or will continue to be elevated by the effects of the COVID-19 pandemic and macroeconomic or geopolitical concerns related to inflation, rising interest rates and the war in Ukraine.

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 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.

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 750 full-time equivalent employees of TrustCo at year-end. TrustCo had 7,593 shareholders of record as of December 31, 2022 and the closing price of the TrustCo common stock on December 30, 2022 (the last trading day of 2022) was $37.59.

Subsidiaries

Trustco Bank

Trustco Bank is a federal savings bank engaged in providing general banking services to individuals and business. At year-end 2022, the Bank operated 158 automatic teller machines and 143 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, Flagler, Hillsborough, Indian River, Lake, Manatee, Martin, Orange, Osceola, Palm Beach, Polk, Sarasota, Seminole, and Volusia counties in Florida, Bennington County in Vermont, Berkshire County in Massachusetts and Bergen County in New Jersey.

The largest part of such business consists of accepting deposits and making loans and investments. Trustco Bank also lends in Essex and Fulton counties of New York, Essex, Hudson, Morris, and Passaic counties of New Jersey, Collier, Lee, Marion, Pasco, Pinellas, St. Johns, St. Lucie, and Sumter counties of Florida, where it has no branch locations.

The Bank provides a wide range of both personal and business banking services, including a full array of deposit products for both individuals and businesses. Trustco Bank also offers trust and investment services through its Financial Services Department. 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 2022 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 2022 and 2021.

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 $918 million as of December 31, 2022.

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 increased as interest rates have increased and housing inventory has tightened in many of the Bank's market areas. 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 also 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. Technological advances, for example, have lowered barriers to entry, allowed banks and other financial services companies to expand their geographic reach by providing services over the internet, and made it possible for non-depository institutions to offer products and services that traditionally have been provided by banks. 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. Changes in applicable law or regulation, and in their interpretation and application by regulatory agencies and other governmental authorities, cannot be predicted, but may have a material effect on our business, financial condition or results of operations.

Key Legislation

Certain Regulatory Developments Relating to the COVID-19 Pandemic

Congress took significant action to address the disruptions caused by the COVID-19 pandemic, including by passing the Coronavirus Aid, Relief and Economic Security Act, a $2.2 trillion economic stimulus bill, and the Economic Aid Act. There have also been a number of regulatory actions intended to help mitigate the adverse economic impact of the COVID-19 pandemic on borrowers, including several mandates from the bank regulatory agencies requiring financial institutions to work constructively with borrowers affected by the pandemic. Many of these actions were temporary and have expired; however, certain aspects of the regulatory framework that were modified as a result of the pandemic remain in effect. For example, in response to the pandemic, the Federal Reserve implemented an interim final rule allowing banks to suspend enforcement of the six-transfer limit on convenient transfers from savings deposits under Regulation D in order to permit customers to make an unlimited number of convenient transfers and withdrawals amid pandemic-related financial disruptions and uncertainty. This amendment since has been adopted on a permanent basis.

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, 2022 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, 2022, the Bank had a Tier 1 leverage ratio (Tier 1 capital to total average consolidated assets) of 10.12%, CET1 capital ratio (CET1 capital to risk-weighted assets) of a 18.43%, Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) of 18.43%, and a total capital ratio (total capital to risk-weighted assets) of 19.68%. Also at December 31, 2022, the Company had a Tier 1 leverage ratio (Tier 1 capital to total average consolidated assets) of 10.39%, CET1 capital ratio (CET1 capital to risk-weighted assets) of 18.93%, a Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) of 18.93% and a total capital ratio (total capital to risk-weighted assets) of 20.18%.

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.

In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post-crisis regulatory reforms. Among other things, these standards revise the Basel Committee's standardized approach for credit risk (including recalibrating risk weights and introducing new capital requirements for certain "unconditionally cancellable commitments," such as unused credit card and home equity lines of credit) and provide a new standardized approach for operational risk capital. Under the Basel framework, these standards will generally be effective on January 1, 2023, with an aggregate output floor phasing in through January 1, 2028.

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, 2022 and 2021, each of TrustCo and Trustco Bank met all capital adequacy requirements to which it was subject under the OCC and Federal Reserve Board regulations. As of December 31, 2022, the most recent notification from the OCC categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action.

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 Exchange Act, 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.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") significantly changed the regulation of financial institutions, such as community banks, thrifts, and small bank and thrift holding companies, and the financial services industry. Among other things, the Dodd-Frank Act abolished the Office of Thrift Supervision and transferred its functions to the other federal banking agencies, relaxed rules regarding interstate branching, allowed financial institutions to pay interest on business checking accounts, and imposed new capital requirements on bank and thrift holding companies. The Dodd-Frank Act has affected our business in substantial ways, including by causing us to incur higher operating costs to comply with the Dodd-Frank Act. Certain provisions of the Dodd-Frank Act have yet to be fully implemented and may be impacted by future legislation, rulemaking or executive orders. Our management continues to monitor the ongoing implementation of the Dodd-Frank Act and as new regulations are issued, will assess their effect on our business, financial condition and results of operations.

The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws. The Company has policies, procedures and systems designed to comply with these regulations, and it reviews and documents such policies, procedures and systems to ensure continued compliance with these regulations.

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 2.5 to 18 basis points for banks in the least risky category to 13 to 32 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 (the "Restoration Plan") within eight years but did not change its assessment rate schedule. The Restoration 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. In the semiannual update for the Restoration Plan in June 2022, the FDIC projected that the reserve ratio was at risk of not reaching the statutory minimum of 1.35 percent by September 30, 2028, the statutory deadline to restore the reserve ratio. Based on this update, the FDIC Board approved an amended Restoration Plan, and concurrently proposed an increase in initial base deposit insurance assessment rate schedules uniformly by 2 basis points, applicable to all insured depository institutions. In October 2022, the FDIC Board finalized the increase with an effective date of January, 1, 2023, applicable to the first quarterly assessment period of 2023 (i.e., January 1 through March 31, 2023).

FDIC deposit insurance expense totaled $1.8 million in both 2022 and 2021, and 1.0 million, in 2020. 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.

Other Regulation

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, 2022 totaled approximately 845 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. On May 5, 2022, the FDIC, the Federal Reserve Board and the OCC released a notice of proposed rulemaking to "strengthen and modernize" the CRA regulations and the related regulatory framework.

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 Affiliates and Other 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. The Bank is subject to periodic examinations by the OCC regarding these and related matters. During these examinations, the examiners may require the Bank to increase its allowance for loan losses, change the classification of loans, and/or recognize additional charge-offs based on their judgments, which can impact our capital and earnings.

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.

Volcker Rule. The Dodd-Frank Act required the federal financial regulatory agencies to adopt rules that prohibit certain banks and their affiliates from engaging in proprietary trading and investing in certain covered funds. The statutory provision is commonly called the "Volcker Rule," and is not applicable to depository institutions and their holding companies whose total assets do not exceed $10 billion. As of December 31, 2022, the Company's total assets on a consolidated basis did not exceed $10 billion.

Office of Foreign Assets and Control Regulation. The U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries. The Company is responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required.

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, including the USA PATRIOT Act of 2001 and regulations thereunder, 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. Violations of these laws and regulations can result in substantial civil and criminal sanctions.

Consumer Privacy and Cybersecurity. Federal regulations generally require that the Company disclose its privacy policy and practices concerning its sharing of "non-public personal information," to individual customers at the time of establishing the customer relationship and annually thereafter. In addition, the Company is required to provide its customers with the ability to "opt-out" of having their personal information shared with unaffiliated third parties in certain circumstances.

State privacy laws currently in effect and laws taking effect in the near future impact how companies can process other categories of personal information. These laws require substantial disclosures to consumers about personal information collection, use and sharing practices, while also allowing consumers the right to access, delete, correct, or move their data.

In addition, federal banking agencies, through the Federal Financial Institutions Examination Council, have adopted guidelines to encourage financial institutions to address cybersecurity risks and identify, assess and mitigate these risks, both internally and at critical third party service providers. For example, federal banking regulators have highlighted that financial institutions should establish several lines of defense and design their risk management processes to address the risk posed by compromised customer credentials. Further, financial institutions are expected to maintain sufficient business continuity planning processes designed to facilitate a recovery, resumption and maintenance of the institution's operations after a cyber-attack.

In November 2021, the federal banking agencies adopted new rules requiring banking organizations to notify their primary regulator within 36 hours of becoming aware of a "computer-security incident" that rises to the level of a "notification incident." The new rules also require bank service providers to notify their banking organization customers when it becomes aware of similar incidents. Compliance with the new rules was required by May 1, 2022.

Identity Theft Protection. The Fair Credit Reporting Act's Red Flags Rule requires financial institutions with covered accounts (e.g., consumer bank accounts and loans) to develop, implement and administer an identity theft prevention program. This program must include reasonable policies and procedures to detect suspicious patterns or practices that indicate the possibility of identity theft, such as inconsistencies in personal information or changes in account activity.

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 FHLBs also provide access to a line of credit and letters of credit in accordance with policies and procedures established by the Board of Directors of FHLB. The loans, lines of credit and letters of credit are subject to the oversight of the Federal Housing Finance Agency. At December 31, 2022, the Bank had no FHLB advances an available line of credit with the FHLB which approximates the balance of securities and/or loans pledged against such borrowings. 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. 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, 2022, the Bank owned $5.8 million in FHLB of New York stock, which was in compliance with its obligations.

Mergers and Acquisitions. The Bank Holding Company Act of 1956, the Bank Merger Act, the Change in Bank Control Act and other federal and state statutes regulate acquisitions of interests in commercial banks. The BHC Act requires the prior approval of the FRB for the direct or indirect acquisition by a bank holding company of more than 5.0% of the voting shares of a commercial bank or its parent holding company and for a person, other than a bank holding company, to acquire 25% or more of any class of voting securities of a bank or bank holding company. Under the Bank Merger Act, the prior approval of the appropriate bank regulatory agencies is required for a member bank to merge with another bank or purchase the assets or assume the deposits of another bank. In reviewing applications seeking approval of merger and acquisition transactions, the bank regulatory authorities will consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the CRA and fair housing laws and the effectiveness of the subject organizations in combating money laundering activities.

Compensation Practices. Our compensation practices are subject to oversight by the FRB and the OCC. Applicable regulatory guidance on incentive compensation seek to ensure that the incentive compensation practices of banking organizations do not encourage excessive risk-taking and undermine the safety and soundness of those organizations. The guidance provides that supervisory findings with respect to incentive compensation will be incorporated, as appropriate, into the organization's supervisory ratings. To be consistent with safety and soundness, incentive compensation arrangements at a banking organization should comply with the following principles:

- Provide employees incentives that appropriately balance risk and reward;
- Be compatible with effective controls and risk management; and
- Be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

The board maintains a Compensation Committee made up of independent directors which exercises full oversight over the Company's executive compensation program. The Compensation Committee annually reviews a comprehensive risk assessment which addresses all aspects of the program and the controls that exist to mitigate any associated risk. Detailed disclosure of our compensation practices are set forth in the annual Proxy Statement.

The U.S. financial regulators, including the FRB, the OCC, and the SEC, jointly proposed regulations in 2011 and again in 2016 to implement the incentive compensation requirements of Section 956 of the Dodd-Frank Act. These regulations have not been finalized.

Climate-Related Risk Management and Regulation**.** 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.

Other Governmental Initiatives. From time to time, various legislative and regulatory initiatives are introduced in Congress, as well as by regulatory authorities. These initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions, proposals to change the financial institution regulatory environment, or proposals that affect public companies generally. Such legislation could change banking laws and the operating environment of the Company in substantial, but unpredictable ways. The Company cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations would have on its financial condition or results of operations.

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, 2022, we had 818 employees (which collectively amount to 754 full-time equivalents), all based in the United States, with 557 employees (68%) at bank branches, 243 (30%) located in corporate offices and 18 (2%) in call centers.

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 2022, 140 (roughly 17%) 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 42 (5.1%) 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.

During 2022, Trustco Bank continued its 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 2022, approximately 59% of our workforce identify as female and 41% identify as male. The workforce is 42% ethnically diverse, being made up of 15.04% Hispanic or Latino employees, 11.37% Asian employees, 11% Black or African American employees, 3.79% of employees from two or more races, 0.98% American Indian or Alaska Native employees, and 0.24% Native Hawaiian or other Pacific Islander employees. Additionally, 8.68% 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.

Employee Recruitment and Retention

Hometown Pledge Program: This year we also started the Hometown Pledge Program, which allows newly hired Trustco Bank employees to direct a contribution to the community group of their choosing. Through this program, we have made 427 donations to 80 charities. Participants report increased satisfaction with their decision to join Trustco Bank. Participant's also report feeling better about their employer as a good corporate citizen, which has positive impacts upon employee retention.

Payment of Equity Awards to More Employees: Since 2019, TrustCo has made equity awards deeper into the corporate organization to recognize and provide additional incentive compensation to individuals who consistently made an exceptional contribution to the bank by originating more mortgage loans and greater deposits. In 2020, that practice was expanded it to include Assistant Vice Presidents who play key roles in the day-to-day activities that are essential to the bank's overall success. These two actions have been highly successful. In a time when employee attrition is prevalent and presents significant challenges for companies throughout the country, Trustco Bank has retained 93% of the employees receiving officer equity awards.

Foreign Operations

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

Disclosure Pursuant to Subpart 1400 of Regulation S-K

The financial disclosures related to the Company as required under Subpart 1400 of Regulation S-K are incorporated herein by reference from TrustCo's Annual Report to Shareholders for the year ended December 31, 2022 (the "Annual Report to Shareholders"), which is attached as Exhibit 13 hereto and incorporated herein by reference. See the cross-references below to locate such disclosures in the Annual Report to Shareholders.

Disclosure		Page Number in Annual Report to Shareholders
I. Distribution of assets, liabilities, and shareholders' equity; interest rates and interest differential		
	A. Average balance sheets	16
	B. Interest income/expense and resulting yield or rate on average interest-earning assets and interest-bearing liabilities	16
	C. Rate/volume variances	17
II. Investments in debt securities		
	A. Maturity schedule and weighted average yield	13
III. Loan Portfolio		
	A. Maturity schedule	10
IV. Allowance for Credit Losses		
	A. Credit ratios - Factors driving material changes in credit ratios or related components	19, 20, 21
	B. Allocation of the allowance for credit losses	22
V. Deposits		
	A. Average balances and rates	17
	B. Uninsured and time deposits over $250,000	17

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.

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 website, www.trustcobank.com under the "Investor Relations" tab. These reports are available on the website as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. These reports are also available on the SEC's website at http://www.sec.gov. Various other documents related to corporate operations, including the Company's Corporate Governance Guidelines, the charters of its principal board committees, and the Company's Code of Conduct are available on the website. 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.

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 Our Lending Activities

Changes in interest rates, including recent and possible future increases fueled by inflation, may significantly impact our financial condition and results of operations

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. The level of net interest income is primarily a function of the average balance of our interest-earning assets, the average balance of our interest-bearing liabilities, and the spread between the yield on such assets and the cost of such liabilities. These factors are influenced by both the pricing and mix of our interest-earning assets and our interest-bearing liabilities which, in turn, are impacted by such external factors as the local economy, competition for loans and deposits, the monetary policy of the Federal Open Market Committee of the FRB (the "FOMC"), and market interest rates.

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. In March 2022, the Federal Open Market Committee ("FOMC") increased the target range for the federal funds rate seven times in 2022 by a total of 425 basis points, to a range of 4.25% to 4.50% as of end of 2022. At its meeting on February 1, 2023, the FOMC increased the target range for the federal funds by an additional 25 basis points, to a range of 4.50% to 4.75%. All of these increases were expressly made in response to inflationary pressures, which are currently expected to continue. In its October 2022 "Beige Book", the FRB noted that national economic activity had expanded at a modest pace on net since the previous report, while conditions varied across industries and districts. Rising mortgage rates and elevated housing prices further weakened single-family starts, while commercial real estate slowed in both construction and sales amid supply shortages and elevated construction and borrowing costs, and there were scattered reports of declining property prices. More locally, the New York district, the district in which the Company's primary operations are located, stated economic activity continued to contract at a modest pace and that conditions in the broad finance sector deteriorated, and regional banks reported widening loan spreads and weakening loan demand.

There can be no assurances as to any future FOMC conduct. If the FOMC further increases the targeted federal funds rates, overall interest rates likely will rise, which will positively impact our interest income but may further negatively impact the entire national economy, including the housing industry in the markets we serve, by reducing refinancing activity and new home purchases. In addition, deflationary pressures, while possibly lowering our operational costs, could have a significant negative effect on our borrowers and the values of collateral securing loans, which could negatively affect our financial performance. A significant portion of our loans have fixed interest rates (or, if adjustable, are initially fixed for periods of five to 10 years) and longer terms than our deposits and borrowings. Our net interest income could be adversely affected if the rates we pay on deposits and borrowings increase more rapidly than the rates we earn on loans.

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.

Inflationary pressures and rising prices may affect our results of operations and financial condition.

Inflation rose sharply at the end of 2021 and has continued rising in 2022 at levels not seen for over 40 years. Inflationary pressures are currently expected to remain elevated throughout 2022. Small to medium-sized businesses may be impacted more during periods of high inflation as they are not able to leverage economics of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to the Company to increase, which could adversely affect our results of operations and financial condition

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 credit losses on loans (“ACLL”) is not sufficient to cover expected loan losses, our earnings could decrease.

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. 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. When determining the amount of the ACLL, 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 credit losses, management reviews past due information, historical charge-off and recovery data, nonperforming loan activity and reasonable and supportable forecasts. 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 (the Company’s largest geographical area) primarily over the last several years, as well as in the Company’s other market areas. A significant portion of the ACLL is determined using qualitative factors. The determination of qualitative factors involves subjective judgement and subjective measurement. We cannot predict loan losses with certainty that charge-offs in future periods will not exceed our estimate of expected losses as determined through our ACLL. If our assumptions and analysis prove to be incorrect, including with respect to the economic environment, our ACLL may not be sufficient to cover expected losses in our loan portfolio, resulting in additions to our ACLL which is maintained through provisions for credit losses. In addition, regulatory agencies, as an integral part of their examination process, may require additions to the allowance based on their judgment about information available to them at the time of their examination. Material additions to our ACLL would materially decrease our net income.

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 Our Operations

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 Exchange Act 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.

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 68.0% of our loan portfolio is comprised of loans secured by property located in our markets in and around New York, and approximately 32.0% 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.

Instability in global economic conditions and geopolitical matters, as well as volatility in financial markets, could have a material adverse effect on our results of operations and financial condition.

Instability in global economic conditions and geopolitical matters, as well as volatility in financial markets, could have a material adverse effect on our results of operations and financial condition. The macroeconomic environment in the United States is susceptible to global events and volatility in financial markets. 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.

Additionally, the conflict with Russia and Ukraine has lead, and could continue to lead, to significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, supply chain interruptions, political and social instability, changes in consumer or purchaser preferences as well as increase in cyberattacks and espionage. In addition, global demand for products may exceed supply during the economic recovery from the COVID-19 pandemic, and such shortages may cause inflation, adversely impact consumer and business confidence, and adversely affect the economy as well as our financial condition and results.

Actions taken by the Federal Reserve Board, including changes in its target funds rate, balance sheet management and lending facilities are beyond our control and difficult to predict. These actions can affect interest rates and the value of financial instruments and other assets and liabilities and can impact our borrowers. Sudden changes in monetary policy, for example, in response to high inflation, could lead to financial market volatility, increases in market interest rates and a continued flattening or inversion of the yield curve. Higher inflation, or volatility and uncertainty related to inflation, could reduce demand for our products, adversely affect the creditworthiness of our borrowers or result in lower values for our investment securities and other interest-earning assets.

The COVID-19 pandemic could continue to have an adverse effect on our business.

The COVID-19 pandemic has had a significant economic impact on the communities in which we operate, our borrowers and depositors, and the national economy generally. These effects have diminished in the past year, but future developments and uncertainties will be difficult to predict, such as the potential emergence of a new variant, the course of the pandemic in China and other major economies, the persistence of pandemic-related work and lifestyle changes, changes in consumer preferences associated with the emergence of the pandemic, and other market disruptions. Any such developments could have a complex and negative effect on our business, including with respect to the prevailing economic environment, our lending and investment activities, and our business 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.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions. Recently, several banking institutions have received large fines for non-compliance with these laws and regulations. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, these policies and procedures may not be effective in preventing violations of these laws and regulations.

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.

Furthermore, on August 16, 2022, the U.S. government enacted the Inflation Reduction Act, which introduces a new 15% corporate minimum tax and includes an excise tax that imposes a 1% surcharge on stock repurchases commencing January 1, 2023, and which may impact our financial results beginning in 2023.

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 seven asset tests under the Internal Revenue Code each quarter: (1) at least 75% of the value of the entity'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 entity's total assets may consist of securities, other than those includible under the 75% asset test; (3) not more than 20% of the value of the entity's total assets may consist of securities of one or more taxable REIT subsidiaries; (4) not more than 25% of the value of the entity's total assets may consist of nonqualified publicly offered REIT debt instruments; (5) not more than 5% of the value of the entity's total assets may consist of securities of any one issuer, other than those securities includible under the 75% asset test or securities of a taxable REIT subsidiary; (6) the entity does not hold securities possessing more than 10% of the total voting power of the outstanding securities of any one issuer, other than those securities includible under the 75% asset test or securities of a taxable REIT subsidiary; and (7) the entity does not hold securities having a value of more than 10% of the total value of the outstanding securities of any one issuer, other than those securities includible under the 75% asset test or securities of a taxable REIT subsidiary. At December 31, 2022, Trustco Realty met all seven 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 2022, 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 SEC 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 rely heavily on third-party service providers for much of our communications, information, operating and financial controls systems, and technology. We face the risk of operational disruption, failure, or capacity constraints due to our dependency on third-party service providers for components of our business infrastructure. While we have selected these third-party service providers 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. 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 again in the future 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.

Furthermore, our assets that are at risk for cyber-attacks include financial assets and non-public information belonging to customers. We use several third-party service providers 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. Although to date we have not experienced any material losses or other material consequences to date relating to technology failure, cyberattacks or other information or security breaches, whether directed at us or at third parties, there can be no assurance that our controls and procedures in place to monitor and mitigate the risks of cyber threats, including the remediation of critical information security and software vulnerabilities, will be sufficient and/or timely as to prevent material losses or consequences in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats and sophisticated methods used by cyber criminals, 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 have caused immaterial business interruptions in the past and may cause more interruptions in the future. 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 have been and there could be in the future 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, have been and may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events in the future. 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, some banks in recent years, 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 intended 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.

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 cannot guarantee that our allocation of capital to various alternatives, including stock repurchase plans, will enhance long-term stockholder value.

Our business plan calls for us to execute a variety of strategies to allocate and deploy any excess capital including, but not limited to, continued organic balance sheet growth and diversification, implementation of stock repurchase plans and payment of regular cash dividends. Additionally, we will carefully consider acquisition opportunities to further deploy capital when we expect such opportunities to significantly enhance long-term shareholder value. If we are unable to effectively and timely deploy capital through these strategies, it may constrain growth in earnings and return on equity and thereby diminish potential growth in stockholder value.

On March 9, 2022, we announced that our Board authorized a new stock repurchase plan to acquire up to 200,000 shares of the Company's outstanding common stock. Repurchases are made at management's discretion at prices management considers to be attractive and in the best interests of both the Company and its stockholders, subject to the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance.

The Inflation Reduction Act of 2022, which was signed into law on August 16, 2022, contains a number of changes to U.S. federal tax laws. One such change is a 1% excise tax on stock repurchases, which will increase the cost of stock repurchases and may impact our future decisions on how to return value to stockholders in the most efficient manner.

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.

Societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers.

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of these concerns. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions, operating process changes, and the like. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

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 143 banking offices located in New York, New Jersey, Vermont, Massachusetts and Florida. As of December 31, 2022, 24 of such properties are owned and 119 are leased from others on market terms. The lease terms for our banking offices are not individually material. Lease expirations range from 2 months to 21.8 years. 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.

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 Disclosures

Not applicable.

Information about our Executive Officers

The following is a list of the names and ages as of March 1, 2023 of the executive officers of TrustCo and their business history for the past five years:

Name, Age and Position With Trustco	Principal Occupations Or Employment Since January 1, 2008	Year First Became Executive of TrustCo
Robert J. McCormick, Age 60, 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
Scot R. Salvador, Age 56, 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
Robert M. Leonard, Age 60, 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
Michael M. Ozimek Age 48, 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
Eric W. Schreck Age 56, 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
Michael Hall Age 58, 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
Kevin M. Curley 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 7,566 shareholders of record as of February 23, 2023.

