

TRUSTCO BANK CORP N Y
Form 10-Q
August 08, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended
June 30, 2011

Commission File Number 0-10592

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

NEW YORK
(State or other jurisdiction of incorporation or
organization)

14-1630287
(I.R.S. Employer Identification No.)

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

12302
(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec. 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

	Number of Shares Outstanding as of August 1, 2011
Common Stock \$1 Par Value	93,153,585

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TrustCo Bank Corp NY

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Interest and dividend income:				
Interest and fees on loans	\$32,184	31,976	63,861	63,729
Interest and dividends on securities available for sale:				
U. S. government sponsored enterprises	3,791	3,588	6,990	7,185
State and political subdivisions	640	891	1,424	1,846
Mortgage-backed securities and collateralized mortgage obligations-residential	622	944	1,230	2,114
Corporate bonds	1,081	1,105	2,220	2,151
Other securities	89	64	150	182
Total interest and dividends on securities available for sale	6,223	6,592	12,014	13,478
Interest on held to maturity securities:				
U. S. government sponsored enterprises	-	50	-	487
Mortgage-backed securities-residential	1,240	1,455	2,428	2,700
Corporate bonds	595	802	1,310	1,645
Total interest on held to maturity securities	1,835	2,307	3,738	4,832
Interest on federal funds sold and other short-term investments				
	254	228	500	392
Total interest income	40,496	41,103	80,113	82,431
Interest expense:				
Interest on deposits:				
Interest-bearing checking	70	172	135	341
Savings	885	857	1,818	1,666
Money market deposit accounts	1,184	1,342	2,411	2,621
Time deposits	4,099	6,432	8,542	13,251
Interest on short-term borrowings	382	455	789	911
Total interest expense	6,620	9,258	13,695	18,790
Net interest income	33,876	31,845	66,418	63,641
Provision for loan losses	4,850	7,100	9,450	11,800
Net interest income after provision for loan losses	29,026	24,745	56,968	51,841
Noninterest income:				
Trust department income	1,186	1,176	2,760	2,537
Fees for services to customers	2,325	2,646	4,419	4,939
Net gain on securities transactions	851	1,537	1,138	1,541
Other	209	292	525	498
Total noninterest income	4,571	5,651	8,842	9,515

Noninterest expenses:				
Salaries and employee benefits	7,000	6,556	14,026	13,290
Net occupancy expense	3,672	3,511	7,409	7,012
Equipment expense	1,481	1,464	2,813	2,884
Professional services	1,681	1,565	3,166	2,968
Outsourced services	1,350	1,418	2,700	2,839
Advertising expense	708	796	1,414	1,322
FDIC and other insurance	1,392	1,535	3,243	3,057
Other real estate expense, net	2,095	794	3,685	2,747
Other	2,173	1,596	3,942	3,205
Total noninterest expenses	21,552	19,235	42,398	39,324
Income before taxes	12,045	11,161	23,412	22,032
Income taxes	4,279	4,037	8,264	7,973
Net income	\$7,766	7,124	15,148	14,059
Net income per Common Share:				
- Basic	\$0.100	0.093	0.196	0.183
- Diluted	\$0.100	0.093	0.196	0.183

See accompanying notes to unaudited consolidated interim financial statements.

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TRUSTCO BANK CORP NY

Consolidated Statements of Financial Condition (Unaudited)
(dollars in thousands, except per share data)

	June 30, 2011	December 31, 2010
ASSETS:		
Cash and due from banks	\$ 41,229	44,067
Federal funds sold and other short term investments	479,647	400,183
Total cash and cash equivalents	520,876	444,250
Securities available for sale:		
U. S. government sponsored enterprises	676,062	614,886
States and political subdivisions	57,670	79,764
Mortgage-backed securities and collateralized mortgage obligations-residential	66,333	73,567
Corporate bonds	103,194	115,504
Other securities	7,522	7,880
Total securities available for sale	910,781	891,601
Held to maturity securities:		
Mortgage-backed securities-residential (fair value 2011 \$112,197; 2010 \$128,746)	105,509	122,654
Corporate bonds (fair value 2011 \$51,244; 2010 \$71,460)	49,019	69,058
Total held to maturity securities	154,528	191,712
Loans, net of deferred fees and costs	2,427,974	2,355,265
Less:		
Allowance for loan losses	45,561	41,911
Net loans	2,382,413	2,313,354
Bank premises and equipment, net	36,032	36,632
Other assets	65,696	77,235
Total assets	\$ 4,070,326	3,954,784
LIABILITIES:		
Deposits:		
Demand	\$ 259,459	251,091
Interest-bearing checking	461,976	441,520
Savings accounts	891,181	774,366
Money market deposit accounts	638,774	602,803
Certificates of deposit (in denominations of \$100,000 or more)	453,303	456,837
Other time accounts	947,838	1,027,470
Total deposits	3,652,531	3,554,087
Short-term borrowings	128,807	124,615
Accrued expenses and other liabilities	20,039	20,642

Total liabilities	3,801,377	3,699,344
SHAREHOLDERS' EQUITY:		
Capital stock par value \$1; 150,000,000 shares authorized and 83,166,423 shares issued at June 30, 2011 and December 31, 2010, respectively	83,166	83,166
Surplus	126,196	126,982
Undivided profits	113,782	108,780
Accumulated other comprehensive income (loss), net of tax	2,846	(4,119)
Treasury stock at cost - 5,799,812 and 6,036,512 shares at June 30, 2011 and December 31, 2010, respectively	(57,041)	(59,369)
Total shareholders' equity	268,949	255,440
Total liabilities and shareholders' equity	\$ 4,070,326	3,954,784

See accompanying notes to unaudited consolidated interim financial statements.

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TRUSTCO BANK CORP NY

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(dollars in thousands, except per share data)

	Capital Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income	Treasury Stock	Total
Beginning balance, April 1, 2010	\$ 83,166	128,344	101,327	777		(62,996)	250,618
Comprehensive income:							
Net Income - Three Months Ended June 30, 2010	-	-	7,124	-	7,124	-	7,124
Other comprehensive income, net of tax:							
Amortization of prior service cost on pension and post retirement plans, net of tax (pretax of \$101)	-	-	-	-	(61)	-	-
Unrealized net holding gain on securities available-for-sale arising during the period, net of tax (pretax gain of \$4,144)	-	-	-	-	2,495	-	-
Reclassification adjustment for net gain realized in net income during the period (pretax gain \$1,537)	-	-	-	-	(927)	-	-
Other comprehensive income, net of tax:				1,507	1,507		1,507
Comprehensive income	-	-	-		8,631	-	-
Cash dividend declared, \$.0625 per share	-	-	(4,804)	-		-	(4,804)
Sale of treasury stock (112,016 shares)	-	(402)	-	-		1,101	699
Stock based compensation expense	-	45	-	-		-	45
Ending balance, June 30, 2010	\$ 83,166	127,987	103,647	2,284		(61,895)	255,189
Beginning balance, April 1, 2011	\$ 83,166	126,638	111,093	(4,176)		(58,249)	258,472
Comprehensive income:							
Net Income - Three Months Ended June 30, 2011	-	-	7,766	-	7,766	-	7,766

Other comprehensive income, net of tax:							
Amortization of net actuarial loss and prior service credit on pension and post retirement plans, net of tax (pretax of \$8)	-	-	-	-	(5)	-	-
Unrealized net holding gain on securities available-for-sale arising during the period, net of tax (pretax gain of \$12,535)	-	-	-	-	7,539	-	-
Reclassification adjustment for net gain realized in net income during the period (pretax gain \$851)	-	-	-	-	(512)	-	-
Other comprehensive income, net of tax:				7,022	7,022		7,022
Comprehensive income	-	-	-		14,788	-	-
Cash dividend declared, \$.0656 per share	-	-	(5,077)	-		-	(5,077)
Sale of treasury stock (122,795 shares)	-	(479)	-	-		1,208	729
Stock based compensation expense	-	37	-	-		-	37
Ending balance, June 30, 2011	\$ 83,166	126,196	113,782	2,846		(57,041)	268,949

See accompanying notes to unaudited consolidated interim financial statements.