The Company's ability to pay dividends depends on the receipt of dividends from the Bank, which is subject to a variety of limitations under federal banking regulations regarding the payment of dividends. For discussion of corporate and regulatory limitations applicable to the payment of dividends, see "Item 1. Business-Supervision and Regulation-Dividends."

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, 2022.

Recent Sales of Unregistered Securities.

None.

Issuer Purchases of Equity Securities

The following table provides information about the Company's purchases of shares of common stock during the three months ended December 31, 2022.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1 to October 31, 2022	-	$ -	-	32,786
November 1 to November 30, 2022	-	$ -	-	32,786
December 1 to December 31, 2022	32,786	$ 38.17	32,786	-
Total	32,786	$ 38.17	32,786	-

(1) On March 9, 2022 the Company's Board of Directors authorized another share repurchase program of up to 200,000 shares, or approximately 1% of its currently outstanding common stock. During the three months ended December 31, 2022, the Company repurchased a total of 32,786 shares at an average price per share of $38.17, for a total of $1.2 million under its Board authorized share repurchase program. All 200,000 shares under the current authorization had been repurchased as of December 31, 2022.

Stock Performance Graph

The TrustCo Annual Report to Shareholders for the year ended December 31, 2022, which is filed as Exhibit 13 hereto, contains a stock performance 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 this Item 7 is contained in TrustCo's Annual Report to Shareholders for the year ended December 31, 2022, 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, 2022, 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, 2022, 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, as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, are procedures that are designed with the objective of ensuring that information required to be disclosed in the Company's reports filed under the Exchange Act, such as this Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including our principal executive and principal financial officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2022, the Company's disclosure controls and procedures were 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, 2022, 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 Exchange Act) that occurred during the Company's quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

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 2022 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 2023 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 2023 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.

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 2023 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 2023 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the Company's fiscal year-end.

Our independent registered public accounting firm is Crowe LLP, New York, New York, PCAOB Firm ID: 173

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, 2022 and 2021.

Consolidated Statements of Income -- Years Ended December 31, 2022, 2021 and 2020.

Consolidated Statements of Comprehensive Income -- Years Ended December 31, 2022, 2021 and 2020.

Consolidated Statements of Changes in Shareholders' Equity -- Years Ended December 31, 2022, 2021 and 2020.

Consolidated Statements of Cash Flows -- Years Ended December 31, 2022, 2021 and 2020.

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, 2022 and 2021.

Exhibits

Exhibit No.	Description
3(i)	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.
3(ii)	Amended and Restated Bylaws of TrustCo Bank Corp NY, dated May 23, 2019, incorporated by reference to Exhibit 3.2 to TrustCo Bank Corp NY's Quarterly Report on Form 10-Q, filed August 8, 2019.
4(a)**	Description of Capital Stock, incorporated by reference to Exhibit 4(a) to TrustCo Bank Corp NY's Annual Report on Form 10-K, filed February 25, 2022.
10(a)*	Amended and Restated Trust For Deferred Benefits Provided under Employment Agreements of Trustco Bank, National Association and TrustCo Bank Corp NY, dated September 18, 2001 incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Annual Report on Form 10-K, for the year ended December 31, 2001.

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

10(o)*	Amended and Restated 2010 Directors Equity Incentive Plan dated March 17, 2015, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K filed March 23, 2015.
10(p)*	Form of Incentive Stock Option Award Agreement under the TrustCo Bank Corp NY Amended and Restated 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 20, 2015.
10(q)*	Employment Agreement among Trustco Bank, TrustCo Bank Corp NY And Robert M. Leonard, effective November 19, 2013, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 25, 2013.
10(r)*	Performance-Based Stock Appreciation Unit Agreement dated as of January 21, 2014, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed January 24, 2014.
10(s)*	Trustco Bank Executive Officer Incentive Plan (Amended and Restated as of February 16, 2016), incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Form 8-K filed February 17, 2016.
10(t)*	Amended and Restated TrustCo Bank Corp NY Executive Medical Reimbursement Plan, incorporated by reference to Exhibit 10.1 to TrustCo Bank Corp NY's Current Report on Form 10-Q, filed August 8, 2022.
10(u)*	Consulting Agreement between TrustCo Bank Corp NY and Robert T. Cushing effective December 22, 2017, incorporated by reference to Exhibit 10.1 to TrustCo Bank Corp NY's Current Report on Form 8-K filed November 22, 2017.
10(v)*	Form of 2018 Performance Share Award Agreement under the TrustCo Bank Corp NY Amended and Restated 2010 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 23, 2018.
10(w)*	Form of Employment Agreement between TrustCo Bank Corp NY and each of Kevin M. Curley and Michael M. Ozimek, effective December 18, 2018, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K filed December 18, 2018.
10(x)*	TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Appendix B to TrustCo Bank Corp NY's Definitive Proxy Statement on Schedule 14A filed April 1, 2019.
10(y)*	Form of 2019 Performance Share Award Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 20, 2019.
10(z)*	Form of 2019 Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 20, 2019.
10(aa)*	Form of 2019 Directors Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(c) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 20, 2019.

10(bb)*	Form of 2020 Performance Share Award Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(a) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 18, 2020.
10(cc)*	Form of 2020 Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan, incorporated by reference to Exhibit 10(b) to TrustCo Bank Corp NY's Current Report on Form 8-K, filed November 18, 2020.
10(dd)*	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.
10(ee)*	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.
10(ff)*	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.
10(gg)*	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.
10(hh)*	Form of 2022 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 16, 2022.
10(ii)*	Form of 2022 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 16, 2022.
10(jj)**	Form of 2022 Director Restricted Stock Unit Agreement under the TrustCo Bank Corp NY 2019 Equity Incentive Plan.
13**	Portions of Annual Report to Security Holders of TrustCo for the year ended December 31, 2022.
21**	List of Subsidiaries of TrustCo.
23**	Consent of Independent Registered Public Accounting Firm.
24**	Power of Attorney.
31(i)(a)**	Rule 13a-14(a)/15d-14(a) Certification of Robert J. McCormick, principal executive officer.
31(i)(b)**	Rule 13a-14(a)/15d-14(a) Certification of Michael M. Ozimek, principal financial officer.
32**	Section 1350 Certifications of Robert J. McCormick, principal executive officer and Michael M. Ozimek, principal financial officer.
101	Sections of the Annual Report on Form 10-K for the year ended December 31, 2022, formatted in XBRL (eXtensible Business Reporting Language), submitted in the following files

101.INS	XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and Contained in Exhibit 101)

* Management contract or compensatory plan or arrangement.

** Filed herewith.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

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

TrustCo Bank Corp NY

Date: March 1, 2023

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

Signatures

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

Name and Signature	Title	Date
/s/ Robert J. McCormick Robert J. McCormick	Chairman, President and Chief Executive Officer (principal executive officer)	March 1, 2023
/s/ Michael M. Ozimek Michael M. Ozimek	Executive Vice President and Chief Financial Officer (principal financial and accounting officer)	March 1, 2023
* Dennis A. DeGennaro	Lead Independent Director	March 1, 2023
* Brian C. Flynn	Director	March 1, 2023
* Lisa M. Lucarelli	Director	March 1, 2023
* Thomas O. Maggs	Director	March 1, 2023
* Dr. Anthony J. Marinello	Director	March 1, 2023
* Curtis N. Powell	Director	March 1, 2023
* Frank B. Silverman	Director	March 1, 2023
* Alejandro M. Sanchez	Director	March 1, 2023
* Frank B. Silverman	Director	March 1, 2023

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

Exhibit 10(jj)

2022
Directors Restricted Stock Unit Award Agreement
under the
TrustCo Bank Corp NY 2019 Equity Incentive Plan

This Directors Restricted Stock Unit Award Agreement (this "Agreement") under the TrustCo Bank Corp NY 2019 Equity Incentive Plan (the "Plan"), dated as of the Grant Date set forth below, is made between TrustCo Bank Corp NY (the "Company") and the Participant set forth below.

The Award granted in this Agreement is contingent on the Participant agreeing to be bound by all of the terms and conditions of the Plan and this Agreement by signing and returning this Agreement to the Company on or before the close of business on the second business day after November 15, 2022 (that is, November 17, 2022). If the Participant fails to return a signed copy of this Agreement to the Company on or before such date, this Award will be deemed to be voided and withdrawn and, as such, of no force or effect.

1. Grant. Subject to the provisions of this Agreement and the provisions of the Plan, the Company hereby grants to the Participant an award (the "Award") of the number of Restricted Stock Units set forth in paragraph 2. Each Restricted Stock Unit shall represent the right to receive upon settlement an amount of cash equal to the Fair Market Value of one share of Common Stock.

2. Award Summary

Participant	
Grant Date	November 15, 2022
Number of Restricted Stock Units:	
Period of Restriction (Lapse Date):	November 15, 2023

In the event of a Change-in-Control of the Company as defined in Section 13(b) of the Plan, the Period of Restriction shall lapse.

3. Period of Restriction. The Award of Restricted Stock Units described in this Agreement shall be subject to the Period of Restriction as set forth in Paragraph 2; for purposes of this Agreement, “Period of Restriction” means the period of time after which the Award shall be deemed “vested” and settled in cash as provided in the Plan and this Agreement. The Restricted Stock Units awarded hereunder, and all rights with respect to such Restricted Stock Units, may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated.

4. Rights as a Shareholder. The Participant shall have no voting rights, and no rights to dividends or other distributions, with respect to any Restricted Stock Units.

5. Separation from Service.

(a) Death or Disability. In the event the service of the Participant to the Board is terminated by reason of death or Disability, the Period of Restriction applicable to the Restricted Stock Units shall automatically terminate (that is, the Restricted Stock Units shall “vest”) upon such Separation from Service.

(b) Other. Unless the Compensation Committee of the board of directors of the Company (“Committee”), in its sole discretion and insofar as permitted by the Plan, determines otherwise, in the event the service of the Participant to the Board is terminated for any reason other than death or Disability during the Period of Restriction, then any Restricted Stock Units still subject to the Period of Restriction at the date of such Separation from Service automatically shall be forfeited and returned to the Company.

6. Settlement of Restricted Stock Units. Subject to the other provisions of the Plan, after the Lapse Date of the Period of Restriction as set forth in Paragraph 2, such Restricted Stock Units shall be settled as follows:

(a) Normal Settlement. Except in the event of (i) a Participant’s Separation from Service during the Period of Restriction because of death or Disability or (ii) a Change-in-Control that occurs prior to the Lapse Date, the Restricted Stock Units shall be settled in cash no later than the 60th day after the Lapse Date. On such date, the Company shall pay to the Participant, in a lump sum, a cash amount equal to the aggregate value of the Restricted Stock Units based upon the Fair Market Value of the Common Stock on the Lapse Date.

(b) Settlement after Death or Disability. In the event of a Participant’s Separation from Service during the Period of Restriction because of death or Disability, the Restricted Stock Units shall be settled in cash no later than the 60th day after the date of Separation from Service. On such date, the Company shall pay to the Participant, in a lump sum, a cash amount equal to the value of the Restricted Stock Units based upon the Fair Market Value of the Common Stock on the date of Separation from Service.

(c) Settlement upon Qualified Change-in-Control. Subject to the other provisions of the Plan, including without limitation Section 13(c) thereof, in the event of a Qualified Change-in-Control, the Restricted Stock Units shall be settled in cash on the date of the Qualified Change-in-Control. On such date, the Company shall pay to the Participant, in a lump sum, a cash amount equal to the value of the Restricted Stock Units based upon the Fair Market Value of the Common Stock on date of the Qualified Change-in-Control.

7. No Right to Continued Director Service. Neither the Award nor any terms contained in this Agreement shall confer upon the Participant any express or implied right with respect to continuing the Participant's service as a Director with the Company for any period, nor will they interfere in any way with the Participant's right or the Company's right (or the right of the Company's stockholders) to terminate such relationship at any time, with or without cause, to the extent permitted by applicable law.

8. The Plan. This Agreement is subject to all the terms, provisions and conditions of the Plan, which are incorporated herein by reference, and to such regulations as may from time to time be adopted by the Committee. Unless defined herein, capitalized terms are as defined in the Plan. In the event of any conflict between the provisions of the Plan and this Agreement, the provisions of the Plan shall control, and this Agreement shall be deemed to be modified accordingly. A copy of the Plan and the prospectus shall be provided to the Participant upon the Participant's request to the Company at TrustCo Bank Corp NY, 5 Sarnowski Drive, Glenville, New York 12302, Attention: Secretary.

9. Compliance with Laws and Regulations. The Award of Restricted Stock Units shall be subject in all respects to all applicable federal and state laws, rules and regulations and any registration, qualification, approvals or other requirements imposed by any government or regulatory agency or body which the Committee shall, in its discretion, determine to be necessary or applicable.

10. Notices. Every notice or other communication relating to this Agreement shall be in writing and shall be mailed to or delivered by hand or electronically by e-mail to the party for whom it is intended, (i) if to the Participant, to the current home address or e-mail address on file with the Company or delivered by hand personally to Participant and (ii) if to the Company, to the address of the Company's corporate headquarters, currently located at 5 Sarnowski Drive, Glenville, New York 12302, or such other address to which the Company has moved its corporate headquarters, to such other address that the Company may specify from time to time in a notice sent to the Participant, in each case Attention: Human Resource Department.

11. Other Plans. The Participant acknowledges that any income derived from the Restricted Stock Units shall not affect the Participant's participation in, or benefits under, any other benefit plan or other contract or arrangement maintained by the Company or any affiliate of the Company.

12. Beneficiary Designation. The Participant may, pursuant to the Plan, name one or more beneficiaries to whom vested benefits under this Agreement shall be paid in case of Participant's death before Participant receives all of such benefits. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to his or her estate.

13. Governing Law. This Agreements shall be construed in accordance with and governed by the laws of the State of New York, without giving effect to the choice of law principles thereof, except to the extent superseded by applicable United States federal law. Participants hereby agrees to the exclusive jurisdiction and venue of the federal or state courts of New York, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

[Signature Page Follows]

TrustCo Bank Corp NY

By: ______________________________

Robert J. McCormick
Chairman, President and CEO

Accepted and agreed to:

____
Name:
Date:

TRUSTCO Bank Corp NY

TrustCo Bank Corp NY (the "Company," or "TrustCo") is a savings and loan holding company headquartered in Glenville, New York. The Company is headquartered in the Capital Region of New York State, and its principal subsidiary, Trustco Bank (the "Bank" or "Trustco"), operates 143 community banking offices and 158 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,		
	2022	2021	Percent Change
Income:			
Net interest income	**$ 180,135**	$ 160,408	12.30
Net Income	**75,234**	61,519	22.29
Per Share:			
Basic earnings	**3.93**	3.19	23.20
Diluted earnings	**3.93**	3.19	23.20
Book value at period end	**31.54**	31.28	0.83
Average Balances:			
Assets	**6,159,004**	6,075,481	1.37
Loans, net	**4,551,281**	4,336,834	4.94
Deposits	**5,302,439**	5,188,347	2.20
Shareholders' equity	**597,086**	579,923	2.96
Financial Ratios:			
Return on average assets	**1.22%**	1.01%	20.79
Return on average equity	**12.60**	10.61	18.76
Consolidated tier 1 capital to:			
Total assets (leverage capital ratio)	**10.39**	9.61	8.12
Risk-adjusted assets	**18.93**	19.54	(3.12)
Common equity tier 1 capital ratio	**18.93**	19.54	(3.12)
Total capital to risk-adjusted assets	**20.18**	20.79	(2.93)
Allowance for credit losses on loans to nonperforming loans	**2.63x**	2.36x	11.44
Efficiency ratio*	**50.22%**	56.90%	(11.74)
Dividend Payout ratio	**35.86**	42.95	(16.51)

Per Share information of common stock

	Basic Earnings	Diluted Earnings	Cash Dividend	BookValue	Range of Stock Price High	Range of Stock Price Low
2022						
First quarter	**$ 0.89**	**$ 0.89**	**$ 0.3500**	**$ 30.85**	**$ 35.70**	**$ 31.93**
Second quarter	**0.93**	**0.93**	**0.3500**	**31.06**	**32.75**	**29.85**
Third quarter	**1.01**	**1.01**	**0.3500**	**30.89**	**36.09**	**30.39**
Fourth quarter	**1.10**	**1.10**	**0.3600**	**31.54**	**39.16**	**31.83**
2021 (1)						
First quarter	$ 0.73	$ 0.73	$ 0.3406	$ 29.60	$ 39.08	$ 31.10
Second quarter	0.75	0.75	0.3406	30.00	39.13	34.10
Third quarter	0.87	0.87	0.3406	30.53	34.52	29.95
Fourth quarter	0.85	0.85	0.3500	31.28	34.80	32.00

(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.

TrustCo Bank Corp NY Mission

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

TRUSTCO
Bank Corp NY

President's Message

Dear Fellow Shareholder,

As we report our financial results for 2022, we reflect on a year during which we celebrated Trustco Bank's 120th year. While our communities, our customers, and our shareholders celebrated the bank's history, our team was making history of its own. We grew our core lending business by $294 million – an unprecedented level of growth. We delivered record earnings in each quarter of the year increasing net income after taxes by 22.3% or $13.7 million to $72.5 million for the year. We maintained rock-solid credit quality, holding non-performing loans as a percent of total loans and total assets to a negligible 0.37% and 0.33%, respectively. Our team accomplished all of that while achieving nearly 13% growth in our stock price year over year, in contrast to both our industry and the overall stock market, which contracted in value.

Our company is known for its very long-standing dividend payment – every quarter since 1904. While achieving the results highlighted above and detailed in this report, our company accomplished something else extraordinary. We increased our dividend for the second time in as many years and for the third time since 2018. In so doing, we continued to fulfill our mission of delivering a meaningful return to our owners.

The sense of history runs deep at TrustCo and is a key part of our sustained success. This year also saw a new generation of leaders advance in the ranks of executive management at the bank. Three new Senior Vice Presidents were named and each of these bankers already has served long and true at our venerable institution. Carly Batista started with the bank in 2004 as a floating customer service representative in Upstate New York. Michael Ewell's tenure dates to 2001 when he was a customer service representative at our State Street Albany branch. Michelle Simmonds became a clerk in the Deposit Operations Department in 1996, working in our Erie Boulevard location in Schenectady. Carly, Michael and Michelle all have held numerous titles over the years and now have key roles in Branch Administration, Compliance, and Retail Lending, respectively. Their stories are typical of people at Trustco Bank. A great many of our leaders, both established and up –and-coming, have been with us for decades. Over time, people develop expertise and institutional knowledge that inure to the benefit of our customers and bring long-term value to our owners through our enduring corporate culture.

Well embedded in our culture is service to the community. As a company, we have supported veterans and active-duty service members, victims of natural disasters, aspiring homeowners, and residents of underserved communities. This year we also started the Hometown Pledge Program, which allows newly hired employees to direct a contribution to the community group of their choosing. Through this program, we have made 427 donations to 80 charities. Participants report that they are excited that their new employer is empowering them to direct contributions to the organizations that are important to them.

Sadly, we also lost our longest-tenured employee this year. Mary-Jean Riley was a proud member of the TrustCo team for 47 years before her retirement in 2020. She mentored many members of our family with sincerity and grace. We are diminished by her passing, but are better for her many contributions.

More and more it seems that managing the uncertainty of the economic and interest-rate environments, evolving technologies, and the challenges presented by an ever-changing labor market are as much a part of what we do as designing loan and deposit products that serve the needs of our customers. Lesser groups have faltered when faced with such challenges, but what TrustCo accomplished in 2022 plainly demonstrates that our team is better than that. We look forward to the year, and years, to come with confidence that our products and our people are the best in the business and the certainty that Trustco Bank is well positioned to grow, evolve, and thrive for another century.

Yours sincerely,

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

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 2022 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 2022 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.

Financial Review

TrustCo made historic progress in 2022 posting record earnings while also celebrating our 120th anniversary. Among the key results for 2022, in management's view:

- Net income after taxes was up 22.3% or $13.7 million to $75.2 million as compared to the prior year;
- Period-end loans were up $294 million for 2022 compared to the prior year;
- Net interest income was up 12.3% or $19.7 million as compared to the prior year;
- Nonperforming loans declined $1.3 million or 6.7% to $17.5 million from year-end 2021 to year-end 2022;
- At 50.22%, the efficiency ratio improved 12% over 2021 (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, 2022, 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, 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, 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 12.60% in 2022 compared to 10.61% in 2021, while return on average assets was 1.22% in 2022 as compared to 1.01% in 2021.

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, 2022, 2021, and 2020, except for adjustments in the provision for loan losses. Additionally, 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. 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, of potential variants and resurgences of COVID-19.

While the U.S. economy has experienced pockets of growth during 2022, such as the growth in GDP at an annual rate of 3.2% in the third quarter of 2022, the ongoing conflict in Ukraine and increasing inflation, among other items, put pressure on the economy and growth decelerated compared to 2021. Commencing in March 2022, the Federal Open Market Committee ("FOMC") increased the target range for the federal funds rate seven times in 2022 by a total of 425 basis points, to a range of 4.25% to 4.50% as of end of 2022. At its meeting on February 1, 2023, the FOMC increased the target range for the federal funds by an additional 25 basis points, to a range of 4.50% to 4.75%. All of these increases were expressly made in response to inflationary pressures, which are currently expected to continue. In its October 2022 "Beige Book", the FRB noted that national economic activity had expanded at a modest pace since the previous report, while conditions varied across industries and districts. Rising mortgage rates and elevated housing prices further weakened single-family starts in the second half of 2022 and there were scattered reports of declining property prices. Commercial real estate slowed in both construction and sales amid supply shortages and elevated construction and borrowing costs.

For the year ending 2022, the Dow Jones Industrial Average ended down 8.8%, as compared to growth of 18.7% in 2021. The S&P 500 Index also was down 19.4% for the year, compared to growth of 26.9% in 2021. United States Three Month Treasury Bills experienced an increase in rates ending the year at 4.42%, 54 basis points ahead of the ten-year Treasury yield at year-end of 3.88%. These yields compare to 2021 year-end yields of 0.06% for the Three Month Treasury and 1.52% 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 loan products tend to track with the ten-year Treasury yields. Beginning in 2022 the yield on the two year Treasury bond was 0.73% and increased 368 basis points during the year to close 2022 at 4.41% and the ten-year Treasury bond began 2022 at 1.52% and closed the year up 2.36 basis points to 3.88% at year-end. These rate changes have a significant implication to the broader economic cycle and reflect the Federal Reserve Board's desire to address the increase in inflation.

The outlook for the United States economy is anticipated to bring further deceleration in growth compared to 2022. Growth in business operations and expansion of corporate activities will be necessary for broad range increases in 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 205 basis points higher in 2022 than in 2021, with the median yield of 1.83% in 2022 up 178 basis points over the median yield in 2021. These trends generally reflect an increase in the cost for deposit products that price off the short term treasury market yields. At the same time the average yield of the ten-year Treasury has increased to 2.95% in 2022, up 150 basis points from 2021 when the average was 1.45%. Generally longer term loans are priced consistent with the changes in the ten-year Treasury markets. These two trends – higher shorter term rates coupled with an increase in longer term rates – result in increases of both loan and deposit yields.

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

2022 results were marked by significant growth in the Company's loan portfolio. The loan portfolio grew to a total of $4.73 billion, an increase of $294 million or 6.6% over the 2021 year-end balance. Deposits ended 2021 at $5.19 billion, down from $5.27 billion the prior year-end. The year-over-year increase in loans reflects the success the Company has had in attracting customers to the Bank given its array of loan products. 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 a renewed growth of deposits, as well as net interest income and non-interest income.

TrustCo earned a record net income of $75.2 million or $3.93 of diluted earnings per share for the year ended December 31, 2022, compared to $61.5 million or $3.19 of diluted earnings per share for the year ended December 31, 2021. Net income before taxes was $99.4 million in 2022 compared to $82.1 million in 2021.

During 2022, the following items had a significant effect on net income:
- An increase of $19.7 million in net interest income from 2021 to 2022 primarily as a result of the increased Federal Funds rate and loan growth;
- a decrease in the credit for credit losses on loans of $5.1 million;
- an increase in non-interest income of $1.3 million; and
- a decrease in non-interest expense of $1.3 million.

Management believes that TrustCo performed well in comparison to its peers with respect to a number of key performance ratios during 2022 and 2021, including:
- Tier 1 risk-based capital ratio of 18.93% for 2022 and 19.54% for 2021, compared to medians of 12.22% in 2022 and 12.79% in 2021 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 50.22% for 2022 and 56.90% for 2021, compared to the peer group medians of 56.32% in 2022 and 56.70% in 2021.

During 2022, TrustCo's results were affected by strong loan growth and a changing interest rate environment. Average loan balances increased 4.9% from 2021 to 2022, while the total of average Federal Funds Sold and other short-term investments, available for sale securities and held to maturity securities decreased 8.1%. Average net loans increased to 75.7% of average earning assets in 2022 from 73.2% in 2021. On average for 2022, non-maturity deposits were 81.6% of total deposits, up from 77.5% in 2021. Overall, the cost of interest bearing liabilities decreased 2 basis points to 0.14% in 2022 as compared to 2021. The Company has traditionally maintained a high liquidity position and taken a conservative stance in its investment portfolio through the use of relatively short-term securities. The changing rate environment throughout 2022 and into 2023 will likely cause the cost of interest-bearing liabilities to increase.

As discussed previously, market interest rates moved significantly during the course of 2022, with shorter term Three Month Treasury rates and longer term rates also increasing year over year. However the slope of the yield curve flattened and became negative at times in 2022. The average daily spread between the ten-year Treasury and the two-year Treasury was negative 0.04 basis points in 2022, down from an average of 1.18 basis points in 2021 and 50 basis points in 2020. The spread between the ten-year Treasury and the two-year Treasury changed throughout the year but still ended 2022 at a negative 53 basis points. 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; however, the increase in the shorter term Treasury rates outpaced the increase in the longer term rates, which resulted in an inverted yield curve, an indication of a possible recession.

The tables below illustrate the range of key Treasury bond interest rates during 2022 and 2021.

	3 Month T Bill (BEY) Yield(%)	2 Year T Note Yield(%)	5 Year T Note Yield(%)	10 Year T Note Yield(%)	10 Year - 2 Year Spread(%)
2022					
Beginning of Year	0.06	0.73	1.26	1.52	0.79
Peak	4.46	4.72	4.45	4.25	0.89
Trough	0.08	0.77	1.37	1.63	(0.84)
End of Year	4.42	4.41	3.99	3.88	(0.53)
Average	2.09	2.99	3.00	2.95	(0.04)
Median	1.83	3.03	3.00	2.96	(0.01)
2021					
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

Source: www.treasury.gov

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 in recent years.

The Company continually looks for opportunities to open new offices each year by filling in or extending existing markets. The Company has experienced continued growth in all markets as measured by the growth in our loan balances. All branches have the same products and features found at other Trustco Bank locations. Additionally, over the last several years 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 97.7% and 97.6% of average total assets for 2022 and 2021, 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 change assumptions to determine expected impact on net interest income.

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%. However, in an effort address the rising rate of inflation, the Federal Funds rate increased to a range of 4.25% to 4.50% by the end of 2022, and it further increased to a range of 4.50% to 4.75% in February 2023.

The yield on the ten-year Treasury bond increased by 236 basis points from 1.52% at the beginning of 2022 to the year-end level of 3.88%. 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. TrustCo is primarily a portfolio lender and has not yet to date sold 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. The Company has begun to originate loans for sale into the secondary market. This will allow the Company greater flexibility going forward with respect to mortgage rate volatility and the loans we choose to portfolio. Higher market interest rates also generally increase the value of retail deposits.

The increase in the Federal Funds target range in 2022 continues to have a positive impact on earnings and 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 had driven down deposit costs. However, as interest rates have increased throughout 2022 and into 2023, we have experienced increased yields on our Federal Fund Sold and other short-term investments, investment portfolios, loans, and deposits.

Earning Assets

Average earning assets during 2022 were $6.0 billion, which was an increase of $86.8 million from 2021. This increase was primarily the result of growth in the average balance of net loans of $214.4 million and securities available for sale of $17.5 million, offset by decreases of $142.2 million in Federal Funds Sold and other short-term investments and $3.1 million in held-to-maturity securities between 2021 and 2022. The increase in the average loan portfolio is the result of an increase in residential mortgage loans, home equity lines of credit, and installment loans, which more than offset a decrease in commercial loans. 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, competitive rates, and closing costs.

Total average assets were $6.2 billion for 2022 and $6.1 billion for 2021.

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)				**2022 vs.**	2021 vs.	Components of Total Earning Assets		
	2022	2021	2020	**2021**	2020	**2022**	2021	2020
Loans, net	**$ 4,551,281**	$ 4,336,834	$ 4,163,399	**$ 214,447**	$ 173,435	**75.7%**	73.2%	77.2
Securities available for sale (1):								
U.S. government sponsored enterprises	**89,557**	63,743	38,508	**25,814**	25,235	**1.5**	1.1	0.7
State and political subdivisions	**41**	48	111	**(7)**	(63)	**-**	-	-
Mortgage-backed securities and collateralized mortgage obligations-residential	**284,901**	308,777	333,093	**(23,876)**	(24,316)	**4.7**	5.2	6.2
Corporate bonds	**78,266**	53,699	50,982	**24,567**	2,717	**1.3**	0.9	0.9
Small Business Administration-guaranteed participation securities	**26,679**	35,723	44,379	**(9,044)**	(8,656)	**0.4**	0.6	0.8
Other	**686**	685	686	**1**	(1)	**-**	-	-
Total securities available for sale	**480,130**	462,675	467,759	**17,455**	(5,084)	**7.9**	7.8	8.6
Held-to-maturity securities:								
Mortgage-backed securities and collateralized mortgage obligations-residential	**8,647**	11,733	16,376	**(3,086)**	(4,643)	**0.1**	0.2	0.3
Total held-to-maturity securities	**8,647**	11,733	16,376	**(3,086)**	(4,643)	**0.1**	0.2	0.3
Federal Reserve Bank and Federal Home Loan Bank stock	**5,749**	5,578	7,381	**171**	(1,803)	**0.1**	0.1	0.1
Federal funds sold and other short-term investments	**969,043**	1,111,257	748,085	**(142,214)**	363,172	**16.2**	18.7	13.8
Total earning assets	**$ 6,014,850**	$ 5,928,077	$ 5,403,000	**$ 86,773**	$ 525,077	**100.0%**	100.0%	100.0

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

Loans

In 2022, the Company experienced another year of significant loan growth. The $294.4 million increase or 6.6% in the Company's gross loan portfolio from December 31, 2021 to December 31, 2022 was due to higher balances in all loan categories except for home equity loans. Average loans increased $214.4 million during 2022 to $4.55 billion. Interest income on the loan portfolio increased to $162.2 million in 2022 from $159.2 million in 2021. The average yield decreased 11 basis points to 3.56% in 2022 compared to 3.67% in 2021.

LOAN PORTFOLIO

(dollars in thousands)	As of December 31,					
	2022		2021		2020	
	Amount	Percent	Amount	Percent	Amount	Percent
Commercial	**$ 208,737**	**4.4%**	$ 180,814	4.1%	$ 198,328	4.7%
Real estate - construction	**36,351**	**0.8**	37,279	0.8	24,749	0.6
Real estate - mortgage	**4,189,374**	**88.5**	3,980,294	89.7	3,769,582	88.8
Home equity lines of credit	**286,432**	**6.0**	230,976	5.2	242,194	5.7
Installment loans	**12,307**	**0.3**	9,416	0.2	9,617	0.2
Total loans	**4,733,201**	**100.0%**	4,438,779	100.0%	4,244,470	100.0%
Less: Allowance for loan losses	**46,032**		44,267		49,595	
Net loans (1)	**$ 4,687,169**		$ 4,394,512		$ 4,194,875	

	Average Balances									
	2022		2021		2020		2019		2018	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial	**$ 185,314**	**4.1%**	$ 193,370	4.5%	$ 203,314	4.9%	$ 176,165	4.5%	$ 175,814	4.7%
Real estate - construction	**36,815**	**0.8**	31,014	0.7	26,641	0.6	27,728	0.7	26,717	0.7
Real estate - mortgage	**4,065,135**	**89.3**	3,870,097	89.2	3,667,909	88.2	3,433,683	87.4	3,236,631	86.5
Home equity lines of credit	**254,168**	**5.6**	233,628	5.4	255,583	6.1	277,905	7.1	297,678	7.9
Installment loans	**9,849**	**0.2**	8,725	0.2	9,952	0.2	10,718	0.3	9,242	0.2
Total loans	**4,551,281**	**100.0%**	4,336,834	100.0%	4,163,399	100.0%	3,926,199	100.0%	3,746,082	100.0%
Less: Allowance for loan losses	**46,124**		49,421		47,330		44,639		44,651	
Net loans (1)	**$4,505,157**		$4,287,413		$4,116,069		$3,881,560		$3,701,431	

(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, and also by offering competitive interest rates to expand the loan portfolio. 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 $4.07 billion in 2022 and approximately $3.88 billion in 2021. Income on real estate loans increased to $140.4 million in 2022 from $138.8 million in 2021. The yield on the portfolio decreased from 3.57% in 2021 to 3.44% in 2022. The vast majority of TrustCo's real estate loans are secured by properties within the Bank's market areas.

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 $206.1 million in 2022 decreased by $4.0 million from $210.1 million in 2021, primarily because of PPP loan payoffs. Average commercial loans included $22.3 million and $19.4 million of commercial real estate construction loans in 2022 and 2021, respectively. The average yield on the commercial loan portfolio decreased to 4.93% for 2022 from 5.19% in 2021, primarily as a result of more PPP loans being forgiven during 2021. Interest income on commercial loans was $10.2 million in 2022 compared to $10.9 million in 2021, down primarily as a result of more income recognized on the forgiveness of the PPP loans in 2021 as compared to 2022.

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 2022, the average balance of home equity credit lines was $254.2 million, an increase from $233.6 million in 2021. Trustco Bank competes with both regional and national companies 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. TrustCo's average yield on this portfolio was 4.31% for 2022 and 3.77% for 2021 reflecting increases in the prime lending rate that occurred in 2022. Interest income on home equity credit lines increased from $8.8 million in 2021 to $11.0 million in 2022.

At December 31, 2022 and 2021, the Company had approximately $36.4 million and $37.3 million of real estate construction loans, respectively. Of the $36.4 million in real estate construction loans at December 31, 2022, approximately $14.1 million was secured by first mortgages to residential borrowers with the remaining $22.3 million were loans to commercial borrowers for residential construction projects. Of the $37.3 million in real estate construction loans at December 31, 2021, approximately $17.9 million was secured by first mortgages to residential borrowers and the remaining $19.4 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.

LOAN MATURITY SCHEDULE

The following table sets forth the maturities of our loan portfolio at December 31, 2022. Loans having no stated maturity and overdrafts are shown as due in one year or less. Loans are stated in the following table at contractual maturity and actual maturities could differ due to prepayments.

(dollars in thousands)	Amounts Due:					
	Within 1 Year	**1 to 5 Years**	**5 to 15 Years**	**Over 15 Years**	**Total Due After 1 Year**	**Total**
Commercial	$ 14,965	$ 41,802	$ 134,926	$ 18,229	$ 194,957	$ 209,922
Commercial - other	10,712	7,582	2,766	29	10,377	21,089
First Mortgage	3,069	12,622	507,874	3,623,337	4,143,833	4,146,902
Home Equity Loans	119	1,937	24,942	29,551	56,430	56,549
Home Equity Lines of Credit	3,031	93,459	119,102	70,840	283,401	286,432
Installment	1,616	8,600	2,091	-	10,691	12,307
	$ 33,512	$ 166,002	$ 791,701	$ 3,741,986	$ 4,699,689	$ 4,733,201

The following table shows the loans as of December 31, 2022 due after December 31, 2023 according to type and loan category:

(dollars in thousands)	**Fixed Rates**	**Floating or Adjustable Rates**	**Total**
Commercial	$ 191,473	$ 3,484	$ 194,957
Commercial - other	8,232	2,145	10,377
First Mortgage	4,143,833	-	4,143,833
Home Equity Loans	56,430	-	56,430
Home Equity Lines of Credit	66,123	217,278	283,401
Installment	10,691	-	10,691
	$ 4,476,782	**$ 222,907**	**$ 4,699,689**

The following table sets forth the amortized cost and fair value of our securities portfolio at the dates indicated:

INVESTMENT SECURITIES

(dollars in thousands)	As of December 31,					
	2022		2021		2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities available for sale:						
U. S. government sponsored enterprises	**$ 124,123**	**$ 118,187**	$ 59,976	$ 59,179	$ 20,000	$ 19,968
State and political subdivisions	**34**	**34**	41	41	103	103
Mortgage backed securities and collateralized mortgage obligations-residential	**291,431**	**260,316**	269,907	270,798	308,432	316,158
Corporate bonds	**85,641**	**81,346**	45,805	45,337	59,185	59,939
Small Business Adminstration-guaranteed participation securities	**23,115**	**20,977**	31,303	31,674	40,955	42,217
Other	**686**	**653**	685	684	685	686
Total securities available for sale	**525,030**	**481,513**	407,717	407,713	429,360	439,071
Held to maturity securities:						
Mortgage backed securities and collateralized mortgage obligations-residential	**7,707**	**7,580**	9,923	10,695	13,824	14,988
Total held to maturity securities	**7,707**	**7,580**	9,923	10,695	13,824	14,988
Total investment securities	**$ 532,737**	**$ 489,093**	$ 417,640	$ 418,408	$ 443,184	$ 454,059

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 increasing 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 the timing 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, 2022, 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, 2022, 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, 2022 the Company did not consider any of the unrealized losses to be other than temporary.

At December 31, 2022, the carrying value of securities available for sale amounted to $481.5 million, compared to $407.7 million at year-end 2021. For 2022, the average balance of securities available for sale was $480.1 million with an average yield of 1.97%, compared to an average balance in 2021 of 462.7 million with an average yield of 1.44%. The taxable equivalent income earned on the securities available for sale portfolio in 2022 was $9.4 million, compared to $6.7 million earned in 2021.

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, 2022, the fair value of TrustCo's portfolio of securities available for sale carried gross unrealized gains of approximately $35 thousand and gross unrealized losses of approximately $43.6 million. 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 of approximately $3.9 million. As previously noted, in both periods, unrealized losses were related to market interest rate levels and were not credit related.

Held to Maturity Securities: At December 31, 2022, the Company held $7.7 million of held to maturity securities, compared to $9.9 million at December 31, 2021. For 2022, the average balance of held to maturity securities was $8.6 million, compared to $11.7 million in 2021. 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 3.71% in 2021 to 3.97% in 2022 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 $435 thousand in 2021 to $343 thousand in 2022, 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, 2022 was $7.6 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, 2022 there were $217 thousand of unrecognized losses and $90 thousand of unrecognized gains on securities in this portfolio.

Securities Gains: During 2022 and 2021, 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 2022, 2021 or 2020.

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, 2022				
	Maturing:				
Debt securities available for sale:	Within 1 Year	After 1 But Within 5 Years	After 5 But Within 10 Years	After 10 Years	Total
U. S. government sponsored enterprises					
Amortized cost	$ -	$ 124,123	$ -	$ -	$ 124,123
Fair Value	-	118,187	-	-	118,187
Weighted average yield	-%	2.61	-	-	2.61
State and political subdivisions					
Amortized cost	$ 8	26	-	-	34
Fair Value	8	26	-	-	34
Weighted average yield	5.23%	5.27	-	-	5.26
Mortgage backed securities and collateralized mortgage obligations-residential					
Amortized cost	$ 28	136,576	154,827	-	291,431
Fair Value	28	125,376	134,912	-	260,316
Weighted average yield	1.70%	2.27	2.80	-	2.56
Corporate bonds					
Amortized cost	$ 5,000	80,641	-	-	85,641
Fair Value	4,975	76,371	-	-	81,346
Weighted average yield	3.77%	2.37	-	-	2.45
Small Business Administration-guaranteed participation securities					
Amortized cost	$ 23,115	-	-	-	23,115
Fair Value	20,977	-	-	-	20,977
Weighted average yield	2.12%	-	-	-	2.12
Other					
Amortized cost	$ 36	650	-	-	686
Fair Value	36	617	-	-	653
Weighted average yield	0.01%	2.21	-	-	2.09
Total securities available for sale					
Amortized cost	$ 28,187	$ 342,016	$ 154,827	$ -	$ 525,030
Fair Value	$ 26,024	$ 320,577	$ 134,912	$ -	$ 481,513
Weighted average yield	2.41%	2.41	2.80	-	2.53
Held to maturity securities:					
Mortgage backed securities and collateralized mortgage obligations-residential					
Amortized cost	$ -	$ 199	$ 2,886	$ 4,622	$ 7,707
Fair Value	-	193	2,697	4,690	7,580
Weighted average yield	-%	4.58	2.91	5.48	4.96%
Total held to maturity securities					
Amortized cost	$ -	$ 199	$ 2,886	$ 4,622	$ 7,707
Fair Value	$ -	$ 193	$ 2,697	$ 4,690	$ 7,580
Weighted average yield	-%	4.58	2.91	5.48	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 and 2022 levels due to the significant reduction in interest rates in early 2020 as a result of the pandemic. Given the current interest rate environment, the probability of future calls will depend 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, 2022. 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, 2022 on each type/maturity grouping.

SECURITIES PORTFOLIO MATURITY AND CALL DATE DISTRIBUTION

Debt securities available for sale:

(dollars in thousands)	As of December 31, 2022			
	Based on Final Maturity		Based on Call Date	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ 5,044	$ 5,020	$ 187,466	$ 177,157
1 to 5 years	207,516	197,147	182,738	169,444
5 to 10 years	66,853	61,598	154,826	134,912
After 10 years	245,617	217,748	-	-
Total debt securities available for sale	$ 525,030	$ 481,513	$ 525,030	$ 481,513

Held to maturity securities:

(dollars in thousands)	As of December 31, 2022			
	Based on Final Maturity		Based on Call Date	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$ -	$ -	$ 16	$ 16
1 to 5 years	199	193	6,410	6,262
5 to 10 years	2,886	2,697	1,281	1,302
After 10 years	4,622	4,690	-	-
Total held to maturity securities	$ 7,707	$ 7,580	$ 7,707	$ 7,580

Federal Funds Sold and Other Short-term Investments

During 2022, the average balance of Federal Funds sold and other short-term investments was $969 million, a decrease from $1.1 billion in 2021. The average rate earned on these assets was 1.47% in 2022 and 0.13% in 2021. 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 $607 million for 2022, compared to $1.2 billion at year-end 2021. While yields on investment securities with acceptable risk characteristics were insufficient to justify shifting overnight liquidity into other investment types during 2022, 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 2023 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 $5.3 billion in 2022, compared to approximately $5.2 billion in 2021, an increase of $114.1 million. Changes in deposit categories (average balances 2022 versus 2021) included: demand deposits up $88.8 million, interest-bearing checking deposits up $55.6 million, savings up $155.6 million, money market up $6.6 million and time deposits down $192.5 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 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)	**2022**	2021	2020	**2022 vs. 2021**	2021 vs. 2020	Components of Total Funding **2022**	2021	2020
Retail deposits								
Demand deposits	**$ 838,944**	$ 750,111	$ 567,265	**$ 88,833**	$ 182,846	**15.30%**	13.8%	9.4%
Savings	**1,553,016**	1,397,432	1,191,532	**155,584**	205,900	**28.30**	25.8	24.8
Time deposits under $250 thousand	**755,842**	964,541	1,126,636	**(208,698)**	(162,095)	**13.80**	17.8	26.0
Interest bearing checking accounts	**1,190,337**	1,134,702	971,385	**55,635**	163,317	**21.70**	20.9	19.1
Money market deposits	**745,714**	739,139	662,107	**6,575**	77,032	**13.60**	13.6	12.2
Total retail deposits	**5,083,853**	4,985,925	4,518,925	**97,929**	467,000	**92.70**	91.9	91.5
Time deposits over $250 thousand	**218,586**	202,422	223,527	**16,163**	(21,105)	**4.00**	3.7	5.0
Short-term borrowings	**177,599**	232,815	180,065	**(55,216)**	52,750	**3.30**	4.4	3.5
Total purchased liabilities	**396,185**	435,237	403,592	**(39,053)**	31,645	**7.30**	8.1	8.5
Total sources of funding	**$ 5,480,038**	5,421,162	4,922,517	**58,876**	498,645	**100.00%**	100.0	100.0

AVERAGE BALANCES, YIELDS AND NET INTEREST MARGINS

(dollars in thousands)	**2022**			2021			2020		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate
Assets									
Loans, net	**$ 4,551,281**	**$ 162,214**	**3.56%**	$ 4,336,834	$ 159,168	3.67%	$ 4,163,399	$ 165,964	3.99%
Securities available for sale:									
U.S. government sponsored enterprises	**89,557**	**1,405**	**1.57**	63,743	314	0.49	38,508	568	1.48
State and political subdivisions	**41**	**3**	**6.66**	48	3	6.56	111	9	7.82
Mortgage backed securities and collateralized mortgage obligations-residential	**284,901**	**5,677**	**1.99**	308,777	4,515	1.46	333,093	6,131	1.84
Corporate bonds	**78,266**	**1,804**	**2.31**	53,699	1,065	1.98	50,982	1,721	3.38
Small Business Administration-guaranteed participation securities	**26,679**	**551**	**2.07**	35,723	745	2.09	44,379	902	2.03
Other	**686**	**9**	**1.31**	685	20	2.92	686	23	3.35
Total securities available for sale	**480,130**	**9,449**	**1.97**	462,675	6,662	1.44	467,759	9,354	2.00
Held to maturity securities:									
Mortgage backed securities and collateralized mortgage obligations-residential	**8,647**	**343**	**3.97**	11,733	435	3.71	16,376	604	3.69
Total held to maturity securities	**8,647**	**343**	**3.97**	11,733	435	3.71	16,376	604	3.69
Federal Reserve Bank and Federal Home Loan Bank stock	**5,749**	**305**	**5.31**	5,578	260	4.66	7,381	421	5.70
Federal funds sold and other short-term investments	**969,043**	**14,292**	**1.47**	1,111,257	1,458	0.13	748,085	1,948	0.26
Total interest earning assets	**6,014,850**	**186,603**	**3.10%**	5,928,077	167,983	2.83%	5,403,000	178,291	3.30%
Allowance for loan losses	**(46,124)**			(49,421)			(47,330)		
Cash and noninterest earning assets	**190,278**			196,825			197,966		
Total assets	**$ 6,159,004**			$ 6,075,481			$ 5,553,636		
Liabilities and shareholders' equity									
Interest bearing deposits:									
Interest bearing checking accounts	**$ 1,190,337**	**190**	**0.02%**	$ 1,134,702	178	0.02%	$ 971,385	148	0.02%
Savings	**1,553,016**	**920**	**0.06**	1,397,432	624	0.04	1,191,532	716	0.06
Time deposits and money markets	**1,720,142**	**4,617**	**0.27**	1,906,102	5,863	0.31	2,012,270	22,834	1.13
Total interest bearing deposits	**4,463,495**	**5,727**	**0.13**	4,438,236	6,665	0.15	4,175,187	23,698	0.57
Short-term borrowings	**177,599**	**740**	**0.42**	232,815	909	0.39	180,065	1,010	0.56
Total interest bearing liabilities	**4,641,094**	**6,467**	**0.14%**	4,671,051	7,574	0.16%	4,355,252	24,708	0.57%
Demand deposits	**838,944**			750,111			567,265		
Other liabilities	**81,880**			74,396			77,487		
Shareholders' equity	**597,086**			579,923			553,632		
Total liabilities and shareholders' equity	**$ 6,159,004**			$ 6,075,481			$ 5,553,636		
Net interest income		**180,136**			160,409			153,583	
Taxable equivalent adjustment		**(1)**			(1)			(3)	
Net interest income		**$ 180,135**			$ 160,408			$ 153,580	
Net interest spread			**2.96%**			2.67%			2.73%
Net interest margin (net interest income to total interest earnings assets)			**2.99**			2.71			2.84

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 2022, 2021 and 2020. 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 $(22.0) million, $3.3 million, and $7.1 million in 2022, 2021, and 2020, 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 slightly as a result of lower deposit rates during the first half of the year, however, during the second half of the year the Company began to raise rates in response to the rising interest rate environment. 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. Given the current interest rate environment, the Company expects the cost of interest bearing deposits to increase in 2023.

Other funding sources: The Company had $177.6 million of average short-term borrowings outstanding during 2022, compared to $232.8 million in 2021. The decrease over the prior year is attributable to customer behavior and the products they choose. These borrowings represent customer repurchase accounts, which behave more like deposit accounts than traditional borrowings. The average cost of short-term borrowings was 0.42% in 2022 and 0.39% in 2021. This resulted in interest expense of approximately $740 thousand in 2022, compared to $909 thousand in 2021.