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TRUSTCO BANK CORP NY

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(dollars in thousands, except per share data)

	Capital Stock	Surplus	Undivided Profits	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income	Treasury Stock	Total
Beginning balance, January 1, 2010	\$ 83,166	128,681	99,190	(1,282)		(64,077)	245,678
Comprehensive income:							
Net Income - Six Months Ended June 30, 2010	-	-	14,059	-	14,059	-	14,059
Other comprehensive income, net of tax:							
Amortization of prior service cost on pension and post retirement plans, net of tax (pretax of \$202)	-	-	-	-	(122)	-	-
Unrealized net holding gain on securities available-for-sale arising during the period, net of tax (pretax gain of \$7,674)	-	-	-	-	4,617	-	-
Reclassification adjustment for net gain realized in net income during the period (pretax gain \$1,541)	-	-	-	-	(929)	-	-
Other comprehensive income, net of tax:				3,566	3,566		3,566
Comprehensive income	-	-	-		17,625	-	-
Cash dividend declared, \$.1250 per share	-	-	(9,602)	-		-	(9,602)
Sale of treasury stock (221,825 shares)	-	(783)	-	-		2,182	1,399
Stock based compensation expense	-	89	-	-		-	89
Ending balance, June 30, 2010	\$ 83,166	127,987	103,647	2,284		(61,895)	255,189
Beginning balance, January 1, 2011	\$ 83,166	126,982	108,780	(4,119)		(59,369)	255,440
Comprehensive income:							

Net Income - Six Months Ended June 30, 2011	-	-	15,148	-	15,148	-	15,148
Other comprehensive income, net of tax:							
Amortization of net actuarial loss and prior service credit on pension and post retirement plans, net of tax (pretax of \$89)	-	-	-	-	(54)	-	-
Unrealized net holding gain on securities available-for-sale arising during the period, net of tax (pretax gain of \$12,810)	-	-	-	-	7,704	-	-
Reclassification adjustment for net gain realized in net income during the period (pretax gain \$1,138)	-	-	-	-	(685)	-	-
Other comprehensive income, net of tax:				6,965	6,965		6,965
Comprehensive income	-	-	-		22,113	-	-
Cash dividend declared, \$.1312 per share	-	-	(10,146)	-		-	(10,146)
Sale of treasury stock (236,700 shares)	-	(860)	-	-		2,328	1,468
Stock based compensation expense	-	74	-	-		-	74
Ending balance, June 30, 2011	\$ 83,166	126,196	113,782	2,846		(57,041)	268,949

See accompanying notes to unaudited consolidated interim financial statements.

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

	Six months ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$15,148	14,059
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,411	2,332
Loss on sale of other real estate owned	232	530
Provision for loan losses	9,450	11,800
Deferred tax (benefit) expense	(1,394)	667
Stock based compensation expense	74	89
Net loss on sale of bank premises and equipment	-	39
Net gain on sales and calls of securities	(1,138)	(1,541)
Decrease (increase) in taxes receivable	1,542	(10,084)
Decrease in interest receivable	312	2,371
Decrease in interest payable	(215)	(303)
Decrease in other assets	6,474	1,325
Decrease in accrued expenses and other liabilities	(404)	(530)
Total adjustments	17,344	6,695
Net cash provided by operating activities	32,492	20,754
Cash flows from investing activities:		
Proceeds from sales and calls of securities available for sale	403,637	649,747
Proceeds from calls and maturities of held to maturity securities	37,184	152,549
Purchases of securities available for sale	(419,085)	(510,553)
Proceeds from maturities of securities available for sale	9,079	8,858
Net increase in loans	(81,961)	(63,276)
Proceeds from dispositions of other real estate owned	3,117	7,516
Purchases of bank premises and equipment	(1,811)	(1,808)
Net cash (used in) provided by investing activities	(49,840)	243,033
Cash flows from financing activities:		
Net increase in deposits	98,444	131,374
Net increase in short-term borrowings	4,192	8,941
Proceeds from sale of treasury stock	1,468	1,399
Dividends paid	(10,130)	(9,588)
Net cash provided by financing activities	93,974	132,126
Net increase in cash and cash equivalents	76,626	395,913
Cash and cash equivalents at beginning of period	444,250	145,894
Cash and cash equivalents at end of period	\$520,876	541,807

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest paid	\$13,910	19,093
Income taxes paid	6,722	18,057
Other non cash items:		
Transfer of loans to other real estate owned	3,452	4,428
Increase in dividends payable	16	14
Change in unrealized gain on securities available for sale-gross of deferred taxes	11,673	6,133
Change in deferred tax effect on unrealized gain on securities available for sale	(4,654)	(2,445)
Amortization of prior service cost on pension and postretirement plans	(89)	(202)
Change in deferred tax effect of amortization of prior service cost	35	80

See accompanying notes to unaudited consolidated financial statements.

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

1. Financial Statement Presentation

The unaudited Consolidated Interim Financial Statements of TrustCo Bank Corp NY (the Company) include the accounts of the subsidiaries after elimination of all significant intercompany accounts and transactions. Prior period amounts are reclassified when necessary to conform to the current period presentation. The net income reported for the three and six months ended June 30, 2011 is not necessarily indicative of the results that may be expected for the year ending December 31, 2011, or any interim periods. These financial statements consider events that occurred through the date of filing.

In the opinion of the management of the Company, the accompanying unaudited Consolidated Interim Financial Statements contain all adjustments necessary to present fairly the financial position as of June 30, 2011 and the results of operations for the three and six month periods ended June 30, 2011 and 2010 and cash flows for the six months ended June 30, 2011 and 2010. The accompanying Consolidated Interim Financial Statements should be read in conjunction with the TrustCo Bank Corp NY year-end Consolidated Financial Statements, including notes thereto, which are included in TrustCo Bank Corp NY's 2010 Annual Report to Shareholders on Form 10-K. The accompanying consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and notes necessary for a complete presentation of financial position, results of operations and cash flow activity required in accordance with accounting principles generally accepted in the United States.

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2. Earnings Per Share

A reconciliation of the component parts of earnings per share (EPS) for the three and six month periods ended June 30, 2011 and 2010 follows:

(dollars in thousands, except per share data)	Income	Weighted Average Shares Outstanding	Per Share Amounts
For the quarter ended June 30, 2011:			
Basic EPS:			
Income available to common shareholders	\$7,766	77,363	\$0.100
Effect of Dilutive Securities:			
Stock Options	-	-	-
Diluted EPS	\$7,766	77,363	\$0.100
For the quarter ended June 30, 2010:			
Basic EPS:			
Income available to common shareholders	\$7,124	76,649	\$0.093
Effect of Dilutive Securities:			
Stock Options	-	-	-
Diluted EPS	\$7,124	76,649	\$0.093

(dollars in thousands, except per share data)	Income	Weighted Average Shares Outstanding	Per Share Amounts
For the six months ended June 30, 2011:			
Basic EPS:			
Income available to common shareholders	\$ 15,148	77,302	\$ 0.196
Effect of Dilutive Securities:			
Stock Options	-	-	-
Diluted EPS	\$ 15,148	77,302	\$ 0.196
For the six months ended June 30, 2010:			
Basic EPS:			
Income available to common shareholders	\$ 14,059	76,816	\$ 0.183
Effect of Dilutive Securities:			
Stock Options	-	-	-
Diluted EPS	\$ 14,059	76,816	\$ 0.183

For the three and six month periods ended June 30, 2011 and 2010, all of the Company's outstanding stock options are antidilutive because the option price is greater than the current market price.

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3. Benefit Plans

The table below outlines the components of the Company's net periodic benefit recognized during the three and six month periods ended June 30, 2011 and 2010 for its pension and other postretirement benefit plans:

(dollars in thousands)	For the three months ended June 30,			
	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Service cost	\$12	14	4	8
Interest cost	379	375	33	15
Expected return on plan assets	(497)	(454)	(112)	(106)
Amortization of net loss (gain)	39	51	(17)	-
Amortization of prior service credit	-	-	(30)	(101)
Net periodic benefit	\$(67)	(14)	(122)	(184)

(dollars in thousands)	For the six months ended June 30,			
	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Service cost	\$23	28	13	16
Interest cost	758	749	49	31
Expected return on plan assets	(993)	(907)	(224)	(211)
Amortization of net loss (gain)	78	102	(36)	-
Amortization of prior service credit	-	-	(131)	(202)
Net periodic benefit	\$(134)	(28)	(329)	(366)

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2010, that it did not expect to make any contributions to its pension and postretirement benefit plans in 2011. As of June 30, 2011, no contributions have been made. The Company presently anticipates that it will not make any contributions in 2011.