AVERAGE DEPOSITS BY TYPE OF DEPOSITOR

(dollars in thousands)	Years ended December 31,				
	2022	2021	2020	2019	2018
Individuals, partnerships and corporations	**$ 5,262,996**	$ 5,144,071	$ 4,700,635	$ 4,380,866	$ 4,184,850
States and political subdivisions	**14,854**	15,761	15,709	8,663	3,007
Other (certified and official checks, etc.)	**24,589**	28,515	26,108	19,531	18,720
Total average deposits by type of depositor	**$ 5,302,439**	$ 5,188,347	$ 4,742,452	$ 4,409,060	$ 4,206,577

MATURITY OF TIME DEPOSITS IN EXCESS OF THE FDIC INSURANCE LIMIT

(dollars in thousands)

	As of December 31, 2022
Under 3 months	**$ 28,788**
3 to 6 months	**50,154**
6 to 12 months	**77,335**
Over 12 months	**93,748**
Total	**$ 250,025**

As of December 31, 2022 and 2021, approximately $968.6 million and $705.5 million, respectively, of our deposit portfolio was uninsured. The uninsured amounts are estimates based on the methodologies and assumptions used for the Bank's regulatory reporting requirements.

VOLUME AND YIELD ANALYSIS

(dollars in thousands)	**2022 vs. 2021**			2021 vs. 2020		
	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	**$ 12,834**	**$ (211)**	**$ 13,045**	$ (490)	$ 714	$ (1,204)
Securities available for sale:						
Taxable	**2,787**	**157**	**2,630**	(2,686)	(266)	(2,420)
Tax-exempt	**-**	**0**	**(0)**	(6)	(5)	(1)
Total securities available for sale	**2,787**	**157**	**2,630**	(2,692)	(271)	(2,421)
Held to maturity securities (taxable)	**(92)**	**(121)**	**29**	(169)	(172)	3
Federal Reserve Bank and Federal Home Loan Bank stock	**45**	**8**	**37**	(161)	(92)	(69)
Loans, net	**3,046**	**7,572**	**(4,526)**	(6,796)	6,391	(13,187)
Total interest income	**18,620**	**7,405**	**11,215**	(10,308)	6,570	(16,878)
Interest expense:						
Interest bearing checking accounts	**12**	**9**	**3**	30	26	4
Savings	**296**	**76**	**220**	(92)	111	(203)
Time deposits and money markets	**(1,246)**	**(747)**	**(499)**	(16,971)	(2,061)	(14,910)
Short-term borrowings	**(169)**	**(227)**	**58**	(101)	251	(352)
Total interest expense	**(1,107)**	**(889)**	**(218)**	(17,134)	(1,673)	(15,461)
Net interest income (TE)	**$ 19,727**	**$ 8,294**	**$ 11,433**	$ 6,826	$ 8,243	$ (1,417)

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, 2022, 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, 2022 and 2021, 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 35.86% of net income in 2022 and 42.95% of net income in 2021. The Company executed a 1 for 5 reverse stock split on May 28, 2021. The per-share dividend paid was $1.41 in 2022 and $1.37 in 2021, 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 18.93% of risk-adjusted assets at December 31, 2022, and 19.54% of risk-adjusted assets at December 31, 2021. Consolidated Tier 1 capital to assets (leverage ratio) at December 31, 2022 was 10.39%, as compared to 9.61% at year-end 2021. Note 14 to the financial statements includes information on all regulatory capital ratios.

TrustCo maintains a dividend reinvestment and stock purchase plan (DRSPP) with approximately 6,987 participants. During 2022, $2.2 million of dividends paid on the shares held in this plan were reinvested in shares of the Company. The DRSPP also allows for additional purchases of stock 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 had 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 represented approximately 2% of its then currently outstanding common stock. During the year 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. On March 9, 2022 the Company's Board of Directors authorized another share repurchase program of up to 200,000 shares, or approximately 1% of its then currently outstanding common stock. During the year ended December 31, 2022, the Company repurchased a total of 200,000 shares at an average price per share of $33.44, for a total of $6.7 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 non-accrual 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, 2022, 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 non-accrual 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 2022 and 2021 totaled $19.6 million and $19.1 million, respectively. Nonperforming loans as a percentage of the total loan portfolio were 0.37% in 2022 and 0.42% in 2021. As of December 31, 2022 and 2021, there were $7.6 million and $6.5 million, respectively, of loans in non-accruing status that were less than 90 days past due.

At December 31, 2022, nonperforming loans included a mix of commercial and residential loans. Of the total non-accrual loans of $17.5 million, $16.9 were residential real estate loans and $533 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, 2022, 68.0% of loans are in New York, including both the Upstate and Downstate areas, as well as nominal loan balances in adjoining states. The remaining 32.0% of the loan portfolio are Florida loans. At December 31, 2022, 13.1% of nonperforming loans were in Florida and 86.9% were in the Company's New York area markets. At December 31, 2022 nonperforming Florida loans amounted to $2.3 million compared to $2.0 million at December 31, 2021.

(dollars in thousands)	As of December 31,				
	2022	2021	2020	2019	2018
Loans in non-accrual status	**$ 17,483**	$ 18,739	$ 21,061	$ 20,840	$ 24,952
Restructured retail loans	**10**	17	23	29	34
Total nonperforming loans	**17,493**	18,756	21,084	20,869	24,986
Foreclosed real estate	**2,061**	362	541	1,579	1,676
Total nonperforming assets	**$ 19,554**	$ 19,118	$ 21,625	$ 22,448	$ 26,662
Allowance for credit losses on loans	**$ 46,032**	$ 44,267	$ 49,595	$ 44,317	$ 44,766
Allowance coverage of nonperforming loans	**2.63x**	2.36x	2.35x	2.12x	1.79x
Allowance for credit losses on loans to nonaccrual loans	**2.63x**	2.36x	2.35x	2.13x	1.79x
Nonperforming loans as a % of total loans	**0.37%**	0.42%	0.50%	0.51%	0.64%
Nonperforming assets as a % of total assets	**0.33%**	0.31%	0.37%	0.43%	0.54%
Non-accrual loans to total loans outstanding	**0.00%**	0.00%	0.00%	0.01%	0.01%

TrustCo has identified nonaccrual commercial and commercial real estate loans, all loans restructured under a TDR, and residential non-accrual loans over 180 days past due as individually evaluated loans.

There were $646 thousand and $232 thousand of commercial loans classified as individually evaluated as of December 31, 2022 and 2021, respectively. In addition, there were $25.0 million and $18.3 million of residential TDRs individually evaluated at December 31, 2022 and 2021, respectively.

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, 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, 2022, 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 2022 and 2021 there were $2.1 million and $362 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 Credit Losses on Loans

On January 1, 2022, the Company adopted ASU 2016-13, "Financial Instruments - Credit Losses" (referred to as “CECL” and as Accounting Standards Codification Topic 326 (“ASC 326”)). Under this standard, allowances have been established for loans and commitments to lend. The allowance for credit losses on loans (“ACLL”) replaces the previous allowance for loan losses (“ALL”). Upon adoption of CECL, the ACLL increased by $2.4 million to $46.6 million from $44.2 at December 31, 2021 under the ALL. The allowance for credit losses on unfunded commitments (“ACLUC’) increased from $18 thousand to $2.4 million and is recorded in accrued expenses and other liabilities. The Company recorded a net decrease to undivided profits of $3.5 million, net of $1.2 million in deferred tax balances as of January 1, 2022 for the cumulative effect of adopting CECL.

For the year ended December 31, 2022, the Company recorded a credit to the provision for credit losses of $341 thousand, which includes a credit to the provision for credit losses on loans of $900 thousand as a result of improving unemployment, housing price forecasts and a sustained low level of NPL’s and charge-offs, and a provision for credit losses on unfunded commitments of $659 thousand as a result of a corresponding increase in unfunded commitments.

During 2022, the FOMC increased the target federal funds rate on six occasions totaling 4.25 basis points. Rising inflation weighs on consumers’ purchasing power by slowing spending and driving monetary tightening. Inflation has reached a forty-year high, and labor and supply chain challenges have been heightened by the global impacts of the Russian invasion of Ukraine. Management has taken into consideration the possible effects of these changes qualitatively within the CECL ACLL and ALCUC.

The Company evaluates several external forecasts in choosing the forecast element for the economic components of the allowance for credit losses on loans. The Company selected the stagflation forecast for both January 1, 2022 and December 31, 2022 for economic modeling.

The following changes in forecasts from January 1, 2022 to December 31, 2022 impacted the reserves:

- unemployment rates increasing 1% for both New York and Florida,
- an increase in consumer price indices (“CPI”) of 7% for New York and 9% for Florida,
- a decrease in Gross Metro Product (“GMP”) of 0.1% for New York,
- an increase in Gross Metro Product (“GMP”) of 3.6% for Florida,
- a decrease in the housing price index of 3% for New York and an increase of 11% for Florida.

See Notes 1 and 4 of the consolidated financial statements for additional discussion related to the adoption of CECL, and the process for determining the provision for credit losses.

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 2022 and 2021 were $322 thousand and $122 thousand, respectively. The increase in net recoveries was primarily the result of lower gross charge offs in the New York residential segment of the portfolio, partially offset by less recoveries in New York for all segments. New York commercial, residential, and installment gross recoveries were down $28 thousand, $14 thousand, and $47 thousand, respectively, from 2022 to 2021. Total gross charge-offs in 2022 were $152 thousand versus $430 thousand in 2021. There were no Florida commercial charge-offs in either 2022 or 2021, and New York commercial charge-offs increased $10 thousand from 2022 to 2021. Residential gross charge-offs were down $316 thousand from 2022 to 2021 and gross installment charge-offs increased $28 thousand from 2022 to 2021. The changes in gross and net charge-offs in these categories reflected economic and market changes. As mentioned above, the Company adopted CECL on January 1, 2022, which resulted in a credit in 2022 of $900 thousand to the provision for credit losses on loans primarily as a result of improving unemployment and housing price forecasts. The $5.5 million credit to the provision for loan losses in 2021, under the incurred loss method, was primarily driven by improvements in asset quality trends and economic conditions, as well as adjustments to the pandemic specific provision made in 2020. The allowance for credit losses on loans decreased from $46.6 million at the CECL adoption date of January 1, 2022, or 1.05% of total loans at that date, to $46.0 million at December 31, 2022, or 0.97% of total loans at that date.

Conditions in most of the Bank's market areas are stabilizing or improving as compared to 2022 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.

SUMMARY OF LOAN LOSS EXPERIENCE

(dollars in thousands)

	2022	2021	2020	2019	2018
Amount of loans outstanding at end of year (less unearned income)	**$ 4,733,201**	$ 4,438,779	$ 4,244,470	$ 4,062,196	$ 3,874,096
Average loans outstanding during year (less average unearned income)	**4,551,281**	4,336,834	4,163,399	3,926,199	3,746,082
Balance of allowance at beginning of year	**44,267**	49,595	44,317	44,766	44,170
Impact of ASU 2016-13, Current Expected Credit Loss (CECL)	**2,353**	-	-	-	-
Balance as of January 1, 2022 as adjusted for ASU 2016-13	**46,620**	49,595	44,317	44,766	44,170
Loans charged off:					
Commercial and commercial real estate	**40**	30	36	20	100
Real estate mortgage - 1 to 4 family	**24**	340	404	974	846
Installment	**88**	60	221	213	257
Total	**152**	430	661	1,207	1,203
Recoveries of loans previously charged off:					
Commercial and commercial real estate	**4**	32	10	46	10
Real estate mortgage - 1 to 4 family	**450**	466	317	532	351
Installment	**10**	54	12	21	38
Total	**464**	552	339	599	399
Net loan (recoveries) chargeoffs	**(312)**	(122)	322	608	804
Provision for credit losses on loans	**(900)**	(5,450)	5,600	159	1,400
Balance of allowance at end of year	**$ 46,032**	$ 44,267	$ 49,595	$ 44,317	$ 44,766
Net charge offs as a percent of average loans outstanding during year (less average unearned income)	**(0.01)%**	0.00%	0.01%	0.02%	0.02
Allowance as a percent of loans outstanding at end of year	**0.97**	1.00	1.17	1.09	1.16

The following table presents the ratio of net charge-offs (recoveries) to average loans outstanding by loan category, along with the components of the calculation, for the periods indicated:

(dollars in thousands)	For the Years Ended December 31, 2022			2021			2020		
	Net charge-offs (recoveries)	Average loans outstanding	Net charge-offs as a percent of average loans outstanding	Net charge-offs (recoveries)	Average loans outstanding	Net charge-offs as a percent of average loans outstanding	Net charge-offs (recoveries)	Average loans outstanding	Net charge-offs as a percent of average loans outstanding
Commercial	**$ 36**	**$ 206,144**	**0.02%**	$ (2)	$ 210,145	0.00%	$ 26	$ 219,328	0.01%
Real estate mortgage - 1 to 4 family	**(426)**	**4,335,288**	**-0.01%**	(126)	4,117,964	0.00%	87	3,934,119	0.00%
Installment	**78**	**9,849**	**0.79%**	6	8,725	0.07%	209	9,952	2.10%
Total net (recoveries) chargeoffs	**$ (312)**	**$ 4,551,281**	**-0.01%**	$ (122)	$ 4,336,834	0.00%	$ 322	$ 4,163,399	0.01%

Our loan portfolio experienced an annualized net charge-off rate of (0.01)% for the year ended December 31, 2022, a decrease of one basis point from the 0.00% rate for the year ended December 31, 2021.

Allocation of the Allowance for Credit Losses on Loans

The allocation of the allowance for credit loss on loans is as follows:

(dollars in thousands)	As of December 31, 2022		As of December 31, 2021	
	Amount	**Percent of Loans to Total Loans**	Amount	Percent of Loans to Total Loans
Commercial	**$ 2,343**	**4.41%**	$ 2,942	4.08%
Real estate - construction	**385**	**0.77%**	375	0.84%
Real estate mortgage - 1 to 4 family	**38,859**	**88.51%**	37,650	89.67%
Home equity lines of credit	**4,280**	**6.05%**	2,857	5.20%
Installment Loans	**165**	**0.26%**	443	0.21%
	$ 46,032	**100.00%**	$ 44,267	100.00%

Market Risk

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

Quantitative and Qualitative Disclosure about Market Risk

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

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

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

Using this model, the fair values of capital projections as of December 31, 2022 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, 2022. 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, 200 and 300 basis points.

(dollars in thousands)

	December 31, 2022					
			1 to 12 Months		13 to 24 Months	
Change in Interest Rates	$ Amount of EVE	% Change in EVE	$ Amount of NII	% Change In NII	$ Amount of NII	% Change In NII
+400 BP	1,428,613	-17.2%	174,432	-9.7%	178,258	-10.2%
+300 BP	1,473,359	-14.6%	178,561	-7.6%	181,724	-8.4%
+200 BP	1,578,927	-8.5%	194,154	0.5%	196,646	-0.9%
+100 BP	1,687,831	-2.2%	194,334	0.6%	199,473	0.5%
Current rates	1,725,968	0.0%	193,159	0.0%	198,496	0.0%
-100 BP	1,686,243	-2.3%	189,936	-1.7%	193,224	-2.7%
-200 BP	1,559,345	-9.7%	181,248	-6.2%	180,187	-9.2%
-300 BP	1,388,557	-19.5%	173,269	-10.3%	169,390	-14.7%

At December 31, 2022, the Company's consolidated Tier 1 capital to assets ratio (leverage capital ratio) was 10.39%.

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 31.10% of the fair value of assets, whereas the current Tier 1 capital to assets ratio was 10.39% at December 31, 2022, 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, 2022. 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 liability sensitive on a cumulative basis when measured in the less than 1 year time frame, and asset sensitive when measured in the 1-5 year and the over 5 year time frames. The effect of being liability sensitive is that rising interest rates should result in liabilities repricing to higher levels faster than assets repricing to higher levels, thus decreasing net interest income. Conversely, should interest rates decline, the Company's interest bearing liabilities would reprice down faster than assets, resulting in higher net interest income. 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, 2022					
	Repricing in:					
		Less than 1 year	1-5 years	Over 5 years	Rate Insensitive	Total
Total assets	$	**1,511,604**	**2,438,339**	**1,882,483**	**167,626**	**6,000,052**
Cumulative total assets	$	**1,511,604**	**3,949,943**	**5,832,426**	**6,000,052**	
Total liabilities and shareholders' equity	$	**1,648,816**	**145,459**	**3,520,617**	**685,160**	**6,000,052**
Cumulative total liabilities and shareholders' equity	$	**1,648,816**	**1,794,275**	**5,314,892**	**6,000,052**	
Cumulative interest sensitivity gap	$	**(137,212)**	**2,155,668**	**517,534**		
Cumulative gap as a % of interest earning assets for the period		**(9.1%)**	**54.6%**	**8.9%**		
Cumulative interest sensitive assets to liabilities		**91.7%**	**220.1%**	**109.7%**		

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

Liquidity risk involves the risk of being unable to fund assets with the appropriate duration and rate-based liabilities, as well as the risk of not being able to meet unexpected cash needs. Liquidity planning and management are necessary to ensure the ability to fund operations in a cost-effective manner and to meet current and future potential obligations such as loan commitments, lease obligations, and unexpected deposit outflows. See "Risk Factors – Risks Related to Our Lending Activities – 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" in our Annual Report on Form 10-K for the year ended December 31, 2022.

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 $5.08 billion in 2022 and $4.99 billion in 2021. 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 2022, the average balance of purchased liabilities was $396.2 million, compared with $435.2 million in 2021. 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 decrease in borrowed funds is wholly the result of customers' behavioral preferences in regard to managing their funds and does not reflect any decision by management to decrease 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, 2022 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.

Management believes that 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, 2022 and 2021, TrustCo's loan to deposit ratio was 91.2% and 84.3%, respectively, 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 89.3% and 78.2%, respectively. In addition, at December 31, 2022 and 2021, the Company had cash and cash equivalents totaling $650.6 million and $1.2 billion, respectively, as well as unpledged securities available for sale with a fair value of $310.1 million and $124.5 million, respectively. The Federal Reserve raised the Federal Funds rate again in February 2023, and it is our expectation that there will be further Federal Funds rate increases throughout 2023, which will more than likely put additional pressure on deposit rates during 2023. Management believes that the Company currently has strong liquidity and historical trends and that it has adequate sources of liquidity to cover its contractual obligations and commitments over the next twelve months and beyond.

The Company is contractually obligated to make the following payments on leases as of December 31, 2022:

(dollars in thousands)	Payments Due by Period:				
	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Operating leases	**$ 8,310**	**$ 15,997**	**$ 12,361**	**$ 19,260**	**$ 55,928**

In addition, the Company is contractually obligated to pay data processing vendors approximately $9 million to $10 million per year through 2025.

Also, the Company is obligated under its various employee benefit plans to make certain payments of approximately $1.8 to $1.9 million per year through 2032. Additionally, the Company is obligated to pay the accumulated benefits under the Company's post retirement pension plan which amounted to $4.9 million and $7.0 million, respectively, as of December 31, 2022 and 2021. 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, 2022 and 2021, commitments to extend credit in the form of loans, including unused lines of credit, amounted to $535.4 million and $469.7 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 at both December 31, 2022 and 2021, 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, 2022 and 2021 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.

The Company’s allowance for credit losses on unfunded commitments is recognized as a liability (accrued expenses and other liabilities) with adjustments to the reserve recognized in (credit) provision for credit losses in the consolidated income statement. The impact of the adoption of CECL was an additional liability of $2.3 million, and for the year ended December 31, 2022, the Company recorded a provision for credit losses of $559 thousand. As of December 31, 2022 the allowance for unfunded commitments was $2.9 million.

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 $19.3 million in 2022, $17.9 million in 2021 and $17.2 million in 2020. There was no net gain or loss on securities transactions in 2022 and 2021. There was $1.2 million from net gain on securities transactions in 2020. Fees for services to customers was up $1.1 million in 2022 compared to 2021 primarily as a result of increased interchange fees. 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. Other income was up $496 thousand in 2022 compared to 2021 primarily as a result of a gain on the sale of fixed assets.

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 $7.0 million in 2022, $7.4 million in 2021 and $6.3 million in 2020. 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, 2022, 2021 and 2020, fair value of assets under management by the Trustco Financial Services were approximately $918 million, $1.1 billion and $996.7 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 decline in income is due to the market value decline offset by fees for other services.

NONINTEREST INCOME

(dollars in thousands)	For the year ended December 31,			2022 vs. 2021	
	2022	2021	2020	Amount	Percent
Trustco Financial Services income	**$ 7,037**	$ 7,358	$ 6,279	**$ (321)**	**(4.4)%**
Fees for services to customers	**10,947**	9,799	8,779	**1,148**	**11.7**
Net gain on securities transactions	**-**	-	1,155	**-**	**-**
Other	**1,276**	780	957	**496**	**63.6**
Total noninterest income	**$ 19,260**	$ 17,937	$ 17,170	**$ 1,323**	**7.4%**

Noninterest expense: Noninterest expense was $100.3 million in 2022, $101.7 million in 2021, and $95.7 million in 2020. 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 56.3% for 2022. TrustCo’s efficiency ratio was 50.2% in 2022, 56.9% in 2021 and 56.4% in 2020. 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,			2022 vs. 2021	
	2022	2021	2020	Amount	Percent
Salaries and employee benefits	**$ 45,904**	$ 48,721	$ 45,647	**$ (2,817)**	**(5.8)%**
Net occupancy expense	**17,527**	17,742	17,519	**(215)**	**(1.2)**
Equipment expense	**6,487**	6,617	6,636	**(130)**	**(2.0)**
Professional services	**5,577**	6,108	5,618	**(531)**	**(8.7)**
Outsourced services	**9,210**	8,384	7,750	**826**	**9.9**
Advertising expense	**2,046**	1,975	1,921	**71**	**3.6**
FDIC and other insurance	**3,159**	3,010	2,220	**149**	**5.0**
Other real estate expense (income), net	**310**	183	92	**127**	**69.4**
Other	**10,099**	8,922	8,301	**1,177**	**13.2**
Total noninterest expense	**$ 100,319**	$ 101,662	$ 95,704	**$ (1,343)**	**(1.3)%**

Salaries and employee benefits are the most significant component of noninterest expense. For 2022, these expenses amounted to $45.9 million, compared with $48.7 million in 2021 and $45.6 million in 2020. The decrease in salaries and benefits in 2022 was primarily as a result of a $2 million favorable true-up to the incentive compensation accrual upon payout in the first quarter of 2022, as well as decreases in various other employee benefit plan expenses. Full time equivalent headcount decreased from 759 as of December 31, 2021 to 750 as of December 31, 2022. The decrease in headcount as compared to the prior year was not due to any impact on the labor market. The Company constantly hires qualified candidates and from time-to-time experiences fluctuations in head count.

Net occupancy expense decreased $215 thousand during 2022 compared to 2021 primarily as a result of a decrease in building maintenance expenses.

Professional services expense was $5.6 million in both 2022 and 2020, and was higher in 2021 at $6.1 million primarily as a result of expenses associated with the reverse stock split.

Outsourced services expense increased $826 thousand during 2022 compared to 2021 primarily as a result of additional services being utilized from our providers.

FDIC and other insurance expense was $3.2 million in 2022, $3.0 million in 2021 and $2.2 million in 2020. The increase in 2022 and 2021 as compared to 2020 was primarily due to FDIC credits received in 2020 and 2019 as a result of the FDIC reaching the Deposit Reserve Fund reserve ratio. These credits expired after 2020.

Other real estate expense was $310 thousand in 2022 and $183 thousand in 2021, compared to other real estate expense of $92 thousand in 2020. Included in ORE expense, net during 2022, 2021 and 2020 were write downs of properties included in ORE totaling $68 thousand, $121 thousand and $120 thousand, respectively. Additionally, included in ORE expense, net during 2022, 2021 and 2020 were gains on sale of $122 thousand, $216 thousand and $347 thousand, respectively.

Other noninterest expense was $10.1 million in 2022 compared to $8.9 million in 2021 and $8.3 million in 2020. The increase in 2022 as compared to 2021 was primarily as a result of debit card conversion related expenses, including customer disputes, charges, losses, and collection expenses.

Income Tax

TrustCo recognized income tax expense of $24.2 million, $20.6 million and $17.0 million in 2022, 2021 and 2020, respectively. The effective tax rates were 24.3% in 2022, 25.1% in 2021, and 24.5% in 2020.

Impact of Inflation and Changing Prices

The Consolidated Financial Statements for the years ended 2022, 2021 and 2020 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 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, costs and expenses, income taxes and related disclosures. On an ongoing basis, the Company evaluates its estimates and assumptions. The Company's actual results may differ from these estimates under different assumptions or conditions.

Management considers the accounting policy relating to the allowance for credit losses on loans to be a critical accounting policy given the measurement uncertainty and subjective judgment necessary in evaluating the levels of the allowance required to cover the life time losses in the loan 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 this Annual Report to Shareholders is a description of the significant accounting policies that are utilized by the Company in the preparation of the Consolidated Financial Statements.