Since 2003, the Company has not subsidized retiree medical insurance premiums. However, it continues to provide postretirement medical benefits to a limited number of current and retired executives in accordance with the terms of their employment contracts.

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4. Investment Securities

(a) Securities available for sale

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

(dollars in thousands)

June 30, 2011

Available for sale

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	\$676,966	982	1,886	676,062
State and political subdivisions	56,697	1,029	56	57,670
Mortgage backed securities and collateralized mortgage obligations - residential	64,906	1,476	49	66,333
Corporate bonds	102,345	1,378	529	103,194
Other	650	-	-	650
Total debt securities	901,564	4,865	2,520	903,909
Equity securities	6,872	-	-	6,872
Total securities available for sale	\$908,436	4,865	2,520	910,781

(dollars in thousands)

December 31, 2010

Available for sale

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government sponsored enterprises	\$625,399	312	10,825	614,886
State and political subdivisions	79,038	1,184	458	79,764
Mortgage backed securities and collateralized mortgage obligations - residential	73,384	618	435	73,567
Corporate bonds	115,274	854	624	115,504
Other	650	-	-	650
Total debt securities	893,745	2,968	12,342	884,371
Equity securities	7,183	47	-	7,230
Total securities available for sale	\$900,928	3,015	12,342	891,601

Federal Home Loan Bank stock and Federal Reserve Bank stock included in equity securities at June 30, 2011 and December 31, 2010, totaled \$6.9 million.

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The following table distributes the debt securities included in the available for sale portfolio as of June 30, 2011, based on the securities' final maturity (mortgage-backed securities and collateralized mortgage obligations are stated using an estimated average life):

(dollars in thousands)	June 30, 2011	
	Amortized Cost	Fair Value
Available for sale		
Due in one year or less	\$9,973	10,054
Due in one year through five years	437,956	440,105
Due after five years through ten years	425,304	424,787
Due after ten years	28,331	28,963
	\$901,564	903,909

Actual maturities may differ from the above because of securities prepayments and the right of certain issuers to call or prepay their obligations without penalty.

Gross unrealized losses on investment 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)	June 30, 2011					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available for sale						
U.S. government sponsored enterprises	\$358,272	1,886	-	-	358,272	1,886
State and political subdivisions	1,523	56	-	-	1,523	56
Mortgage backed securities and collateralized mortgage obligations - residential	-	-	787	49	787	49
Corporate bonds	47,707	529	-	-	47,707	529
Total available for sale	\$407,502	2,471	787	49	408,289	2,520

(dollars in thousands)	December 31, 2010					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available for sale						
U.S. government sponsored enterprises	\$526,071	10,825	-	-	526,071	10,825
State and political subdivisions	19,939	458	-	-	19,939	458
Mortgage backed securities and collateralized mortgage obligations - residential	58,952	392	803	43	59,755	435
Corporate bonds	50,934	624	-	-	50,934	624

Total available for sale	\$655,896	12,299	803	43	656,699	12,342
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Proceeds from sales and calls of securities available for sale were \$381.6 million and \$539.4 million for the three months ended June 30, 2011 and 2010, respectively.

Gross gains of approximately \$888 thousand and \$1.5 million were realized on these sales and calls for the three months ended June 30, 2011 and 2010, respectively. Gross losses realized on sales of securities available for sale for the three months ended June 30, 2011 were approximately \$37 thousand. No securities were sold at a loss for the three months ended June 30, 2010. Income tax expense recognized on net gains on sales and calls of securities available for sale were approximately \$355 thousand and \$615 thousand for the three months ended June 30, 2011 and 2010, respectively.

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Proceeds from sales and calls of securities available for sale were \$403.6 million and \$649.7 million for the six months ended June 30, 2011 and 2010, respectively.

Gross gains of approximately \$1.2 million and \$1.5 million were realized on these sales and calls for the six months ended June 30, 2011 and 2010, respectively. Gross losses realized on sales of securities available for sale for the six months ended June 30, 2011 were approximately \$37 thousand. No securities were sold at a loss during the six months ended June 30, 2010. Income tax expense recognized on net gains on sales and calls of securities available for sale were approximately \$455 thousand and \$616 thousand for the six months ended June 30, 2011 and 2010, respectively.

(b) Held to maturity securities

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

(dollars in thousands)

Held to maturity	June 30, 2011			Fair Value
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	
Mortgage backed securities - residential	\$105,509	6,688	-	112,197
Corporate bonds	49,019	2,225	-	51,244
Total held to maturity securities	\$154,528	8,913	-	163,441

(dollars in thousands)

Held to maturity	December 31, 2010			Fair Value
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	
Mortgage backed securities - residential	\$122,654	6,092	-	128,746
Corporate bonds	69,058	2,402	-	71,460
Total held to maturity securities	\$191,712	8,494	-	200,206

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The following table distributes the debt securities included in the held to maturity portfolio as of June 30, 2011, based on the securities' final maturity (mortgage-backed securities are stated using estimated average life):

(dollars in thousands)	June 30, 2011	
	Amortized Cost	Fair Value
Held to maturity		
Due in one year or less	\$24,010	24,356
Due in one year through five years	120,611	128,315
Due in five years through ten years	9,907	10,770
	\$154,528	163,441

Actual maturities may differ from the above because of securities prepayments and the right of certain issuers to call or prepay their obligations without penalty.

There were no held to maturity securities in an unrealized loss position as of June 30, 2011 and December 31, 2010. There were no sales or transfers of held to maturity securities during 2011 and 2010.

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. Investment securities classified as available for sale or held-to-maturity are generally evaluated for OTTI under FASB ASC 320 "Investments – Debt and Equity Securities."

In determining OTTI under the FASB ASC 320 model, 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 an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

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

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As of June 30, 2011, the Company's security portfolio consisted of 306 securities, 52 of which were in an unrealized loss position, and are discussed below.

Mortgage-backed Securities and Collateralized Mortgage Obligations - Residential

At June 30, 2011, all of the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies, primarily GNMA (Ginnie Mae), FNMA (Fannie Mae) and FHLMC (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 June 30, 2011.

Other Securities

At June 30, 2011, the Company has unrealized losses on U.S. government-sponsored enterprises, state and political subdivisions and corporate bonds. 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 June 30, 2011.

As a result of the above analysis, for the quarter ended June 30, 2011, the Company did not recognize any other-than-temporary impairment losses for credit or any other reason.

5. Loans and Allowance for Loan Losses

The following table presents the recorded investment in loans by loan class:

(dollars in thousands)	June 30, 2011		
	New York and other states*	Florida	Total
Commercial:			
Commercial real estate	\$ 194,948	27,476	222,424
Other	26,550	150	26,700
Real estate mortgage - 1 to 4 family:			
First mortgages	1,668,656	157,643	1,826,299
Home equity loans	49,249	1,151	50,400
Home equity lines of credit	273,962	24,352	298,314
Installment	3,786	51	3,837
Total loans, net	\$ 2,217,151	210,823	2,427,974
Less: Allowance for loan losses			45,561
Net loans			\$ 2,382,413

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(dollars in thousands)	December 31, 2010		
	New York and other states*	Florida	Total
Commercial:			
Commercial real estate	\$ 196,803	28,644	225,447
Other	32,542	264	32,806
Real estate mortgage - 1 to 4 family:			
First mortgages	1,611,645	139,932	1,751,577
Home equity loans	48,505	960	49,465
Home equity lines of credit	268,509	22,778	291,287
Installment	4,284	399	4,683
Total loans, net	\$ 2,162,288	192,977	2,355,265
Less: Allowance for loan losses			41,911
Net loans			\$ 2,313,354

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

At June 30, 2011 and December 31, 2010, the Company had approximately \$13.2 million and \$14.6 million of real estate construction loans. Construction loans are included in first mortgages and commercial real estate in the tables above.