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 our best estimate of life time expected losses in our loan portfolio, and fluctuations in the provision for credit losses may result from management's assessment of the adequacy of the allowance. The allowance is made up of a quantitative calculation with an overlay for qualitative factors and reasonable and supportable forecast. The majority of the allowance for credit losses is determined using qualitative factors. The determination of qualitative factors inherently involves significant judgement and subjective measurement being applied by management.

Significant assumptions evaluated each reporting period include the determination of the forecast scenario to be utilized and the assumption for prepayment speeds. During 2022 and as of December 31, 2022, management utilized stagflation scenario with 100% weighting. Hypothetically, had management utilized the Moody's most likely scenario, Baseline scenario, the impact of the allowance would be a reduction of $2 million. For its largest portfolio, 1-4 family residential real estate, the prepayment assumption applied within the quantitative calculation was 11.5% as of December 31, 2022. Hypothetically, if the prepayment assumption would be increased to 15%, the impact of the allowance would be a decrease of $1.8 million. Hypothetically, if the prepayment assumption would be decreased to 8%, the impact of the allowance would be an increase of $2.2 million. Changes in these judgments and assumptions are possible and may have a material impact on our allowance, and therefore our financial position, liquidity, or results of operations.

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:

- changes in interest rates, including recent and possible future increases fueled by inflation, may significantly impact our financial condition and results of operations;
- inflationary pressures and rising prices may affect our results of operations and financial condition;

- exposure to credit risk in our lending activities;
- the allowance for credit losses on loans (“ACLL”) is not sufficient to cover actual loan losses, resulting in a decrease in earnings;
- our inability to meet the cash flow requirements of our depositors or borrowers or meet our operating cash needs to fund corporate expansion and other activities;
- we are subject to claims and litigation pertaining to fiduciary responsibility and lender liability;
- our dependency upon the services of the management team;
- our disclosure controls and procedures may not prevent or detect all errors or acts of fraud;
- 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 its operations;
- our risk management framework may not be effective in mitigating risk and loss;
- a prolonged economic downturn, especially one affecting our geographic market area, will adversely affect our operations and financial results;
- instability in global economic conditions and geopolitical matters, as well as volatility in financial markets, could have a material adverse effect on our results of operations and financial condition;
- the COVID-19 pandemic could continue to have an adverse effect on our business;
- the soundness of other financial institutions could adversely affect us;
- 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;
- regulatory capital rules could slow our growth, cause us to seek to raise additional capital, or both;
- changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and our income;
- non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions;
- 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;
- 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;
- 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”);
- changes in accounting standards could impact reported earnings;
- strong competition within the Bank’s market areas could hurt profits and slow growth;
- consumers and businesses are increasingly using non-banks to complete their financial transactions, which could adversely affect our business and results of operations;
- our business could be adversely affected by third-party service providers, data breaches, and cyber-attacks;
- 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;
- 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;

- we could suffer a material adverse impact from interruptions in the effective operation of, or security breaches affecting, our computer systems;
- new lines of business or new products and services may subject us to additional risks;
- 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;
- we cannot guarantee that the allocation of capital to various alternatives, including stock repurchase plans, will enhance long-term stockholder value;
- we are exposed to climate risk;
- societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers; and,
- other risks and uncertainties included under "Risk Factors" in our Form 10-K for the year ended December 31, 2022.

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)

	2022					2021				
	Q1	**Q2**	**Q3**	**Q4**	**Year**	Q1	Q2	Q3	Q4	Year
Income statement:										
Interest and dividend income	**$ 41,290**	**$ 44,187**	**$ 49,041**	**$ 52,084**	**$ 186,602**	$ 42,495	$ 42,055	$ 41,662	$ 41,770	$ 167,982
Interest expense	**1,194**	**1,127**	**1,248**	**2,898**	**6,467**	2,388	1,933	1,775	1,478	7,574
Net interest income	**40,096**	**43,060**	**47,793**	**49,186**	**180,135**	40,107	40,122	39,887	40,292	160,408
(Credit) Provision for loan losses	**(200)**	**(491)**	**300**	**50**	**(341)**	350	-	(2,800)	(3,000)	(5,450)
Net interest income after provison for loan losses	**40,296**	**43,551**	**47,493**	**49,136**	**180,476**	39,757	40,122	42,687	43,292	165,858
Noninterest income	**5,183**	**4,916**	**4,386**	**4,775**	**19,260**	4,428	4,688	4,295	4,526	17,937
Noninterest expense	**22,765**	**25,005**	**26,144**	**26,405**	**100,319**	25,335	25,440	24,697	26,190	101,662
Income before income taxes	**22,714**	**23,462**	**25,735**	**27,506**	**99,417**	18,850	19,370	22,285	21,628	82,133
Income tax expense	**5,625**	**5,591**	**6,371**	**6,596**	**24,183**	4,767	4,937	5,523	5,387	20,614
Net income	**$ 17,089**	**$ 17,871**	**$ 19,364**	**$ 20,910**	**$ 75,234**	$ 14,083	$ 14,433	$ 16,762	$ 16,241	$ 61,519
Per share data:										
Basic earnings (1)	**$ 0.890**	**$ 0.933**	**$ 1.013**	**$ 1.100**	**$ 3.933**	$ 0.730	$ 0.748	$ 0.871	$ 0.845	$ 3.194
Diluted earnings (1)	**0.890**	**0.933**	**1.013**	**1.100**	**3.932**	0.730	0.748	0.871	0.845	3.194
Cash dividends declared (1)	**0.3500**	**0.3500**	**0.3500**	**0.3600**	**1.4100**	0.3406	0.3406	0.3406	0.3500	1.3719

(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

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, as amended (the "Exchange Act"), such as TrustCo. Under the SEC's 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. 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 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 this provides a reasonable measure of primary banking expenses relative to primary banking revenue. Additionally, we believe this measure is important to investors looking for a measure of efficiency in our productivity measured by the amount of revenue generated for each dollar spent.

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 taxable equivalent net interest margin and efficiency ratio to the most directly comparable GAAP financial measures is set forth below.

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

	Years ended				
	12/31/22	12/31/21	12/31/20	12/31/19	12/31/18
Taxable Equivalent Net Interest Margin					
Net interest income (GAAP)	**$ 180,135**	$ 160,408	$ 153,580	$ 155,807	$ 160,686
Taxable Equivalent Adjustment	**1**	1	3	5	12
Net interest income (Taxable Equivalent) (Non-GAAP)	**$ 180,136**	$ 160,409	$ 153,583	$ 155,812	$ 160,698
Total Interest Earning Assets	**6,014,850**	5,928,077	5,403,000	5,023,914	4,822,577
Net Interest Margin (GAAP)	**2.99%**	2.71%	2.84%	3.10%	3.33%
Taxable Equivalent Net Interest Margin (Non-GAAP)	**2.99%**	2.71%	2.84%	3.10%	3.33%

	Years ended				
	12/31/22	12/31/21	12/31/20	12/31/19	12/31/18
Efficiency Ratio					
Net interest income (Taxable Equivalent) (Non-GAAP)	**$ 180,136**	$ 160,409	$ 153,583	$ 155,812	$ 160,698
Non-interest income (GAAP)	**19,260**	17,937	17,170	18,591	18,081
Less: Net gain on securities	**-**	-	1,155	-	-
Less: Net gain on sale of building and net gain on sale of nonperforming loans	**268**	-	-	-	-
Revenue used for efficiency ratio (Non-GAAP)	**$ 199,128**	$ 178,346	$ 169,598	$ 174,403	$ 178,779
Total Noninterest expense (GAAP)	**$ 100,319**	$ 101,662	$ 95,704	$ 97,730	$ 97,713
Less: Other real estate (income) expense, net	**310**	183	92	(166)	1,231
Expenses used for efficiency ratio (Non-GAAP)	**$ 100,009**	$ 101,479	$ 95,612	$ 97,896	$ 96,482
Efficiency Ratio	**50.22%**	56.90%	56.38%	56.13%	53.97%

Glossary of Terms

Allowance for Credit Losses on Loans:

A balance sheet account which represents management's estimate of expected credit losses in the loan portfolio. The provision for credit 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 (Loss):

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).

Glossary of Terms *(continued)*

Individually Evaluated Loans:

Loans that no longer match the risk profile of the pool are individually assessed for credit losses. Non-accrual loans that have been delinquent 180 days or greater, commercial non-accrual loans and loans identified as troubled debt restructuring ("TDR") are individually assessed.

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 credit losses on loans 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 (as such term is defined in Exchange Act Rule 13a-15(f)). 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, 2022. 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, 2022, the Company maintained effective internal control over financial reporting.

The Company's internal control over financial reporting as of December 31, 2022 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

March 1, 2023

Crowe LLP
Independent Member Crowe Global

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial condition of Trustco Bank Corp NY (the "Company") as of December 31, 2022 and 2021, 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, 2022, 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, 2022, based on 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, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022 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, 2022, based on Internal Control – Integrated Framework: (2013) issued by COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for credit losses effective January 1, 2022 due to the adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification No. 326, Financial Instruments – Credit Losses ("ASC 326"). The Company adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles.

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 Credit Losses – Qualitative Factors

The Company adopted ASC 326 ("CECL") on January 1, 2022, as described in Note 1 and referred to in the change in accounting principle explanatory paragraph above. The estimates of expected credit losses under the CECL methodology required under ASC 326 are based on relevant information about current conditions, past events, and reasonable and supportable forecasts regarding collectability of the reported amounts. In order to estimate the expected credit losses for loans, the Company utilized a discounted cash flow model which calculated a historical loss rate for each of the identified loan segments. The historical loss rates were then adjusted with qualitative factors and for reasonable and supportable forecast.

The determination of qualitative factors 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 credit 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 significant assumptions used in the development of the qualitative factors; (ii) relevance and reliability of the data used in the determination of the qualitative factors and (iii) mathematical accuracy.

- Testing management's process related to the evaluation of qualitative factors. Procedures included (i) testing the relevance and reliability of significant data; (ii) evaluating the reasonableness of significant assumptions; and (iii) evaluating the overall reasonableness of the allowance for credit losses.

/s/ Crowe LLP

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

New York, New York
March 1, 2023

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

	Years ended December 31, 2022	2021	2020
Interest and dividend income:			
Interest and fees on loans	$ **162,214**	$ 159,168	$ 165,964
Interest and dividends on securities available for sale:			
U. S. government sponsored enterprises	**1,405**	314	568
State and political subdivisions	**2**	2	6
Mortgage-backed securities and collateralized mortgage obligations-residential	**5,677**	4,515	6,131
Corporate bonds	**1,804**	1,065	1,721
Small Business Administration-guaranteed participation securities	**551**	745	902
Other	**9**	20	23
Total interest and dividends on securities available for sale	**9,448**	6,661	9,351
Interest on held to maturity securities:			
Mortgage-backed securities and collateralized mortgage obligations-residential	**343**	435	604
Total interest on held to maturity securities	**343**	435	604
Federal Reserve Bank and Federal Home Loan Bank stock	**305**	260	421
Interest on federal funds sold and other short-term investments	**14,292**	1,458	1,948
Total interest and dividend income	**186,602**	167,982	178,288
Interest expense:			
Interest on deposits	**5,727**	6,665	23,698
Interest on short-term borrowings	**740**	909	1,010
Total interest expense	**6,467**	7,574	24,708
Net interest income	**180,135**	160,408	153,580
(Credit) Provision for credit losses	**(341)**	(5,450)	5,600
Net interest income after (credit) provision for credit losses	**180,476**	165,858	147,980
Noninterest income:			
Trustco Financial Services income	**7,037**	7,358	6,279
Fees for services to customers	**10,947**	9,799	8,779
Net gain on securities transactions	**-**	-	1,155
Other	**1,276**	780	957
Total noninterest income	**19,260**	17,937	17,170
Noninterest expense:			
Salaries and employee benefits	**45,904**	48,721	45,647
Net occupancy expense	**17,527**	17,742	17,519
Equipment expense	**6,487**	6,617	6,636
Professional services	**5,577**	6,108	5,618
Outsourced services	**9,210**	8,384	7,750
Advertising expense	**2,046**	1,975	1,921
FDIC and other insurance expense	**3,159**	3,010	2,220
Other real estate expense, net	**310**	183	92
Other	**10,099**	8,922	8,301
Total noninterest expense	**100,319**	101,662	95,704
Income before income taxes	**99,417**	82,133	69,446
Income taxes	**24,183**	20,614	16,994
Net income	$ **75,234**	$ 61,519	$ 52,452
Earnings per share (1):			
Basic	$ **3.93**	$ 3.19	$ 2.72
Diluted	$ **3.93**	$ 3.19	$ 2.72

(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,		
	2022	2021	2020
Net income	**$ 75,234**	$ 61,519	$ 52,452
Net unrealized holding (loss) gain on securities available for sale	**(43,513)**	(9,715)	10,475
Reclassification adjustments for net gain recognized in income	**-**	-	(1,155)
Tax effect	**11,268**	2,503	(2,420)
Net unrealized (loss) gain on securities available for sale, net of tax	**(32,245)**	(7,212)	6,900
Change in overfunded position in pension and postretirement plans arising during the year	**(8,266)**	10,297	1,681
Tax effect	**2,148**	(2,675)	(437)
Change in overfunded position in pension and postretirement plans arising during the year, net of tax	**(6,118)**	7,622	1,244
Amortization of net actuarial gain	**(1,008)**	(674)	(708)
Amortization of prior service (credit) cost	**(313)**	405	(196)
Tax effect	**343**	70	235
Amortization of net actuarial gain and prior service (credit) cost on pension and postretirement plans, net of tax	**(978)**	(199)	(669)
Other comprehensive (loss) income, net of tax	**(39,341)**	211	7,475
Comprehensive income	**$ 35,893**	$ 61,730	$ 59,927

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, 2022	As of December 31, 2021
ASSETS		
Cash and due from banks	**$ 43,429**	$ 48,357
Federal funds sold and other short term investments	**607,170**	1,171,113
Total cash and cash equivalents	**650,599**	1,219,470
Securities available for sale	**481,513**	407,713
Held to maturity securities ($7,580 and $10,695 fair value at December 31, 2022 and 2021, respectively)	**7,707**	9,923
Federal Home Loan Bank stock	**5,797**	5,604
Loans, net of deferred net costs	**4,733,201**	4,438,779
Less: Allowance for credit loss on loans	**46,032**	44,267
Net loans	**4,687,169**	4,394,512
Bank premises and equipment, net	**32,556**	33,027
Operating lease right-of-use assets	**44,727**	48,090
Other assets	**89,984**	78,207
Total assets	**$ 6,000,052**	$ 6,196,546
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand	**$ 838,147**	$ 794,878
Savings accounts	**1,521,473**	1,504,554
Interest-bearing checking	**1,183,321**	1,191,304
Money market deposit accounts	**621,106**	782,079
Time accounts	**1,028,763**	995,314
Total deposits	**5,192,810**	5,268,129
Short-term borrowings	**122,700**	244,686
Operating lease liabilities	**48,980**	52,720
Accrued expenses and other liabilities	**35,575**	29,883
Total liabilities	**5,400,065**	5,595,418
Commitments and contingent liabilities		
SHAREHOLDERS' EQUITY:		
Capital stock: $1.00 par value; 30,000,000 shares authorized, 20,058,142 and 20,045,684 shares issued and 19,024,433 and 19,219,989 shares outstanding at December 31, 2022 and 2021, respectively	**20,058**	20,046
Surplus	**257,078**	256,661
Undivided profits	**393,831**	349,056
Accumulated other comprehensive (loss) income, net of tax	**(27,194)**	12,147
Treasury stock: 1,033,709 and 825,695 shares, at cost, at December 31, 2022 and 2021, respectively	**(43,786)**	(36,782)
Total shareholders' equity	**599,987**	601,128
Total liabilities and shareholders' equity	**$ 6,000,052**	$ 6,196,546

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, 2020 (1)	$ 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 (1)	-	-	(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
Cumulative impact of adoption of ASU 2016-13			**(3,470)**			**(3,470)**
Balance, January 1, 2022 as adjusted for impact of adoption of ASU 2016-13	**$ 20,046**	**$ 256,661**	**$ 345,586**	**$ 12,147**	**$ (36,782)**	**$ 597,658**
Net income	**-**	**-**	**75,234**	**-**	**-**	**75,234**
Change in other comprehensive (loss) income, net of tax	**-**	**-**	**-**	**(39,341)**	**-**	**(39,341)**
Stock options exercises (12,458 shares issued)	**12**	**417**	**-**	**-**	**-**	**429**
Cash dividend declared, $1.4100 per share	**-**	**-**	**(26,989)**	**-**	**-**	**(26,989)**
Purchase of treasury stock (208,014 shares)	**-**	**-**	**-**	**-**	**(7,004)**	**(7,004)**
Ending balance, December 31, 2022	**$ 20,058**	**$ 257,078**	**$ 393,831**	**$ (27,194)**	**$ (43,786)**	**$ 599,987**

(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,		
	2022	2021	2020
Cash flows from operating activities:			
Net income	**$ 75,234**	$ 61,519	$ 52,452
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**4,101**	4,219	4,040
Amortization of right-of-use asset	**6,452**	6,383	6,138
Net gain on sale of other real estate owned	**(122)**	(216)	(347)
Writedown of other real estate owned	**68**	121	120
(Credit) Provision for credit losses	**(341)**	(5,450)	5,600
Deferred tax expense (benefit)	**4,114**	(238)	(1,067)
Net amortization of securities	**2,266**	3,955	3,883
Stock based compensation expense	**-**	-	15
Net gain on sale of bank premises and equipment	**(315)**	-	-
Net gain on securities transactions	**-**	-	(1,155)
Decrease (Increase) in taxes receivable	**4,906**	(148)	(1,243)
(Increase) Decrease in interest receivable	**(2,393)**	932	884
Increase (Decrease) in interest payable	**439**	(311)	(985)
Increase in other assets	**(8,432)**	(10,247)	(2,625)
Decrease in operating lease liabilities	**(6,829)**	(6,652)	(6,317)
(Decrease) Increase in accrued expenses and other liabilities	**(522)**	1,498	2,764
Total adjustments	**3,392**	(6,154)	9,705
Net cash provided by operating activities	**78,626**	55,365	62,157
Cash flows from investing activities:			
Proceeds from sales, paydowns and calls of securities available for sale	**68,954**	148,609	276,843
Purchases of securities available for sale	**(203,516)**	(139,962)	(145,339)
Proceeds from maturities of securities available for sale	**15,057**	9,162	10,007
Proceeds from calls and maturities of held to maturity securities	**2,142**	3,780	4,627
Purchases of Federal Reserve Bank and Federal Home Loan Bank stock	**(193)**	(98)	(380)
Proceeds from redemptions of Federal Reserve Bank stock	**-**	-	4,057
Net increase in loans	**(296,343)**	(194,677)	(183,320)
Proceeds from dispositions of other real estate owned	**588**	764	1,989
Proceeds from dispositions of bank premises and equipment	**470**	6	-
Purchases of bank premises and equipment	**(3,785)**	(2,840)	(3,830)
Net cash used in investing activities	**(416,626)**	(175,256)	(35,346)
Cash flows from financing activities:			
Net (decrease) increase in deposits	**(75,319)**	230,936	587,177
Net change in short-term borrowings	**(121,986)**	29,931	66,089
Proceeds from exercise of stock options and related tax benefits	**429**	260	-
Cash used to settle fractional shares in the Reverse Stock Split	**-**	(200)	-
Purchases of treasury stock	**(7,004)**	(2,386)	(3,493)
Dividends paid	**(26,991)**	(26,279)	(26,331)
Net cash (used in) provided by financing activities	**(230,871)**	232,262	623,442
Net (decrease) increase in cash and cash equivalents	**(568,871)**	112,371	650,253
Cash and cash equivalents at beginning of period	**1,219,470**	1,107,099	456,846
Cash and cash equivalents at end of period	**$ 650,599**	$ 1,219,470	$ 1,107,099
Cash paid during the year for:			
Interest paid	**$ 6,028**	$ 7,885	$ 25,693
Income taxes paid	**19,459**	20,493	18,185
Non cash investing and financing activites:			
Transfer of loans to real estate owned	**2,233**	490	724
Change in dividends payable	**(2)**	158	214
Change in unrealized (loss) gain on securities available for sale - gross of deferred taxes	**(43,513)**	(9,715)	9,320
Change in deferred tax effect on unrealized (gain) loss on securities available for sale, net of reclassification adjustment	**11,268**	2,503	(2,420)
Amortization of net actuarial gain and prior service credit on pension and post retirement plans, gross of deferred taxes	**(1,321)**	(269)	(904)
Change in deferred tax effect of amortization of net actuarial gain and prior service credit on pension and post retirement plans	**343**	70	235
Change in overfunded portion of pension and post retirement benefit plans (ASC 715) - gross of deferred taxes	**(8,266)**	10,297	1,681
Deferred tax effect of change in overfunded portion of pension and post retirement benefit plans (ASC 715)	**2,148**	(2,675)	(437)

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.

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

Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax. Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are generally amortized on the level-yield method without anticipating prepayments. Premiums on callable debt securities are amortized to their earlier call date. Discounts are amortized to maturity date. Gains and losses are recorded on the trade date and determined using the specific identification method.

A debt security is placed on non-accrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

The Company measures expected credit losses on securities held to maturity debt on a collective basis. Accrued interest receivable on held to maturity debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers nature of the Issuer, historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The Company evaluates securities available for sale in an unrealized loss position for other than temporary impairment ("OTTI") by first assessing whether it intends to sell or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available for sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. 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 that management has the intent and ability to hold for the near future or until maturity or payoff are reported at amortized cost net of allowance for credit losses on loans. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Interest income is accrued on unpaid principal balances. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income from mortgage and commercial loans is discontinued and placed on non-accrual status at the time the loan is 90 days delinquent. Non-accrual loans are individually reviewed and charged off at 180 days past due. Commercial loans are charged off to the extent principal or interest is deemed uncollectible. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought to current and future payments are reasonably assured.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans (“ACLL”) is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of the loan balance is confirmed. Expected recoveries are not to exceed the aggregate of amounts previously charged-off and expected to be charged-off. Accrued interest receivable is excluded from the estimate of credit losses.

The level of the ACLL represents management’s estimate of expected credit losses over the expected life of the loans at the balance sheet date. The Company uses the Discounted Cash Flow method to determine the historical loss experience using the probability of default and loss given default approach. The level of the ACLL is based on management’s ongoing review of all relevant information, from internal and external sources, relating to past and current events, utilizing an 8-quarter reasonable and supportable forecast period with immediate reversion. Management has determined unemployment rates for key metropolitan areas in New York and Florida as its primary economic indicator to be utilized for the forecast. Management also considers other economic indicators are considered as a part of the qualitative framework. The ACLL reserve is overlaid with qualitative considerations for changes in underwriting standards, portfolio mix, delinquency levels, or economic conditions such as changes in the consumer pricing index (“CPI”), property values, and gross metro product to make adjustments to historical loss information (“qualitative factors”). The determination of qualitative factors involves significant judgement and subjective measurement.

The ACLL is measured on a collective (pool) basis when similar risk characteristics exist. The Company evaluates its risk characteristics of loans based on regulatory call report code with sub-segmentation based on geographic territory (New York and Florida). Risk characteristics relevant to each portfolio segment are as follows:

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.

Loans that do not share risk characteristics are evaluated on an individual basis, which the Company has determined are non-accrual loans that have been delinquent 180 days or greater, commercial non-accrual loans and loans identified as troubled debt restructuring ("TDR"). Loans evaluated individually are not also included in the collective evaluation. Estimates of specific allowance may be determined by the present value of anticipated future cash flows or the loan's observable fair market value, or the fair value of the collateral less costs to sell, if the loan is collateral dependent. However, for collateral dependent loans, the amount of the amortized cost in a loan that exceeds the fair value of the collateral is charged-off against the allowance for credit losses on loans in lieu of an allocation of a specific allowance amount when such an amount has been identified definitively as uncollectible.

A loan for which terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, is considered a TDR. 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 near 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 was no modification of terms, the borrowers' debt to the Company was discharged and they may not reaffirm the debt.

The TDR that have subsequently defaulted have the underlying collateral evaluated at the time these loans were identified as TDRs, 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.

The allowance for unfunded commitments is maintained at a level by the Company determined to be sufficient to absorb expected lifetime losses related to unfunded credit facilities (including unfunded loan commitments and letters of credit). The allowance for unfunded commitments is recorded as a separate liability and is included with Accrued expenses and other liabilities on the consolidated statements of condition. Changes in the reserve are recorded through the provision for credit losses on the consolidated statements of income.

Prior to the adoption of CECL, the Company calculated the allowance for loan losses under the incurred loss methodology.