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

(dollars in thousands)	June 30, 2011		
	New York and other states*	Florida	Total
Loans in nonaccrual status:			
Commercial:			
Commercial real estate	\$ 5,073	7,186	12,259
Other	17	-	17
Real estate mortgage - 1 to 4 family:			
First mortgages	21,515	11,758	33,273
Home equity loans	696	65	761
Home equity lines of credit	1,937	947	2,884
Installment	13	-	13
Total non-accrual loans	29,251	19,956	49,207
Restructured real estate mortgages - 1 to 4 family	324	-	324
Total nonperforming loans	\$ 29,575	19,956	49,531

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(dollars in thousands)	December 31, 2010		
	New York and other states*	Florida	Total
Loans in nonaccrual status:			
Commercial:			
Commercial real estate	\$5,617	8,281	13,898
Other	126	-	126
Real estate mortgage - 1 to 4 family:			
First mortgages	18,067	12,888	30,955
Home equity loans	860	73	933
Home equity lines of credit	2,109	436	2,545
Installment	20	1	21
Total non-accrual loans	26,799	21,679	48,478
Restructured real estate mortgages - 1 to 4 family	336	-	336
Total nonperforming loans	\$27,135	21,679	48,814

*Includes loans originated in New York, New Jersey, Vermont and Massachusetts.

The Company has identified nonaccrual commercial and commercial real estate loans, as well as all loans restructured under a troubled debt restructuring, as impaired loans. As of June 30, 2011 and December 31, 2010, there were \$12.3 million and \$14.0 million, respectively, of nonaccrual commercial and commercial real estate loans classified as impaired.

As of June 30, 2011 and December 31, 2010, the Company's loan portfolio did not include any subprime loans or loans acquired with deteriorated credit quality.

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

(dollars in thousands)	June 30, 2011					Total Loans
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total 30+ days Past Due	Current	
New York and other states*:						
Commercial:						
Commercial real estate	\$-	-	3,260	3,260	191,688	194,948
Other	-	-	8	8	26,542	26,550
Real estate mortgage - 1 to 4 family:						
First mortgages	8,195	3,928	18,050	30,173	1,638,483	1,668,656
Home equity loans	395	109	657	1,161	48,088	49,249
Home equity lines of credit	1,448	159	1,910	3,517	270,445	273,962
Installment	11	4	11	26	3,760	3,786
Total	\$10,049	4,200	23,896	38,145	2,179,006	2,217,151

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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	\$-	5,400	1,786	7,186	20,290	27,476
Other	-	-	-	-	150	150
Real estate mortgage - 1 to 4 family:						
First mortgages	1,617	1,256	11,084	13,957	143,686	157,643
Home equity loans	-	-	65	65	1,086	1,151
Home equity lines of credit	50	-	556	606	23,746	24,352
Installment	-	2	-	2	49	51
Total	\$1,667	6,658	13,491	21,816	189,007	210,823

New York and other states*: (dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	December 31, 2010 90+ Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$-	-	3,870	3,870	192,933	196,803
Other	-	13	126	139	32,403	32,542
Real estate mortgage - 1 to 4 family:						
First mortgages	11,129	4,275	15,615	31,019	1,580,626	1,611,645
Home equity loans	228	63	690	981	47,524	48,505
Home equity lines of credit	1,324	19	1,338	2,681	265,828	268,509
Installment	46	4	20	70	4,214	4,284
Total	\$12,727	4,374	21,659	38,760	2,123,528	2,162,288

Florida: (dollars in thousands)	30-59Days Past Due	60-89Days Past Due	90+ Days Past Due	Total 30+ days Past Due	Current	Total Loans
Commercial:						
Commercial real estate	\$-	-	2,281	2,281	26,363	28,644
Other	-	-	-	-	264	264
Real estate mortgage - 1 to 4 family:						
First mortgages	5,219	553	12,427	18,199	121,733	139,932
Home equity loans	26	-	73	99	861	960
Home equity lines of credit	422	10	410	842	21,936	22,778
Installment	-	-	1	1	398	399
Total	\$5,667	563	15,192	21,422	171,555	192,977

As of June 30, 2011 and December 31, 2010, there were no loans that are 90 days past due and still accruing interest. As a result, non-accrual loans includes all loans 90 days past due and greater as well as certain loans less than 90 days past due that were placed in non-accruing status for reasons other than delinquent status. The \$5.4 million increase during the quarter in Florida commercial real estate 60-89 days past due is a loan already in non-accruing status.

Approximately \$11 thousand, and \$12 thousand of interest on nonaccrual and restructured loans was collected and recognized as income for the three months ended June 30, 2011 and 2010, respectively and approximately \$22 thousand and \$24 thousand of interest on nonaccrual and restructured loans was collected and recognized as income for the six months ended June 30, 2011 and 2010, respectively. There are no commitments to extend further credit on nonaccrual or restructured loans.

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

(dollars in thousands)

	For the quarter ended June 30, 2011			
	Commercial	Real Estate Mortgage- 1 to 4 Family	Installment	Total
Balance at beginning of period	\$4,150	39,336	194	43,680
Loans charged off:				
New York and other states*	19	810	26	855
Florida	600	1,741	-	2,341
Total loan chargeoffs	619	2,551	26	3,196
Recoveries of loans previously charged off:				
New York and other states*	51	131	18	200
Florida	1	26	-	27
Total recoveries	52	157	18	227
Net loans charged off	567	2,394	8	2,969
Provision for loan losses	581	4,302	(33)	4,850
Balance at end of period	\$4,164	41,244	153	45,561

(dollars in thousands)

	For the six months ended June 30, 2011			
	Commercial	Real Estate Mortgage- 1 to 4 Family	Installment	Total
Balance at beginning of period	\$4,227	37,448	236	41,911
Loans charged off:				
New York and other states*	69	1,815	48	1,932
Florida	600	3,618	1	4,219
Total loan chargeoffs	669	5,433	49	6,151
Recoveries of loans previously charged off:				
New York and other states*	51	237	31	319
Florida	4	27	1	32
Total recoveries	55	264	32	351
Net loans charged off	614	5,169	17	5,800
Provision for loan losses	551	8,965	(66)	9,450
Balance at end of period	\$4,164	41,244	153	45,561

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The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method:

	June 30, 2011			Total
	Commercial Loans	Real Estate Mortgage- 1 to 4 Family	Installment Loans	
Allowance for loan losses:				
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	\$-	-	-	-
Collectively evaluated for impairment	4,164	41,244	153	45,561
Total ending allowance balance	\$4,164	41,244	153	45,561

Loans:				
Individually evaluated for impairment	\$12,276	324	-	12,600
Collectively evaluated for impairment	236,848	2,174,689	3,837	2,415,374
Total ending loans balance	\$249,124	2,175,013	3,837	2,427,974

	December 31, 2010			Total
	Commercial Loans	Real Estate Mortgage- 1 to 4 Family	Installment Loans	
Allowance for loan losses:				
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	\$-	-	-	-
Collectively evaluated for impairment	4,227	37,448	236	41,911
Total ending allowance balance	\$4,227	37,448	236	41,911

Loans:				
Individually evaluated for impairment	\$14,024	336	-	14,360
Collectively evaluated for impairment	244,229	2,091,993	4,683	2,340,905
Total ending loans balance	\$258,253	2,092,329	4,683	2,355,265

The Company identifies impaired loans and measures the impairment in accordance with “Accounting by Creditors for Impairment of a Loan” (FASB ASC 310-10-35). A loan is considered impaired when it is probable that the borrower will be unable to repay the loan according to the original contractual terms of the loan agreement or the loan is restructured in a troubled debt restructuring (TDR). These standards are applicable principally to commercial and commercial real estate loans; however, certain provisions dealing with restructured loans also apply to retail loan products. A loan for which the terms have been modified, and for which the borrower is experiencing financial difficulties, is considered a TDR and is classified as impaired. TDR’s, which are included in nonaccrual loans at June 30, 2011 and December 31, 2010, are measured at the present value of estimated future cash flows using the loan’s

effective rate at inception.

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The following tables present impaired loans by loan class as of June 30, 2011 and December 31, 2010:

		June 30, 2011				
New York and other states*:		Recorded	Unpaid	Related	Average	Interest
(dollars in thousands)		Investment	Principal	Allowance	Recorded	Income
			Balance		Investment	Recognized
Commercial:						
Commercial real estate		\$5,073	5,659	-	5,359	-
Other		17	37	-	98	-
Real estate mortgage - 1 to 4 family:						
First mortgages		324	493	-	330	18
Home equity loans		-	52	-	-	3
Home equity lines of credit		-	76	-	-	1
Total		\$5,414	6,317	-	5,787	22
Florida:						
(dollars in thousands)		Recorded	Unpaid	Related	Average	Interest
		Investment	Principal	Allowance	Recorded	Income
			Balance		Investment	Recognized