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, 2022 and 2021, there were $2.1 million and $362 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 statue, regulation, or agreement between the Bank and a regulator or a condition imposed in a previously approved application or notice. Currently the Bank meets the regulatory definition of a well-capitalized institution. During 2023, the Bank could declare dividends of approximately $96.7 million plus any 2023 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, 2022, 2021, and 2020, 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.

Recently Adopted Accounting Standards

On January 1, 2022, the Company adopted ASU 2016-13, "Financial Instruments - Credit Losses" (referred to as "CECL" and as Accounting Standards Codification Topic 326 ("ASC 326")), 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 enhanced financial disclosures for 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 with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The allowance for credit losses on loans is a valuation account that is deducted from, or added to, the loans' amortized cost basis to present the net, lifetime amount expected to be collected on the loans. The measurement of expected credit losses under the CECL methodology applies to financial assets measured at amortized cost including loan receivables and held-to-maturity debt securities.   The update also applies to off-balance sheet exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees and other similar instruments).

In addition, CECL made changes to the accounting for available for sale securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities that management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted CECL using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2022 are presented under CECL while prior period amounts continue to be reported in accordance with previous applicable GAAP. On the adoption date, the Company increased the allowance for credit losses on loans by $2.4 million and increased the allowance for credit losses for unfunded commitments by $2.3 million (included in Accrued expenses and other liabilities). The Company recorded a net decrease to undivided profits of $3.5 million, net of $1.2 million in deferred tax balances as of January 1, 2022 for the cumulative effect of adopting CECL.

The Company did not record an allowance for credit losses as of January 1, 2022 on its securities available for sale or held to maturity.

The impact of the January 1, 2022 adoption entry is summarized in the table below:

(in thousands)	December 31, 2021 Pre-CECL Adoption	Impact of Adoption	January 1, 2022 Post-CECL Adoption
Assets:			
Allowance for credit losses on loans	$ 44,267	$ 2,353	$ 46,620
Allowance for credit losses on securities	-	-	-
Liabilities and shareholders' equity:			
Other liabilities (ACL unfunded loan commitments)	18	2,335	2,353
Tax Effect, net (included in other assets)	-	(1,218)	-
Total	44,285	3,470	48,973
Undivided Profits	$ 349,056	$ (3,470)	$ 345,586

Loans

Loans that management has the intent and ability to hold for the near future or until maturity or payoff are reported at amortized cost net of allowance for credit losses on loans. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Interest income is accrued on unpaid principal balances. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income from mortgage and commercial loans is discontinued and placed on non-accrual status at the time the loan is 90 days delinquent. Non-accrual loans are individually reviewed and charged off at 180 days past due. Commercial loans are charged off to the extent principal or interest is deemed uncollectible. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought to current and future payments are reasonably assured.

Accrued Interest Receivable

The Company has made the following elections with regards to accrued interest receivable: the Company will continue to write off accrued interest receivable by reversing interest income; the Company has made the accounting policy election not to measure an allowance for credit losses for accrued interest receivables; and the Company elected to exclude accrued interest receivable balances from tabular disclosures and will present accrued interest receivable balances in other assets.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans ("ACLL") is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loan are charged off against the allowance when management believes the uncollectibility of the loan balance is confirmed. Expected recoveries are not to exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The Company has elected the Discounted Cash Flow methodology to determine its ACLL. Management estimates the allowance for credit loss on loans balance using relevant available information from internal and external sources related to past events, current conditions, and a reasonable and supportable forecast provided by a third party. The Company lends in the geographic territory of its branch locations in New York, Florida, Massachusetts, New Jersey and Vermont. Although the loan portfolio is diversified, historical credit loss experience in Florida and New York provides the quantitative basis for the estimation of expected credit losses. Complementary to that, a portion of its debtors' ability to repay depends significantly on the economic employment conditions prevailing in the respective geographic territory. The ACLL reserve is overlaid with qualitative considerations for changes in underwriting standards, portfolio mix, delinquency levels, or economic conditions such as changes in the unemployment rates, property values, and gross metro product to make adjustments to historical loss information. Management judgment is required at each point in the measurement process.

The allowance for unfunded commitments is maintained at a level by the Company determined to be sufficient to absorb expected lifetime losses related to unfunded credit facilities (including unfunded loan commitments and letters of credit).

Management utilized the historical loss rate experience on the Company's loan portfolio as the initial basis of the estimate using probability of default and loss given defaults derived from September 30, 2011 to January 1, 2022. A defaulted loan is a loan payment default once it is 90 days contractually past due.

Management utilizes externally developed economic forecasts (Moody's forecast scenarios) of unemployment rates within the key metropolitan areas in New York and Florida of which we serve to forecast probability of defaults and loss given defaults within the model. Management has determined that a reasonable and supportable forecast is 8 quarters after which the historical average probability defaults and loss given defaults will be used. The two economic scenarios evaluated by management in detail were the Baseline and Stagflation forecast scenarios. Within both scenarios, Management considered the following:

- Unemployment levels in relation to inflationary pressures;
- Monetary and fiscal policy assumptions and movement of the federal funds rate in 2022;
- Supply chain conditions and their impacts on Consumer Price indices ("CPI"); and
- Inflationary pressures on housing, and Gross Metro Product ("GMP").

In determining the appropriate forecast to utilize, management considered the range of forecasted unemployment as well as a number of other economic indicators. Unemployment levels in the Baseline continued to be optimistic while not providing what management determined to be a full reflection of supply chain, workforce challenges, and inflationary pressures. The rising inflation, volatility in consumer confidence, supply chain, and workforce environment challenges, as well as monetary and geopolitical environmental considerations, drove management to elect the Stagflation forecast scenario.

As of January 1, 2022, the Company has elected to fully utilize the Stagflation forecast scenario. The Company determined the forecast more appropriately considers inflationary pressures and monetary policies observed currently and prospectively in the markets served. The ACLL reserve is then complemented with qualitative factors based upon GMP, CPI, and housing forecasts using the same scenario, and their related forecasts for the respective metropolitan regions of New York and Florida, and were factored into the calculation.

The effective interest rate used to discount expected cash flows considered the timing of the expected cash flows resulting from prepayments that existed as of January 1, 2022. The prepayment-adjusted effective interest rate uses the original contractual rate and prepayment assumptions as of January 1, 2022.

The Company determined a contractual term excluding expected extensions, renewals and modifications. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate.

The Company determined its allowance for credit losses on loans using a pool of assets with similar risk characteristics. The Company evaluates its risk characteristics based on regulatory call report codes where it was determined that the loans within the call codes were homogenous in nature and could be aggregated into the main categories for the Company portfolio. There were no changes to the loan pools under CECL for January 1, 2022 compared to previously disclosed loan segments. Loans that no longer match the risk profile of the pool are individually assessed for credit losses. Non-accrual loans that have been delinquent 180 days or greater, commercial non-accrual loans and loans identified as troubled debt restructuring ("TDR") are individually assessed. The individual assessment for credit impairment is generally based on a discounted cash flow approach unless the asset is collateral dependent. The loan is considered collateral dependent when repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. Collateral dependent loans are individually assessed and the expected credit loss is based on the fair value of the collateral.

A loan for which terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, is considered a TDR. 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 near 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 was no modification of terms, the borrowers' debt to the Company was discharged and they may not reaffirm the debt.

The TDR that have subsequently defaulted have the underlying collateral evaluated at the time these loans were identified as TDRs, 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.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration that funding will occur and an estimate of expected credit losses on commitments is expected to be funded over its estimated life. The Company 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 categories of off-balance sheet credit exposures have been identified: unfunded commitments to extend credit, unfunded lines of credit, residential mortgage pending closings and standby letters of credit. Each of these unfunded commitments is analyzed for a probability of funding to calculate a probable funding amount. The life of loan loss factor by related portfolio segment from the allowance for credit losses on loans calculation is then applied to the probable funding amount to calculate the estimated credit losses on off-balance sheet credit exposures recognized in other liabilities. The post adoption balance is included with Accrued expenses and other liabilities on consolidated statements of financial condition. Prospective changes in the reserve will be recorded through the provision for credit losses on the consolidated statements of income.

Debt Securities

A debt security is placed on non-accrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income. Timely principal and interest payments continue to be made on the securities. The unrealized losses in the portfolio are primarily attributable to changes in interest rates. There were no debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2022.

Allowance for Credit Losses – Held to Maturity Securities

The Company's held to maturity securities are issued by U.S. government entities and agencies such as Ginnie Mae, Fannie Mae, and Freddie Mac. These securities are either explicitly or implicitly guaranteed by the U.S. government and are highly rated by major rating agencies and have a long history of no credit losses. Management measures expected credit losses on held to maturity debt securities on a collective basis by major security type, issuer and payment stream. The estimate of expected credit losses considers historical credit loss information adjusted for current conditions and reasonable and supportable forecasts provided by a third party servicer. Based on the nature of the securities held by the Company and the underlying guarantees, there was no allowance for credit losses recorded for held to maturity securities as of January 1, 2022.

Accrued interest receivable on held to maturity securities totaled $33 thousand and is excluded from the estimate of credit losses. Historically the Company has not experienced uncollectible accrued interest receivable on its held-to-maturity securities portfolio.

Allowance for Credit Losses – Available For Sale Securities

For available for sale debit securities in an unrealized loss position, the entity first assesses whether it intends to sell, or if it is more likely that not that it will be required to sell the security before recovery of its amortized cost basis. If either criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available for sale that do not meet the aforementioned criteria, in making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security and its issuer, among other factors. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recorded through other comprehensive income.

Change in the allowance for credit losses is recorded as a provision for credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either criteria regarding the intent or requirement to sell is met.

The unrealized losses reported pertained to securities issued by the U.S. government and its sponsored entities, include agencies, and mortgage backed securities issued by Ginnie Mae, Fannie Mae, and Freddie Mac, which are currently well rated and guaranteed by the U.S. government. The Company does not intend to sell the securities, and it is not considered likely the Company will be required to sell these securities prior to recovery of the amortized cost. Timely principal and interest payments continue to be made on the securities. The unrealized losses in the portfolio are primarily attributable to changes in interest rates. Management does not believe any individual unrealized loss as of January 1, 2022 represents any credit loss and no realized losses have been recognized into provision for credit loss.

(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 $15.8 million and $69.6 million at December 31, 2022 and 2021, 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, 2022**			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	**$ 124,123**	**$ 1**	**$ 5,937**	**$ 118,187**
State and political subdivisions	**34**	**-**	**-**	**34**
Mortgage backed securities and collateralized mortgage obligations - residential	**291,431**	**34**	**31,149**	**260,316**
Corporate bonds	**85,641**	**-**	**4,295**	**81,346**
Small Business Administration - guaranteed participation securities	**23,115**	**-**	**2,138**	**20,977**
Other	**686**	**-**	**33**	**653**
Total securities available for sale	**$ 525,030**	**$ 35**	**$ 43,552**	**$ 481,513**

(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
Total securities available for sale	$ 407,717	$ 3,895	$ 3,899	$ 407,713

The following table categorizes the amortized cost and fair value of debt securities included in the available for sale portfolio as of December 31, 2022, 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	$ 5,044	$ 5,019
Due in after one year through five years	205,440	195,201
Mortgage backed securities and collateralized mortgage obligations - residential	291,431	260,316
Small Business Administration - guaranteed participation securities	23,115	20,977
	$ 525,030	$ 481,513

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, 2022					
	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	$ 57,849	$ 1,290	$ 55,337	$ 4,647	$ 113,186	$ 5,937
Mortgage backed securities and collateralized mortgage obligations - residential	164,772	13,010	93,009	18,139	257,781	31,149
Corporate bonds	52,805	2,395	28,542	1,900	81,347	4,295
Other	49	1	568	32	617	33
Small Business Administration - guaranteed participation securities	802	71	20,175	2,067	20,977	2,138
Total	$ 276,277	$ 16,767	$ 197,631	$ 26,785	$ 473,908	$ 43,552

(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

The proceeds from sales, calls/paydowns and maturities of securities available for sale, and gross realized gains and gross realized losses from sales during 2022, 2021, and 2020 are as follows:

(dollars in thousands)	Years ended December 31, 2022	2021	2020
Proceeds from sales	**$ -**	$ -	$ 29,219
Proceeds from calls/paydowns	**68,954**	148,609	247,624
Proceeds from maturities	**15,057**	9,162	10,007
Gross realized gains	**-**	-	1,155
Gross realized losses	**-**	-	-

The amount of securities pledged to secure short-term borrowings and for other purposes amounted to $171.4 million and $283.2 million at December 31, 2022 and 2021, respectively. There was no allowance for credit losses recorded for securities available for sale as of December 31, 2022. All securities are performing in accordance with contractual terms.

(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, 2022** Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Mortgage backed securities and collateralized mortgage obligations - residential	**$ 7,707**	**$ 90**	**$ 217**	**$ 7,580**
Total held to maturity	**$ 7,707**	**$ 90**	**$ 217**	**$ 7,580**

(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

The following table categorizes the debt securities included in the held to maturity portfolio as of December 31, 2022, 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	**$ 7,707**	**7,580**
	$ 7,707	**7,580**

Gross unrealized losses on held to maturity securities 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, 2022					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss	Fair Value	Gross Unreal. Loss
Mortgage backed securities and collateralized mortgage obligations - residential	**$ 3,327**	**206**	**258**	**11**	**3,585**	**217**
Total	**$ 3,327**	**206**	**258**	**11**	**3,585**	**217**

(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
Mortgage backed securities and collateralized mortgage obligations - residential	$ 442	1	-	-	442	1
Total	$ 442	1	-	-	442	1

There were no allowance for credit losses recorded for held to maturity securities during 2022 and as of December 31, 2022. As of December 31, 2022, there were no securities on non-accrual status and all securities were performing in accordance with contractual terms.

(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, 2022 that represent greater than 10% of shareholders' equity:

(dollars in thousands)	Amortized Cost	Fair Value
Federal National Mortgage Association	**$ 184,850**	**$ 98,072**
Federal Home Loan Mortgage Corporation	**107,800**	**165,309**

(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.

As of December 31, 2022, 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, 2022.

Mortgage backed securities and collateralized mortgage obligations – residential

At December 31, 2022, 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, 2022.

Small Business Administration (SBA) - guaranteed participation securities:

At December 31, 2022, all of the SBA securities held by the Company were issued and guaranteed by the U.S. Small Business Administration. 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, 2022.

Corporate Bonds and other

At December 31, 2022, 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, 2022.

(4) Loan Portfolio and Allowance for Credit Losses

Upon adoption of CECL, management pooled loans with similar risk characteristics. The portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses on loans.

The following table presents loans by portfolio segment:

(dollars in thousands)	December 31, 2022		
	New York and other states*	Florida	Total
Commercial:			
Commercial real estate	**$ 177,371**	$ **32,551**	$ **209,922**
Other	**20,221**	**868**	**21,089**
Real estate mortgage - 1 to 4 family:			
First mortgages	**2,776,989**	**1,369,913**	**4,146,902**
Home equity loans	**43,999**	**12,550**	**56,549**
Home equity lines of credit	**191,926**	**94,506**	**286,432**
Installment	**9,408**	**2,899**	**12,307**
Total loans, net	**$ 3,219,914**	$ **1,513,287**	**4,733,201**
Less: Allowance for credit losses			**46,032**
Net loans			**$ 4,687,169**

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

Prior to the adoption of CECL on January 1, 2022, the Company calculated allowance for loan losses using the incurred losses methodology.

(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

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

Included in commercial loans above are Paycheck Protection Program (“PPP”) loans totaling approximately $1.0 million and $10.0 million as of December 31, 2022 and 2021, respectively.

At December 31, 2022 and 2021, the Company had approximately $36.4 million and $37.3 million, respectively, of real estate construction loans. Of the $36.4 million in real estate construction loans at December 31, 2022, approximately $14.1 million are secured by first mortgages to residential borrowers while approximately $22.3 million were to commercial borrowers for residential construction projects. 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 while approximately $19.4 million were to commercial borrowers for residential construction projects. The majority of construction loans are in the Company's New York market.

At December 31, 2022 and 2021, loans to executive officers, directors, and to associates of such persons aggregated $20.5 million and $17.9 million, respectively. During 2022, approximately $7.6 million of new loans were made and repayments of loans totaled approximately $5.0 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.

Allowance for credit losses on loans

The level of the ACLL is based on factors that influence management's current estimate of expected credit losses, including past events and current conditions. There were no significant changes in the Company's methodology for the allowance for credit losses on loans for the period ended December 31, 2022 compared to the adoption date. Consistent with the adoption date, the Company has determined the Stagflation forecast scenario to be appropriate for the December 31, 2022 ACLL calculation. The Company selected the Stagflation economic forecast for credit losses as management expects that markets will experience a slight decline in economic conditions and a slight increase in the unemployment rate over the next two years.

The following table presents the impact of the January 1, 2022 adoption entry in the allowance for credit losses on loans by loan type:

(dollars in thousands)	December 31, 2021 Pre-Adoption Balance	Impact of Adoption	January 1, 2022 Post CECL Adoption
	Total		Total
Commercial:			
Commercial real estate	$ 3,121	(1,100)	2,021
Other	14	114	128
Real estate mortgage - 1 to 4 family:			
First mortgages	37,249	1,703	38,952
Home equity loans	583	262	845
Home equity lines of credit	2,857	1,752	4,609
Installment	443	(378)	65
Total Allowance	$ 44,267	2,353	46,620

Activity in the allowance for credit losses on loans by portfolio segment for the year ended December 31, 2022 is summarized as follows:

	For the year ended December 31, 2022			
(dollars in thousands)	Commercial	Real Estate Mortgage- 1 to 4 Family	Installment	Total
Balance at beginning of period	$ 3,135	$ 40,689	$ 443	$ 44,267
Impact of ASU 2016-13, Current Expected Credit Loss (CECL)	(986)	3,717	(378)	2,353
Balance as of January 1, 2022 as adjusted for ASU 2016-13	2,149	44,406	65	46,620
Loans charged off:				
New York and other states*	40	24	87	151
Florida	-	-	1	1
Total loan chargeoffs	40	24	88	152
Recoveries of loans previously charged off:				
New York and other states*	4	450	7	461
Florida	-	-	3	3
Total recoveries	4	450	10	464
Net loans (recoveries) charged off	36	(426)	78	(312)
(Credit) provision for credit losses	483	(1,561)	178	(900)
Balance at end of period	$ 2,596	$ 43,271	$ 165	$ 46,032

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

Activity in the allowance for loan losses by portfolio segment for the year ended December 31, 2021 is summarized as follows:

	For the year ended December 31, 2021			
(dollars in thousands)	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 loan recoveries	(2)	(126)	6	(122)
(Credit) provision for loan losses	(1,007)	(4,387)	(56)	(5,450)
Balance at end of period	$ 3,135	$ 40,689	$ 443	$ 44,267

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

(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 credit losses on loans by portfolio segment and based on impairment evaluation as of December 31, 2022:

(dollars in thousands)		**December 31, 2022** Commercial Loans	1-to-4 Family Residential Real Estate	Installment Loans	Total
Allowance for credit losses on loans:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	**$**	**-**	**-**	**-**	**-**
Collectively evaluated for impairment		**2,596**	**43,271**	**165**	**46,032**
Total ending allowance balance	**$**	**2,596**	**43,271**	**165**	**46,032**
Loans:					
Individually evaluated for impairment	**$**	**646**	**24,967**	**82**	**25,695**
Collectively evaluated for impairment		**230,365**	**4,464,916**	**12,225**	**4,707,506**
Total ending loans balance	**$**	**231,011**	**4,489,883**	**12,307**	**4,733,201**

Prior to the adoption of CECL on January 1, 2022, the Company calculated allowance for loan losses using the incurred losses methodology. The balance in the allowance for loan losses by portfolio segment is summarized as follows:

	December 31, 2021				
(dollars in thousands)		Commercial Loans	1-to-4 Family Residential Real Estate	Installment Loans	Total
Allowance for loan losses:					
Ending allowance balance attributable to loans:					
Individually evaluated for impairment	$	-	-	-	-
Collectively evaluated for impairment		3,135	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

The following table presents impaired loans by loan class as of December 31, 2021 only:

	December 31, 2021			
New York and other states*: (dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	YTD Avg Recorded Investment
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.

The Company’s allowance for credit losses on unfunded commitments is recognized as a liability (accrued expenses and other liabilities) with adjustments to the reserve recognized in (credit) provision for credit losses in the consolidated income statement.

The Company's activity in the allowance for credit losses on unfunded commitments were as follows:

(In thousands)	For the year ended December 31, 2022
Balance at January 1, 2022	$ 18
Impact of Adopting CECL	2,335
Adjusted Balance at January 1, 2022	2,353
Provision for credit losses	559
Balance at December 31, 2022	$ 2,912

Loan Credit Quality

The Company categorizes commercial 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, the Company's loan grading process analyzes non-homogeneous loans, such as commercial loans and commercial real estate loans, individually by grading the loans based on credit risk. The Company's internal loan review department in accordance with the Company's internal loan review policy tests the loan grades assigned to all loan types.

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 classified as such 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.

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

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 credit losses on loans. The payment status of these homogeneous pools as of December 31, 2022 and December 31, 2021 is also included in the aging of the past due loans table. Nonperforming loans shown in the table below were loans on non-accrual status and loans over 90 days past due and accruing.

As of December 31, 2022, and based on the most recent analysis performed, the risk category of loans by class of loans, and gross charge-offs year to date for each loan type by origination year was as follows:

Loan Credit Quality
(in thousands)

	December 31, 2022								
	Term Loans Amortized Cost Basis by Origination Year								
Commercial :	**2022**	**2021**	**2020**	**2019**	**2018**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loan Converted to Term**	**Total**
Risk rating									
Pass	$ 79,430	$ 29,991	$ 18,708	$ 22,790	$ 16,598	$ 32,666	$ 8,022	$ -	$ 208,205
Special Mention	-	-	62	-	243	-	-	-	305
Substandard	-	-	113	-	128	1,171	-	-	1,412
Total Commercial Loans	$ 79,430	$ 29,991	$ 18,883	$ 22,790	$ 16,969	$ 33,837	$ 8,022	$ -	$ 209,922
Commercial Loans:									
Current-period Gross writeoffs	$ -	-	-	-	-	40	-	-	$ 40
	$ -	-	-	-	-	40	-	-	$ 40
Commercial Other:									
Risk rating									
Pass	$ 2,972	$ 2,848	$ 2,273	$ 590	$ 674	$ 2,348	$ 8,908	-	$ 20,613
Special mention	-	-	-	-	-	-	39	-	39
Substandard	-	339	-	-	-	98	-	-	437
Total Commercial Real Estate Loans	$ 2,972	$ 3,187	$ 2,273	$ 590	$ 674	$ 2,446	$ 8,947	$ -	$ 21,089
Other Commercial Loans:									
Current-period Gross writeoffs	$ -	-	-	-	-	-	-	-	-
	$ -	-	-	-	-	-	-	-	$ -
Residential First Mortgage:									
Risk rating									
Performing	$ 557,981	$ 933,754	$ 784,511	$ 368,137	$ 257,926	$ 1,228,776	$ 1,472	$ -	$ 4,132,557
Nonperforming	-	496	81	844	351	12,573	-	-	14,345
Total First Mortgage:	$ 557,981	$ 934,250	$ 784,592	$ 368,981	$ 258,277	$ 1,241,349	$ 1,472	$ -	$ 4,146,902
Residential First Mortgage Loans:									
Current-period Gross writeoffs	$ -	-	-	-	-	5	-	-	$ 5
	$ -	-	-	-	-	5	-	-	$ 5
Home Equity Lines:									
Risk rating									
Performing	$ 6,863	$ 9,124	$ 6,322	$ 7,588	$ 5,240	$ 21,217	$ -	$ -	$ 56,354
Nonperforming	-	-	-	-	66	129	-	-	195
Total Home Equity Lines:	$ 6,863	$ 9,124	$ 6,322	$ 7,588	$ 5,306	$ 21,346	$ -	$ -	$ 56,549
Home Equity Loans:									
Current-period Gross writeoffs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Home Equity Lines of Credit:									
Risk rating									
Performing	$ 1,369	$ 1,246	$ 740	$ 52	$ 100	$ 18,377	$ 262,244	$ -	$ 284,128
Nonperforming	-	7	-	-	-	2,111	186	-	2,304
Total Home Equity Credit Lines:	$ 1,369	$ 1,253	$ 740	$ 52	$ 100	$ 20,488	$ 262,430	$ -	$ 286,432
Home Equity Lines of Credit:									
Current-period Gross writeoffs	$ -	$ -	$ -	$ -	$ -	$ 19	$ -	$ -	$ 19
	$ -	$ -	$ -	$ -	$ -	$ 19	$ -	$ -	$ 19
Installments:									
Risk rating									
Performing	$ 6,385	$ 2,495	$ 805	$ 709	$ 374	$ 308	$ 1,125	$ -	$ 12,201
Nonperforming	20	17	-	65	-	1	3	-	106
Total Installments	$ 6,405	$ 2,512	$ 805	$ 774	$ 374	$ 309	$ 1,128	$ -	$ 12,307

Installments Loans:									
Current-period Gross writeoffs	**$ 1**	**$ 47**	**$ 22**	**$ 7**	**$ 2**	**$ 9**	**$ -**	**$ -**	**$ 88**
	$ 1	**$ 47**	**$ 22**	**$ 7**	**$ 2**	**$ 9**	**$ -**	**$ -**	**$ 88**

As of December 31, 2021 the risk category of loans by class of loans was 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
	$ 176,226	1,726	177,952

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

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

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

Included in classified loans in the above tables are impaired loans of $226 thousand at December 31, 2021.

The following tables present the aging of the amortized cost in past due loans by loan class and by region as of December 31, 2022:

New York and other states*: (dollars in thousands)	December 31, 2022 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	$ -	-	161	161	177,210	177,371
Other	18	-	20	38	20,183	20,221
Real estate mortgage - 1 to 4 family:						
First mortgages	4,262	921	7,203	12,386	2,764,603	2,776,989
Home equity loans	283	-	67	350	43,649	43,999
Home equity lines of credit	978	-	591	1,569	190,357	191,926
Installment	78	4	23	105	9,303	9,408
Total	$ 5,619	925	8,065	14,609	3,205,305	3,219,914

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	$ -	-	-	-	32,551	32,551
Other	-	-	314	314	554	868
Real estate mortgage - 1 to 4 family:						
First mortgages	1,183	243	1,404	2,830	1,367,083	1,369,913
Home equity loans	51	-	-	51	12,499	12,550
Home equity lines of credit	224	-	-	224	94,282	94,506
Installment	6	-	83	89	2,810	2,899
Total	$ 1,464	243	1,801	3,508	1,509,779	1,513,287

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	$ -	-	161	161	209,761	209,922
Other	18	-	334	352	20,737	21,089
Real estate mortgage - 1 to 4 family:						
First mortgages	5,445	1,164	8,607	15,216	4,131,686	4,146,902
Home equity loans	334	-	67	401	56,148	56,549
Home equity lines of credit	1,202	-	591	1,793	284,639	286,432
Installment	84	4	106	194	12,113	12,307
Total	$ 7,083	1,168	9,866	18,117	4,715,084	4,733,201

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

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:

New York and other states*: (dollars in thousands)		December 31, 2021 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.

At December 31, 2022 and 2021, there were no loans that were 90 days past due and still accruing interest. As a result, non-accrual loans include all loans 90 days or more past due as well as certain loans less than 90 days past due that were placed on non-accrual status for reasons other than delinquent status. There are no commitments to extend further credit on non-accrual or restructured loans.

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). Other real estate owned is included in Other assets on the Balance Sheet. As of December 31, 2022 other real estate owned included $2.1 million of residential foreclosed properties. In addition, non-accrual residential mortgage loans that were in the process of foreclosure had an amortized cost of $7.4 million as of December 31, 2022. As of December 31, 2021, other real estate owned included $362 thousand of residential foreclosed properties. In addition, non-accrual residential mortgage loans that were in the process of foreclosure had a recorded investment of $9.7 million as of December 31, 2021.

Loans individually evaluated for impairment are non-accrual loans delinquent greater than 180 days, non-accrual commercial loans, as well as loans classified as troubled debt restructurings. As of December 31, 2022, there was no allowance for credit losses based on loans individually evaluated for impairment. Residential and installment non-accrual loans which are not TDRs or greater than 180 days delinquent are collectively evaluated to determine the allowance for credit loss.

The following table presents the amortized cost basis in non-accrual loans by portfolio segment:

	December 31, 2022		
(dollars in thousands)	New York and other states*	Florida	Total
Loans in non-accrual status:			
Commercial:			
Commercial real estate	$ 199	$ -	$ 199
Other	20	314	334
Real estate mortgage - 1 to 4 family:			
First mortgages	12,609	1,736	14,345
Home equity loans	153	42	195
Home equity lines of credit	2,187	117	2,304
Installment	23	83	106
Total non-accrual loans	15,191	2,292	17,483
Restructured real estate mortgages - 1 to 4 family	10	-	10
Total nonperforming loans	$ 15,201	$ 2,292	$ 17,493

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

Non-accrual loans as of December 31, 2021 were as follows:

(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

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

The following table presents the amortized cost basis of loans on non-accrual status and loans past due over 89 days still accruing:

(dollars in thousands)	December 31, 2022 Non-accrual With No Allowance for Credit Loss	Non-accrual With Allowance for Credit Loss	Loans Past Due Over 89 Days Still Accruing
Commercial:			
Commercial real estate	**$ 160**	**$ 39**	**-**
Other	**20**	**314**	**-**
Real estate mortgage - 1 to 4 family:			
First mortgages	**13,502**	**843**	**-**
Home equity loans	**129**	**66**	**-**
Home equity lines of credit	**2,257**	**47**	**-**
Installment	**82**	**24**	**-**
Total loans, net	**$ 16,150**	**$ 1,333**	**-**

The non-accrual balance of $1.3 million disclosed above was collectively evaluated and the associated allowance for credit losses on loans was not material as of December 31, 2022.

A financial asset is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. Expected credit losses for the collateral dependent loans are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

The following table presents the amortized cost basis of individually analyzed collateral dependent loans by portfolio segment as of December 31, 2022:

(dollars in thousands)	Type of Collateral		
	Real Estate	Investment Securities/Cash	Other
Commercial:			
Commercial real estate	$ 312	-	-
Other	334	-	-
Real estate mortgage - 1 to 4 family:			
First mortgages	21,467	-	-
Home equity loans	236	-	-
Home equity lines of credit	3,264	-	-
Installment	82	-	-
Total	$ 25,695	-	-

Troubled Debt Restructuring Loans

The Company has not committed to lend additional amounts to customers with outstanding loans that are classified as TDRs. Interest income recognized on loans that are individually evaluated was not material during the years ended December 31, 2022, 2021 and 2020.

A loan for which the terms have been modified, and for which a borrower is experiencing financial difficulties, is considered a TDR and is classified as individually evaluated. TDRs at December 31, 2022 are measured at the amortized cost using the loan's effective rate at inception or fair value of the underlying collateral if the loan is considered collateral dependent.

As of December 31, 2022 loans individually evaluated included approximately $9.2 million of loans in accruing status that were identified as TDRs.

The following table presents, by class, loans that were modified as TDRs:

New York and other states*: (dollars in thousands)	**Twelve months ended December 31, 2022** Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Twelve months ended December 31, 2021 Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Year ended 12/31/20 Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial:									
Commercial real estate	**-**	**$ -**	**-**	-	$ -	-	1	$ 125	125
Real estate mortgage - 1 to 4 family:									
First mortgages	**11**	**1,587**	**1,587**	6	1,114	1,114	12	2,303	2,303
Home equity loans	**-**	**-**	**-**	1	2	2	-	-	-
Home equity lines of credit	**-**	**-**	**-**	2	40	40	3	169	169
Total	**11**	**$ 1,587**	**1,587**	9	$ 1,156	1,156	16	$ 2,597	2,597

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
Commercial:									
Commercial real estate	**-**	**$ -**	**-**	-	$ -	-	-	$ -	-
Real estate mortgage - 1 to 4 family:									
First mortgages	**1**	**119**	**119**	1	77	77	4	586	586
Home equity loans	**-**	**-**	**-**	-	-	-	-	-	-
Home equity lines of credit	**-**	**-**	**-**	1	50	50	-	-	-
Total	**1**	**$ 119**	**119**	2	$ 127	127	4	$ 586	586

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

The addition of these TDRs did not have a significant impact on the allowance for credit losses on loans. The nature of the modifications that resulted in them being classified as a TDR was the borrower filing for bankruptcy protection.

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. In situations involving a borrower filing for Chapter 13 bankruptcy protection, 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.

(5) Bank Premises and Equipment

A summary of premises and equipment at December 31, 2022 and 2021 follows:

(dollars in thousands)

	2022	2021
Land	**$ 2,426**	$ 2,443
Buildings	**36,260**	36,327
Furniture, fixtures and equipment	**60,320**	58,163
Leasehold improvements	**34,860**	33,918
Total bank premises and equipment	**133,866**	130,851
Accumulated depreciation and amortization	**(101,310)**	(97,824)
Total	**$ 32,556**	$ 33,027

Depreciation and amortization expense was approximately $4.1 million, $4.2 million, and $4.0 million for the years 2022, 2021, and 2020, respectively. Occupancy expense of the Bank's premises included rental expense of $8.2 million in 2022, $8.1 million in 2021, and $8.0 million in 2020.

(6) Deposits

Interest expense on deposits was as follows:

(dollars in thousands)	For the year ended December 31,		
	2022	2021	2020
Interest bearing checking accounts	**$ 190**	$ 178	$ 148
Savings accounts	**920**	624	716
Time deposits and money market accounts	**4,617**	5,863	22,834
Total	**$ 5,727**	$ 6,665	$ 23,698

At December 31, 2022, the maturity of total time deposits is as follows:

(dollars in thousands)

Under 1 year	**$ 883,218**
1 to 2 years	**50,972**
2 to 3 years	**3,378**
3 to 4 years	**660**
4 to 5 years	**90,431**
Over 5 years	**104**
	$ 1,028,763

Included in total time deposits as of December 31, 2022 and 2021 is $ 250.0 million and $161.5 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)	**2022**	2021	2020
Amount outstanding at December 31,	**$ 122,700**	$ 244,686	$ 214,755
Maximum amount outstanding at any month end	**253,219**	244,686	213,043
Average amount outstanding	**177,599**	232,815	180,065
Weighted average interest rate:			
For the year	**0.42%**	0.39%	0.56%
As of year end	**0.86**	0.37	0.47

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, 2022 and 2021, 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, 2022 and 2021, 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,		
	2022	2021	2020
Current tax expense:			
Federal	**$ 17,136**	$ 17,657	$ 15,662
State	**2,933**	3,195	2,399
Total current tax expense	**20,069**	20,852	18,061
Deferred tax (benefit) expense	**4,114**	(238)	(1,067)
Total income tax expense	**$ 24,183**	$ 20,614	$ 16,994

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2022 and 2021, are as follows:

(dollars in thousands)	As of December 31, 2022 Deductible temporary differences	2021 Deductible temporary differences
Benefits and deferred remuneration	**$ (8,478)**	$ (7,335)
Difference in reporting the allowance for loan losses, net	**12,424**	12,369
Other income or expense not yet reported for tax purposes	**420**	1,907
Depreciable assets	**(2,389)**	(2,068)
Net deferred tax asset at end of year	**1,977**	4,873
Impact of ASU 2016-13, Current Expected Credit Loss (CECL)	**1,218**	-
Net deferred tax asset at beginning of year	**4,873**	4,635
Deferred tax expense (benefit)	**$ 4,114**	$ (238)

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 $2.0 million and $4.9 million at December 31, 2022 and 2021, respectively, will be realized.

In addition to the deferred tax items described in the preceding table, the Company has deferred tax assets of $11.3 million and $1 thousand at December 31, 2022 and 2021, respectively, relating to the net unrealized losses on securities available for sale and deferred tax liabilities of approximately $1.8 million and $4.2 million at December 31, 2022 and 2021, 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, 2022	2021	2020
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	**3.0**	3.2	2.4
Other items	**0.3**	0.9	1.1
Effective income tax rate	**24.3%**	25.1%	24.5%

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 2022, 2021, and 2020, 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 2019 through 2021 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 trusteed non-contributory pension plan covering employees that have completed one year of employment and 1,000 hours of service while the plan was in effect. This plan was frozen as of December 31, 2006. The benefits are based on the sum of (a) a benefit equal to a prior service benefit plus the average of the employees' highest five consecutive years' compensation in the ten years preceding retirement multiplied by a percentage of service after a specified date plus (b) a benefit based upon career average compensation. The amounts contributed to the plan are determined annually on the basis of (a) the maximum amount that can be deducted for federal income tax purposes or (b) the amount certified by a consulting actuary as necessary to avoid an accumulated funding deficiency as defined by the Employee Retirement Income Security Act of 1974. Contributions are intended to provide for benefits attributed to service to date. Assets of the plan are administered by Trustco Bank's Financial Services Department.

The following tables set forth the plan's funded status and amounts recognized in the Company's consolidated statements of condition at December 31, 2022 and 2021:

Change in Projected Benefit Obligation:

(dollars in thousands)	December 31, 2022	December 31, 2021
Projected benefit obligation at beginning of year	**$ 30,905**	$ 33,504
Interest cost	**888**	856
Benefit payments and expected expenses	**(1,823)**	(2,142)
Net actuarial (gain) loss	**(6,928)**	(1,313)
Projected benefit obligation at end of year	**$ 23,042**	$ 30,905

Change in Plan Assets and Reconciliation of Funded Status:

(dollars in thousands)	December 31, 2022	December 31, 2021
Fair Value of plan assets at beginning of year	**$ 63,066**	$ 56,237
Actual (loss) gain on plan assets	**(8,532)**	8,952
Benefit payments and actual expenses	**(1,861)**	(2,123)
Fair value of plan assets at end of year	**52,673**	63,066
Funded status at end of year	**$ 29,631**	$ 32,161

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

	December 31, 2022	December 31, 2021
Net actuarial loss (gain)	**$ 1,170**	$ (6,038)

The accumulated benefit obligation was $23.0 million and $30.9 million at December 31, 2022 and 2021, 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, 2022	2021	2020
Service cost	**$ -**	$ -	$ 37
Interest cost	**888**	856	1,076
Expected return on plan assets	**(3,227)**	(2,846)	(3,020)
Net periodic pension credit	**(2,339)**	(1,990)	(1,907)
Net actuarial loss (gain) included in other comprehensive income (loss)	**4,869**	(7,439)	(386)
Total recognized in other comprehensive income (loss)	**4,869**	(7,439)	(386)
Total recognized in net periodic benefit (credit) cost and other comprehensive income (loss)	**$ 2,530**	$ (9,429)	$ (2,293)

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
2023	**$ 1,686**
2024	**1,705**
2025	**1,721**
2026	**1,741**
2027	**1,738**
2028 - 2032	**8,824**

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

	2022	2021	2020
Discount rate	**5.44%**	2.96%	2.65%

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

	2022	2021	2020
Discount rate	**2.96%**	2.65%	3.56%
Expected long-term rate of return on assets	**5.25**	5.25	6.00

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, 2022 and 2021. 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 in both 2022 and 2021, and $2.2 million, in 2020.

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, 2022 and 2021, 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, 2022 and 2021:

Change in Accumulated Benefit Obligation:

(dollars in thousands)	December 31,	
	2022	2021
Accumulated benefit obligation at beginning of year	**$ 7,016**	$ 6,609
Service cost	**18**	75
Interest cost	**207**	190
Prior Service cost	**-**	611
Benefits paid	**(72)**	(80)
Net actuarial gain	**(2,276)**	(389)
Accumulated benefit obligation at end of year	**$ 4,893**	$ 7,016

Change in Plan Assets and Reconciliation of Funded Status:

(dollars in thousands)	December 31,	
	2022	2021
Fair value of plan assets at beginning of year	**$ 33,344**	$ 29,126
Actual (loss) gain on plan assets	**(4,341)**	4,243
Company contributions	**57**	55
Benefits paid and actual expenses	**(72)**	(80)
Fair value of plan assets at end of year	**28,988**	33,344
Funded status at end of year	**$ 24,095**	$ 26,328

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

(dollars in thousands)	December 31,	
	2022	2021
Net actuarial gain	**$ (5,760)**	$ (10,165)
Prior service cost (credit)	**81**	(232)
Total	**$ (5,679)**	$ (10,397)

The accumulated benefit obligation was $4.9 million and $7.0 million at December 31, 2022 and 2021, respectively.

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

(dollars in thousands)	December 31,		
	2022	2021	2020
Service cost	**$ 18**	$ 75	$ 73
Interest cost	**207**	190	203
Expected return on plan assets	**(1,332)**	(1,163)	(1,183)
Amortization of net actuarial gain	**(1,008)**	(674)	(708)
Amortization of prior service (credit) cost	**(313)**	405	(196)
Net periodic benefit credit	**(2,428)**	(1,167)	(1,811)
Net loss (gain)	**3,397**	(3,469)	(1,295)
Amortization of prior service credit (cost)	**313**	(405)	196
Prior service cost	**-**	611	-
Amortization of net gain	**1,008**	674	708
Total amount recognized in other comprehensive loss	**4,718**	(2,589)	(391)
Total amount recognized in net periodic benefit cost and other comprehensive loss	**$ 2,290**	$ (3,756)	$ (2,202)

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 $457 thousand. 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 $13 thousand.

Expected Future Benefit Payments

The following benefit payments are expected to be paid:

(dollars in thousands)

Year	Postretirement Benefits
2023	**$ 112**
2024	**128**
2025	**151**
2026	**176**
2027	**191**
2028 - 2032	**1,454**

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

	2022	2021	2020
Discount rate	**5.44%**	2.96%	2.65%

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

	2022	2021	2020
Discount rate	**2.96%**	2.65%	3.56%
Expected long-term rate of return on assets, net of tax	**4.00**	4.00	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, 2022 and 2021, respectively:

(dollars in thousands)	**December 31, 2022**		
	Retirement Plan	Post-Retirement Benefit Plan	Total
Change in overfunded position of pension and postretirement benefits	**$ 4,869**	**$ 3,397**	**$ 8,266**
Amortization of net actuarial gain	**-**	**1,008**	**1,008**
Amortization of prior service credit	**-**	**313**	**313**
Total	**$ 4,869**	**$ 4,718**	**$ 9,587**

	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)

(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	
	2022	2021	**2022**	2021
Debt Securities	**30%**	33%	**29%**	32%
Equity Securities	**59**	62	**57**	63
Other	**11**	5	**14**	5
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, 2022 and 2021, by asset category, is as follows:

Retirement Plan (dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2022 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets				
Cash and cash equivalents	$ 5,734	$ 5,734	$ -	$ -
Equity mutual funds	30,972	30,972	-	-
U.S. government sponsored enterprises	15,423	-	15,423	-
Fixed income mutual funds	544	544	-	-
Total Plan Assets	$ 52,673	$ 37,250	$ 15,423	$ -

Postretirement Benefits (dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2022 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets				
Cash and cash equivalents	$ 3,945	$ 3,945	$ -	$ -
Equity mutual funds	16,646	16,646	-	-
U.S. government sponsored enterprises	8,397	-	8,397	-
Total Plan Assets	$ 28,988	$ 20,591	$ 8,397	$ -

Retirement Plan (dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2021 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets				
Cash and cash equivalents	$ 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)	Carrying Value	Fair Value Measurements at December 31, 2021 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan Assets				
Cash and cash equivalents	$ 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	$ -

At December 31, 2022 and 2021, 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 2022 and 2021.

The Company made no contributions to its pension and postretirement benefit plans in 2022 or 2021. The Company does not expect to make any contributions to its pension and postretirement benefit plans in 2023.

(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 2022, 2021 or 2020 but were replaced with Company contributions to the 401(k) feature of the plan. Expenses related to the plan equaled $1.3 million for both 2022 and 2021, and $1.2 million for 2020.

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 $1.3 million, $3.2 million and $3.3 million in 2022, 2021 and 2020, 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, 2022, 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, 2022, the Company may issue approximately 77 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, 2022 and changes during the year then ended, are as follows:

	Outstanding Options			
	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, January 1, 2022	**90,311**	**$**	**34.38**	
New options awarded - 2022	**-**		**-**	
Expired options - 2022	**(1,000)**		**25.85**	
Options forfeited - 2022	**-**		**-**	
Exercised options - 2022	**(12,458)**		**34.47**	
Balance, December 31, 2022	**76,853**	**$**	**34.48**	**1.83 years**
	Exercisable Options			
Balance, December 31, 2022	**76,853**	**$**	**34.48**	**1.83 years**

At December 31, 2022, the intrinsic value of outstanding stock options and vested stock options was approximately $239 thousand. All outstanding options were vested as of December 31, 2022 and there was no stock based compensation expense in 2022.

During 2022 and 2021, options for 12 thousand, and 10 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 2022, 2021, or 2020.

There was no stock-based compensation expense recognized in 2022 or 2021. During 2020, the Company recognized $15 thousand in stock-based compensation expense related to the equity awards.

(h) Stock-Based Compensation Plans-Liability Awards

Liability awards are types of compensation that are 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 2022, 2021 and 2020.

The activity for service-based awards during 2022 was as follows:

Restricted share units

	Outstanding Units
Balance, December 31, 2021	**82,632**
New awards granted	**43,072**
Forfeited awards	**(1,865)**
Awards settled	**(40,611)**
Balance, December 31, 2022	**83,228**

Service-Based Awards: During 2022 and 2021, 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 2022, 2021 and 2020, the Company recognized $1.6 million, $1.2 million and $715 thousand, respectively, in compensation expense related to these awards. Unrecognized compensation expense related to the outstanding restricted share units totaled approximately $2.9 million at December 31, 2022. During 2022, one third of the awards granted in 2019, 2020 and 2021 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, 2022.

The liability related to service-based liability awards was approximately $278 thousand and $229 thousand at December 31, 2022 and 2021, respectively, and is included in Accrued expense and other liabilities on the Consolidated Statements of Condition.

The activity for performance-based awards during 2022 was as follows:

Performance share units

Performance share units

	Outstanding Units
Balance, December 31, 2021	**145,115**
New awards granted	**38,255**
Forfeited awards	**(9,365)**
Awards settled	**(18,372)**
Balance, December 31, 2022	**155,633**

Performance Based Awards: During 2022, 2021 and 2020, 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 2019, those have been fully vested and unpaid. For units granted subsequent to 2019, all of the units are unvested as of December 31, 2022, and the Company expects to meet the required performance criteria of the awards.

During 2022, 2021 and 2020, the Company recognized approximately $1.3 million, $1.8 million and $500 thousand, respectively, in compensation expense related to these units. Unrecognized compensation expense related to the outstanding performance share units totaled $3.1 million at December 31, 2022. The weighted average period over which the unrecognized expense is expected to be recognized was approximately 25 months as of December 31, 2022.

The liability related to performance based liability awards totaled $3.6 million and $2.9 million at December 31, 2022 and 2021, respectively, and is included in Accrued expense and other liabilities on the Consolidated Statements of Condition.

(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 $9.2 million for 2022, $8.4 million for 2021 and $7.8 million in 2020. The Company is contractually obligated to pay these third -party service providers approximately $9 million to $10 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 non-forfeitable rights to receive dividends or divided equivalents (whether paid or unpaid) are participating securities, and thus, should be included in the two-class method of computing earnings per share ("EPS"). Participating securities under this statement include the unvested employees' and directors' restricted stock awards with time-based vesting, which receive non-forfeitable 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 2022, 2021, and 2020 follows:

(dollars in thousands, except per share data)	For the years ended December 31, 2022	2021	2020
Net income	**$ 75,234**	$ 61,519	$ 52,452
Weighted average common shares (1)	**19,131**	19,259	19,301
Effect of dilutive common stock options (1)	**2**	4	2
Weighted average common shares including potential dilutive shares (1)	**19,133**	19,263	19,303
Basic EPS (1)	**$ 3.93**	$ 3.19	$ 2.72
Diluted EPS (1)	**$ 3.93**	$ 3.19	$ 2.72

(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, 2022 and 2021, there were 59 thousand and 60 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, 2022 and 2021, was $535.4 million and $469.7 million, respectively. Approximately 74% and 81% of these commitments were for variable rate products at the end of 2022 and 2021, 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 at both December 31, 2022 and 2021, 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, 2022 and 2021 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.

Individually Evaluated Loans: Loans individually evaluated carried at fair value generally have had a charge-off through the allowance for credit losses on loans. 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. Loans individually evaluated are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

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

(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2022 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available for sale:				
U.S. government sponsored enterprises	**$ 118,187**	**$ -**	**$ 118,187**	**$ -**
State and political subdivisions	**34**	**-**	**34**	**-**
Mortgage backed securities and collateralized mortgage obligations - residential	**260,316**	**-**	**260,316**	**-**
Corporate bonds	**81,346**	**-**	**81,346**	**-**
Small Business Administration - guaranteed participation securities	**20,977**	**-**	**20,977**	**-**
Other	**653**	**-**	**653**	**-**
Total securities available for sale	**$ 481,513**	**$ -**	**$ 481,513**	**$ -**

(dollars in thousands)	Carrying Value	Fair Value Measurements at December 31, 2021 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available for sale:				
U.S. government sponsored enterprises	$ 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	$ -

There were no transfers between Level 1 and Level 2 in 2022 and 2021.

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

(dollars in thousands)	Fair Value Measurements at **December 31, 2022 Using:** Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation technique	Unobservable inputs	Range (Weighted Average)
Other real estate owned	**$ 2,061**	**$ -**	**$ -**	**$ 2,061**	Sales comparison approach	Adjustments for differences between comparable sales	2% - 47% (18%)
Individually evaluated loans:							
Real estate mortgage - 1 to 4 family	-	-	-	-	Sales comparison approach	Adjustments for differences between comparable sales	N/A

(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)	Valuation technique	Unobservable inputs	Range (Weighted Average)
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

Other real estate owned, which is carried at fair value less costs to sell, was approximately $2.1 million at December 31, 2022, and consisted of only residential real estate properties. A valuation charge of $68 thousand is included in earnings for the year ended December 31, 2022.

Of the total individually evaluated loans of $25.7 million at December 31, 2022, there are no loans that were 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, 2022. 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 $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 were 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.

In accordance with ASC 825, the carrying amounts and estimated fair values (exit price) of financial instruments at December 31, 2022 and 2021 are as follows:

(dollars in thousands)	Carrying Value	Fair Value Measurements at **December 31, 2022 Using:** Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	**$ 650,599**	**650,599**	**-**	**-**	**650,599**
Securities available for sale	**481,513**	**-**	**481,513**	**-**	**481,513**
Held to maturity securities	**7,707**	**-**	**7,580**	**-**	**7,580**
Federal Reserve Bank and Federal Home Loan Bank stock	**5,797**	**N/A**	**N/A**	**N/A**	**N/A**
Net loans	**4,687,169**	**-**	**-**	**4,328,508**	**4,328,508**
Accrued interest receivable	**11,492**	**189**	**1,866**	**9,437**	**11,492**
Financial liabilities:					
Demand deposits	**838,147**	**838,147**	**-**	**-**	**838,147**
Interest bearing deposits	**4,354,663**	**3,325,900**	**1,012,528**	**-**	**4,338,428**
Short-term borrowings	**122,700**	**-**	**122,700**	**-**	**122,700**
Accrued interest payable	**602**	**60**	**542**	**-**	**602**

(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

(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. For regulatory capital purposes, the ratios exclude the impact of accumulated other comprehensive income (loss). As of December 31, 2022, 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, 2022 and December 31, 2021, 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, 2022 and 2021, for Trustco Bank:

(dollars in thousands)	As of December 31, 2022 Amount	Ratio	Well Capitalized(1)	Minimum for Capital Adequacy plus Capital Conservation Buffer(1)(2)
Tier 1 leverage ratio	**$ 609,998**	**10.116%**	**5.000%**	**4.000%**
Common equity Tier 1 capital	**609,998**	**18.431**	**6.500**	**7.000**
Tier 1 risk-based capital	**609,998**	**18.431**	**8.000**	**8.500**
Total risk-based capital	**651,462**	**19.684**	**10.000**	**10.500**

(dollars in thousands)	As of December 31, 2021 Amount	Ratio	Well Capitalized(1)	Minimum for Capital Adequacy plus Capital Conservation Buffer(1)(2)
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

The following is a summary of actual capital amounts and ratios as of December 31, 2022 and 2021 for TrustCo on a consolidated basis.

(dollars in thousands)	As of December 31, 2022 Amount	Ratio	Minimum for Capital Adequacy plus Capital Conservation Buffer(1)(2)
Tier 1 leverage ratio	**$ 626,628**	**10.390%**	**4.000%**
Common equity Tier 1 capital	**626,628**	**18.929**	**7.000**
Tier 1 risk-based capital	**626,628**	**18.929**	**8.500**
Total risk-based capital	**668,102**	**20.182**	**10.500**

(dollars in thousands)	As of December 31, 2021 Amount	Ratio	Minimum for Capital Adequacy plus Capital Conservation Buffer(1)(2)
Tier 1 leverage ratio	$ 588,427	9.614%	4.000%
Common equity Tier 1 capital	588,427	19.541	7.000
Tier 1 risk-based capital	588,427	19.541	8.500
Total risk-based capital	626,150	20.794	10.500

(1) Federal regulatory minimum requirements to be considered to be Well Capitalized and Adequately Capitalized.
(2) The December 31, 2022 and 2021 common equity tier 1, tier 1 risk-based, and total risk-based capital ratios include a capital conservation buffer of 2.50 percent.

(15) Accumulated Other Comprehensive Income

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

	December 31, 2022				
(dollars in thousands)	Balance at 12/31/2021	Other Comprehensive Income (loss)- Before Reclassifications	Amount reclassified from Accumulated Other Comprehensive Income	Other Comprehensive Income (loss)- year ended 12/31/2022	Balance at 12/31/2022
Net unrealized holding gain (loss) on securities available for sale, net of tax	**$ (26)**	**$ (32,245)**	**$ -**	**$ (32,245)**	**$ (32,271)**
Net change in overfunded position in pension and postretirement plans arising during the year, net of tax	**13,706**	**(6,118)**	**-**	**(6,118)**	**7,588**
Net change in net actuarial gain and prior service credit on pension and pension and postretirement benefit plans, net of tax	**(1,533)**		**(978)**	**(978)**	**(2,511)**
Accumulated other comprehensive income (loss), net of tax	**$ 12,147**	**$ (38,363)**	**$ (978)**	**$ (39,341)**	**$ (27,194)**

	December 31, 2021				
(dollars in thousands)	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 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 cost on pension and pension and postretirement benefit plans, net of tax	(1,334)		(199)	(199)	(1,533)
Accumulated other comprehensive (loss) income, net of tax	$ 11,936	$ 410	$ (199)	$ 211	$ 12,147

	December 31, 2020				
(dollars in thousands)	Balance at 12/31/2019	Other Comprehensive Income (loss)- Before Reclassifications	Amount reclassified from Accumulated Other Comprehensive Income	Other Comprehensive Income (loss)- year ended 12/31/2020	Balance at 12/31/2020
Net unrealized holding (loss) 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

The following represents the reclassifications out of accumulated other comprehensive income (loss) for the years ended December 31, 2022, 2021 and 2020:

(dollars in thousands)	Years ended December 31,			
	2022	2021	2020	Affected Line Item in Financial Statements
Unrealized gains on securities available for sale:				
Realized gain on securities transactions	**$ -**	$ -	$ 1,155	Net gain on securities transactions
Income tax expense	**-**	-	(300)	Income taxes
Net of tax	**-**	-	855	
Amortization of pension and postretirement benefit items:				
Prior Service Cost				
Amortization of net actuarial gain	**1,008**	674	708	Salaries and employee benefits

Amortization of prior service credit (cost)	**313**	(405)	196	Salaries and employee benefits
Income tax benefit	**(343)**	(70)	(235)	Income taxes
Net of tax	**978**	199	669	
Total reclassifications, net of tax	**$ 978**	$ 199	$ 1,524	

(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, 2022, 2021 and 2020. Items outside the scope of ASC 606 are noted as such.

(dollars in thousands)	December 31,		
	2022	2021	2020
Non-interest income			
Service Charges on Deposits			
Overdraft fees	**$ 2,708**	$ 2,660	$ 2,665
Other	**2,044**	1,940	1,629
Interchange Income	**6,348**	5,281	4,199
Net gain on securities transactions (a)	**-**	-	1,155
Wealth management fees	**7,037**	7,358	6,279
Other (a)	**1,123**	698	1,243
Total non-interest income	**$ 19,260**	$ 17,937	$ 17,170

(a) Not within the scope of ASC 606.

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

<u>Service charges on Deposit Accounts</u>: 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.

<u>Interchange Income:</u> 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.

<u>Wealth Management fees:</u> 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.

<u>Gains/Losses on Sales of Other real Estate Owned "OREO":</u> 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 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, 2022, the Company did not have any leases with terms of twelve months or less.

As of December 31, 2022 the Company did not have any leases for which any related construction had not yet started. At December 31, 2022 lease expiration dates ranged from two months to 21.8 years and have a weighted average remaining lease term of 8.9 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)	**2022**	2021	2020
Operating lease cost	**$ 8,213**	$ 8,128	$ 8,044
Variable lease cost	**2,183**	2,015	2,029
Total Lease costs	**$ 10,396**	$ 10,143	$ 10,073
Supplemental cash flows information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	**$ 8,327**	$ 8,192	$ 8,042
Right-of-use assets obtained in exchange for lease obligations:	**$ 3,089**	$ 6,588	$ 2,548
Weighted average remaining lease term (years)	**8.9**	9.3	9.0
Weighted average discount rate	**3.0%**	3.0%	3.2%

Future minimum lease payments under non-cancellable leases as of December 31, 2022 were as follows:

(dollars in thousands)		
Year ending December 31,		
2023	$	**8,310**
2024		**8,202**
2025		**7,795**
2026		**6,820**
2027		**5,541**
Thereafter		**19,260**
Total lease payments	$	**55,928**
Less: Interest		**6,948**
Present value of lease liabilities	$	**48,980**

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 future lease payments from the Company to those entities, which are included in the table above, at December 31, 2022, were $3.2 million, which includes interest in the amount of $400 thousand.

As of December 31, 2022 and 2021, the operating lease right-of-use asset was $44.7 million and $48.1 million, respectively.

(18) Recent Accounting Pronouncements

Staff Accounting Bulletin (“SAB”) No. 121 - In March 2022, the SEC issued SAB No. 121. This SAB adds interpretive guidance for entities to consider when they have obligations to safeguard crypto-assets held for their platform users. Specifically, this SAB provides interpretive guidance on the accounting and disclosure of obligations to safeguard crypto-assets held for platform users. This guidance was applicable no later than the financial statement covering the first interim or annual period ending after June 15, 2022. The Company reviewed its business activities as of the date of adoption, June 30, 2022, and determined that SAB 121 is not materially impactful to the financial statements. Management has continued to monitor it on a quarterly basis and has determined that SAB 121 is not materially impactful to the financial statements as of December 31, 2022.

ASU 2022-02 - Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures: In March 2022, FASB issued ASU 2022-02 - Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructuring and Vintage Disclosures. ASU 2022-02 eliminates the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, the amendments in this ASU require that public business entities disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments - Credit Losses -Measured at Amortized Cost. For entities, like TrustCo, that have adopted the amendments in ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2022, including interim periods within those years. Early adoption is permitted, including adoption in an interim period. An entity may elect to adopt the loan modification guidance and related disclosure enhancements separately from the amendments related to vintage disclosures. The amendments in this ASU should be applied prospectively, except for the amendments related to the recognition and measurement of TDRs which may be applied prospectively or using a modified retrospective transition method. The Company adopted the ASU on January 1, 2023 and the adoption is not expected to have a material impact to the Company however, new disclosures will be added.

(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,		
	2022	2021	2020
Income:			
Dividends and interest from subsidiaries	$ **34,125**	34,096	31,100
Net gain on securities transactions	**-**	-	-
Miscellaneous income	**-**	-	-
Total income	**34,125**	34,096	31,100
Expense:			
Operating supplies	**-**	21	20
Professional services	**585**	819	655
Miscellaneous expense	**1,752**	3,419	1,666
Total expense	**2,337**	4,259	2,341
Income before income taxes and subsidiaries' undistributed earnings	**31,788**	29,837	28,759
Income tax benefit	**(559)**	(972)	(558)
Income before subsidiaries' undistributed earnings	**32,347**	30,809	29,317
Equity in undistributed earnings of subsidiaries	**42,887**	30,710	23,135
Net income	$ **75,234**	61,519	52,452
Change in other comprehensive (loss) income	**(39,341)**	211	7,475
Comprehensive income	$ **35,893**	61,730	59,927

Statements of Condition

(dollars in thousands)	December 31,	
	2022	2021
Assets:		
Cash in subsidiary bank	$ **25,079**	26,725
Investments in subsidiaries	**583,370**	583,307
Securities available for sale	**36**	36
Other assets	**809**	681
Total assets	**609,294**	610,749
Liabilities and shareholders' equity:		
Accrued expenses and other liabilities	**9,307**	9,621
Total liabilities	**9,307**	9,621
Shareholders' equity	**599,987**	601,128
Total liabilities and shareholders' equity	$ **609,294**	610,749

Statements of Cash Flows

(dollars in thousands)	Years ended December 31,		
	2022	2021	2020
Increase/(decrease) in cash and cash equivalents:			
Cash flows from operating activities:			
Net income	**$ 75,234**	61,519	52,452
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	**(42,887)**	(30,710)	(23,135)
Stock based compensation expense	**-**	-	15
Net change in other assets and accrued expenses	**(440)**	354	515
Total adjustments	**(43,327)**	(30,356)	(22,605)
Net cash provided by operating activities	**31,907**	31,163	29,847
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	**429**	260	-
Dividends paid	**(26,978)**	(26,266)	(26,317)
Payments to acquire treasury stock	**(7,004)**	(2,386)	(3,493)
Proceeds from sales of treasury stock	**-**	-	-
Net cash used in financing activities	**(33,553)**	(28,592)	(29,810)
Net increase in cash and cash equivalents	**(1,646)**	2,571	36
Cash and cash equivalents at beginning of year	**26,725**	24,154	24,118
Cash and cash equivalents at end of year	**$ 25,079**	26,725	24,154

Index

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 Pl.
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

Catskill Office
238 West Bridge St.
Catskill, NY
Telephone: (518) 943-5090

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 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.
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 Rd.
Katonah, NY
Telephone: (914) 666-6230

Kimberly Square Office
477 Albany Shaker Rd.
Albany, NY
Telephone: (518) 992-7323

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 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

Index

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
1475 Western Ave.
Albany, NY
Telephone: (518) 489-2616

Troy Office
1700 5th Ave.
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
3065 NY-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 Rd.
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 Rd.
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
Telephone: (407) 801-7330

Lake Square Office
10105 Route 441
Leesburg, FL
Telephone: (352) 323-8147

Lee Road Office
1084 Lee Rd., Suite 11
Orlando, FL
Telephone: (407) 532-5211

Lee Vista Office
8288 Lee Vista Blvd., Suite E
Orlando, FL
Telephone: (321) 235-5583

Leesburg Office
1330 Citizens Blvd., Suite 101
Leesburg, FL
Telephone: (352) 365-1305

Maitland Office
9400 US Route 17/92, Suite 101
Maitland, FL
Telephone: (407) 332-6071

Melbourne Office
2481 Croton Rd.
Melbourne, FL
Telephone: (321) 752 0446

Metro West Office
2619 S. Hiawassee Rd.
Orlando, FL
Telephone: (407) 293-1580

Index

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 Blvd.
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 St.
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

Index

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

Ramsey Office
385 North Franklin Tpk.
Ramsey, NJ
Telephone: (201) 934-1429

Vermont

Bennington Office
215 North St.
Bennington, VT
Telephone: (802) 447-4952

EXECUTIVE OFFICERS

CHAIRMAN, PRESIDENT, AND CHIEF EXECUTIVE OFFICER
Robert J. McCormick

EXECUTIVE VICE PRESIDENT 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
Eric W. Schreck

GENERAL COUNSEL AND CORPORATE SECRETARY
Michael Hall

Directors of TrustCo Bank Corp NY are also Directors of Trustco Bank

BOARD OF DIRECTORS

Dennis A. De Gennaro, President
Camelot Associates Corporation
Commercial and Residential Construction

Brian C. Flynn, CPA
KPMG LLP
Retired Partner

Lisa M. Lucarelli, Private Investor

Thomas O. Maggs, President
Maggs & Associates
Insurance Broker

Anthony J. Marinello, M.D., Ph.D. Consultant
EmblemHealth

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

Alejandro "Alex" M. Sanchez, President and CEO
Florida Bankers Association

Frank B. Silverman
Managing member of Vision Development and Management
Managing member of Central Florida Championship Karate
Executive Director of the Martial Arts Industry Association

HONORARY DIRECTORS

Lionel O. Barthold
Nancy A. McNamara
James H. Murphy, D.D.S.
William F. Terry

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 FLORIDA REGIONAL PRESIDENT
Eric W. Schreck

GENERAL COUNSEL AND CORPORATE SECRETARY
Michael Hall

ACCOUNTING/FINANCE
Vice Presidents
Lynn M. Hallenbeck
Michael Rydberg
Officer
Jeff P. Klingbeil

AUDIT
Director of Internal Audit
Daniel R. Saullo
Officers
Allison R. Downs
Kenneth E. Hughes Jr.
Dennis M. Pitaniello

BRANCH ADMINISTRATION
Senior Vice President
Carly K. Batista
Assistant Vice Presidents
Mark J. Cooper
William B. Jansz
Stacy L. Marble
Thomas L. McCormick

BRANCH ADMINISTRATION (Cont.)
Assistant Vice Presidents (cont.)
Nicolette C. Messina
Gloryvel Morales
James J. Smith
Jocelyn E. Vizcarra
Officers
Victor J. Berger
Ronni H. Domowitz
Albert N. Estopinal
Philip J. Kaufman
John D. Mariani
Ronald G. Patterson
Seeranie Ramjeet
Berkley K. Young

COLLECTIONS/ OPERATIONS/ CREDIT
Assistant Vice President
Lesly Jean-Louis
Officer
Aislinn E. Melia

COMPLIANCE/ RISK/ BSA/ CREDIT ADMINISTRATION
Senior 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
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 and Assistant Corporate Secretary
Lauren A. Maxwell
Assistant Vice President
John W. Bresonis

FINANCIAL SERVICES(Cont.)
Officer
Michael D. Bates

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
Senior Vice President
Michelle L. Simmonds
Administrative Vice President
Michelle M. Raymond
Vice Presidents
Suzanne E. Breen
Patrick M. Canavan
William J. Chow
Assistant Vice Presidents
Takla A. Awad
Nancy L. Brown
Michael L. Curtis
Loriann F. Lucarelli
Pratik A. Shah
Officers
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 18, 2023
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, 2022 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 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 7,603 shareholders of record of TrustCo common stock as of January 31, 2023.

SUBSIDIARIES:

Trustco Bank
Glenville, New York
Member FDIC
(and its wholly owned subsidiaries)

Trustco Realty Corp
Glenville, New York

Trustco Insurance Agency, Inc.
Glenville, New York

ORE Property, Inc.
Glenville, New York
(and its wholly owned subsidiaries)

ORE Property One, Inc.
Orlando, Florida

ORE Property Two, Inc.
Orlando, Florida

ORE Subsidiary Corporation
Glenville, New York

TRANSFER AGENT
Computershare
Regular Mail
PO BOX 505000
Louisville, KY 40233-5000
UNITED STATES

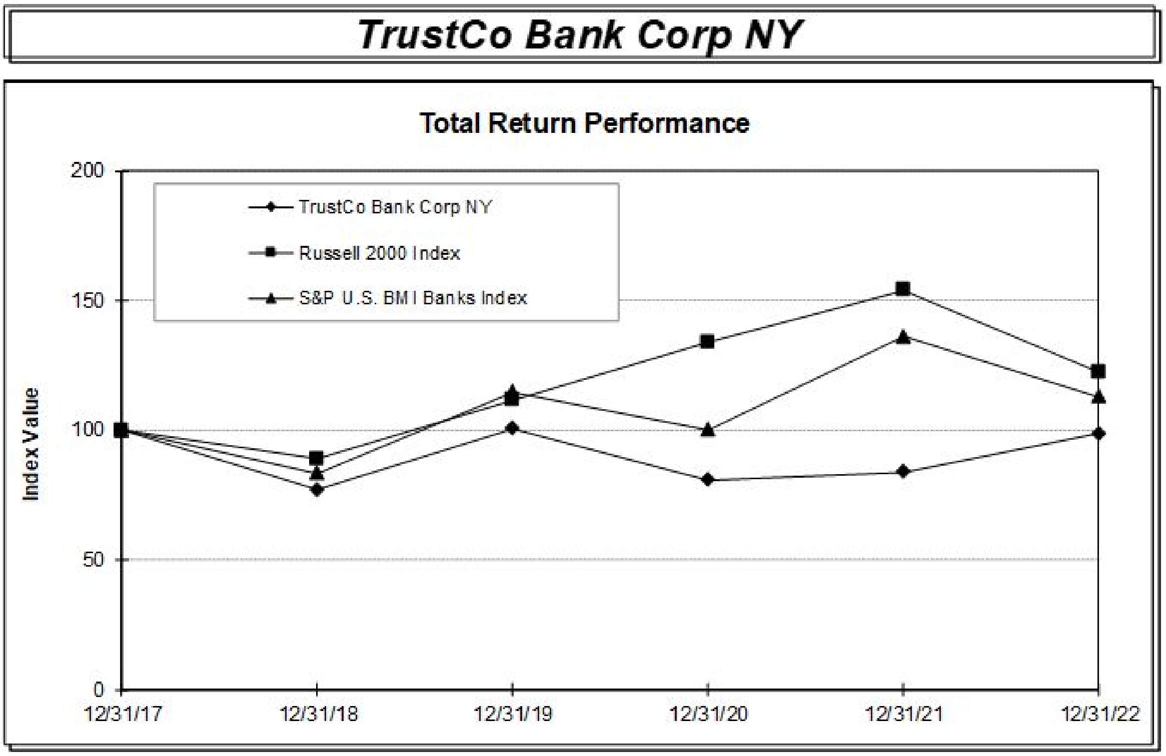
Overnight Delivery
462 South 4th Street
Suite 1600 Louisville, KY 40202
UNITED STATES

Toll Free: 1-800-368-5948 or 1-781-575-4223

Trustco Bank® is a registered service mark with the U.S. Patent & Trademark Office.

Share Price Information

The following graph shows changes over a five-year period in the value of $100 invested in: (1) TrustCo's common stock; (2) Russell 2000 and (3) the S&P U.S BMI Banks Index. 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 270 companies as of December 31, 2022. A list of the component companies can be obtained by contacting TrustCo.



	Period Ending					
Index	**12/31/17**	**12/31/18**	**12/31/19**	**12/31/20**	**12/31/21**	**12/31/22**
TrustCo Bank Corp NY	100.00	76.98	100.66	80.79	84.00	98.76
Russell 2000 Index	100.00	88.99	111.70	134.00	153.85	122.41
S&P U.S. BMI Banks Index	100.00	83.54	114.74	100.10	136.10	112.89

Source: S&P Global Market Intelligence

Exhibit 21

SUBSIDIARIES OF TRUSTCO BANK CORP NY

Trustco Bank	Federal savings bank
ORE Subsidiary Corp.	New York corporation
Trustco Realty Corp.	New York corporation (Subsidiary of Trustco Bank)
Trustco Insurance Agency, Inc.	New York corporation (Subsidiary of Trustco Bank)
ORE Property, Inc.	New York corporation (Subsidiary of Trustco Bank)
ORE Property One, Inc.	Florida corporation (Subsidiary of ORE Property, Inc.)
ORE Property Two, Inc.	Florida corporation (Subsidiary of ORE Property, Inc.)

Each subsidiary does business under its own name. The activities of each are described in Part I, Item 1 of Form 10-K.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
TrustCo Bank Corp NY

We consent to incorporation by reference in the Registration Statements, Form S-8 (No. 333-175868), Form S-8 (No. 333-233122), Form S-8 (No. 333-175867), Form S-8 (No. 333-206685), and Form S-3 (No. 333-238208) of TrustCo Bank Corp NY of our report dated March 1, 2023 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, 2022.

/s/Crowe LLP

New York, New York
March 1, 2023

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, 2022, 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 21, 2023

/s/ Dennis A. De Gennaro
Dennis A. De Gennaro
February 21, 2023

/s/ Robert J. McCormick
Robert J. McCormick
February 21, 2023

/s/ Thomas O. Maggs
Thomas O. Maggs
February 21, 2023

/s/ Kimberly A. Russell
Kimberly A. Russell
February 21, 2023

/s/ Dr. Anthony J.Marinello
Dr. Anthony J.Marinello
February 20, 2023

/s/ Lisa M. Lucarelli
Lisa M. Lucarelli
February 21, 2023

/s/ Alejandro M. Sanchez
Alejandro M. Sanchez
February 21, 2023

/s/ Curtis N. Powell
Curtis N. Powell
February 21, 2023

/s/ Frank B. Silverman
Frank B. Silverman
February 21, 2023

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: March 1, 2023

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

Exhibit 31(i)(b)

Certification

I, Michael M. Ozimek**,** certify that:

1. I have reviewed this Annual Report on Form 10-K of TrustCo Bank Corp NY (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 1, 2023

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

Exhibit 32

Section 1350 Certifications

In connection with the Annual Report of TrustCo Bank Corp NY (the "Company") on Form 10-K for the period ending December 31, 2022 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, to our knowledge:

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 for the periods described therein.

/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

March 1, 2023