The Adirondack Trust Company

2023 ANNUAL REPORT

ADIRONDACK TRUST COMPANY

Directors

GUY ALONGE, III

DR. MARC CONNER

SUSAN LAW DAKE

MARY C. GAVIN

JOHN T. HEDBRING

DOUGLASS M. MABEE

DOUGLASS T. MABEE

J. THOMAS ROOHAN, JR.

BRIAN A. STRAUGHTER, Ed.D

STEPHEN F. SULLIVAN

STEPHAN R. von SCHENK

CHARLES V. WAIT

CHARLES V. WAIT, JR.

Senior Management Team

CHARLES V. WAIT
Chairman of the Board

CHARLES V. WAIT, JR., ESQ.
President & CEO

JACK ARNOLD, CPA
Executive Vice President,
Chief Administrative Officer,
Chief Financial Officer
& Treasurer

MICHAEL S. BRODT
Senior Vice President

PATRICK B. REILLY
Senior Vice President

ROBERT F. LOUGHRAN
Senior Vice President

BRYAN M. BOOTH
Vice President

EDWARD M. CONNELL, ESQ.
Vice President

MATTHEW C. HARRISON
Vice President

DEAN A. KOLLIGIAN
Vice President

MICHAEL D. MURRAY
Vice President

SUSANNE M. ROGAN
Vice President

MICHAEL J. O'CONNELL
Executive Vice President

KATHLEEN M. MacAREVEY
Corporate Secretary & Executive Assistant

MATTHEW P. D'ABATE
Senior Vice President

EDWARD P. HART, III
Senior Vice President

BOBBI JO LUCAS
Senior Vice President

ELLEN BRODIE
Vice President

ANDREW R. FERRARA
Vice President

ANGELA M. KEDIK
Vice President

EDWARD M. LENZ
Vice President

KELLEY H. PELUSO
Vice President

TODD SILVA
Vice President

SAMER TAKI
Vice President

* * * * * * * * * * * *

MICHELLE MUIR
Vice President - Audit

SARA SPYCHALSKI
Vice President - Compliance

A Note to Our Stockholders:

I recently purchased a copy of Aesop's Fables from our local bookstore, Northshire Bookstore, to read to my young children. In reading through the book, it struck me why the fables remain popular today, nearly 2,600 years later. His fable concerning the crow and the pitcher illustrates one of the keys to success in business that have guided your Bank in the past year—persistence.

In the fable, a thirsty crow happens upon a pitcher of water. Unable to push it over or to get its head far enough into the pitcher to drink the water, it places pebbles into the pitcher until the water level rises to a point where the crow can drink. The crow's persistence paid off. It didn't give up when at first it was stymied, and it found a clever, outside-the-box solution to its problem.

This valuable trait enabled your Bank to succeed this past year in the face of headwinds presented by rising interest rates. We broke several records in growing our business. We increased loans by 5 percent to $947 million, a new record. Amsure posted record revenue of over $18 million. Wealth Management revenue increased by 4 percent to a new record, and assets under management also increased to a new record of $897 million. Due to rapidly rising short-term interest rates, our deposit costs did rise more quickly than our income increased in 2023, leading to a moderate decline in net income from last year's record numbers. Nevertheless, we earned a 10-percent return on your equity, a significant achievement given these extra costs.

Another dynamic this year reinforced the value of persistence. Government stimulus and the inability to spend money during the pandemic grew our customers' balances by double digits in 2020 and in 2021. After such significant growth, some reduction of our depositors' excess liquidity was inevitable, and we experienced a 7-percent decline in deposits this year, which was typical for our industry. Nevertheless, we continue to drive new account growth, especially through our website, which features a new, easy-to-use online account-opening tool. In fact, in December, we hit a record for new online account openings in the fourth quarter of the year.

We completed other strategic initiatives designed to promote our growth as well. We advanced our technology this year by successfully converting to a new WebWise® online banking platform. With this, we can offer customers advanced banking technology, such as an application that lets our customers see all their various financial accounts, whether or not the account is with us. We will be offering the Zelle® network to our customers soon, which will make banking with us even more convenient by enabling customers to send and receive money with the push of a button to any participating bank in the country.

Another enhancement we offered this year was a new debit card rewards program. This program rewards our existing debit card users for doing business with us and entices new customers to do so. We've started this program in tandem with a new sales training regimen in our branches to deepen our existing customer relationships and to create new ones as well.

Our downtown presence is also expanding. We are currently hard at work renovating the old Saratoga County building at 31 Woodlawn Avenue, which we purchased. When completed, it will house our Amsure Division. We look forward to welcoming customers into the building later this year.

There are good reasons to be cautiously optimistic about the future. Our local economy is doing very well. An increase in sales tax receipts of 7.1 percent in the City of Saratoga Springs from January through November of 2023 demonstrated significant growth in retail. Hotel revenue also increased 6.4 percent over the same period. And Saratoga County's unemployment rate, at the latest reading, was near historic lows at 2.8 percent.

This summer will be a special one for Saratoga, because the Saratoga Race Course will be hosting the Belmont Stakes in June due to renovations at Belmont Park. The Belmont Stakes is very popular, with attendance in past years sometimes exceeding 100,000. We expect that this addition to the summer season in Saratoga will foster significant additional economic activity and be very beneficial to local businesses and people. Your Bank will continue to exercise persistence and ingenuity to drive and to participate in the growth of the communities it serves. Thank you for your support.

Sincerely,

Charles V. Wait, Jr.
President & CEO

ADIRONDACK
TRUST COMPANY

Financial Narrative:

New records were achieved in total loans and Insurance Agency revenue. Consolidated total assets of $1.6 billion and total deposits of $1.4 billion were down 1.7% and 7%, respectively. Total loans of $947 million were up 5%, a new record. Investments were up $3.2 million. A short-term advance from the Federal Home Loan Bank of New York of $52 million, maturing on January 2, 2024, was taken on September 22, 2023, in an abundance of caution due to the looming threat of a government shutdown.

Net income of $13.5 million in 2023 was down 18% compared to last year. Rising interest costs combined with increased overhead from inflationary pressures reduced earnings from last year's record results. Despite these conditions, we achieved a new revenue record for our Insurance Agency of more than $18 million. Other increases in non-interest income included revenue from our Wealth Management Division and our BOLI (Bank Owned Life Insurance) program. We did not add to our loan loss reserve in 2023.

Non-interest expenses were up 7%, primarily due to increased compensation, benefits expense, and data-processing fees, due in part to the inflationary pressures noted above and as we continue our strategy to grow our Insurance Agency team, invest in the ongoing advancement of our technology platforms and actively enhance our data security systems.

Return on average assets and equity was 0.86% and 10%, respectively.

Respectively submitted,

Jack Arnold, CPA
EVP, CAO, CFO & Treasurer

ADIRON
TRUST C

Consolidated State

Assets

	As of December 31, 2023	2022
ASSETS		
Cash and due from banks	$88,369,495.84	$166,149,019.70
Securities:		
Obligations of U.S. government	393,676,849.11	386,785,669.51
Obligations of federal agencies	27,349,554.39	29,862,988.65
Obligations of state and municipal subdivisions	15,854,483.15	16,666,465.83
Corporate	36,467,578.36	40,115,841.93
Other securities	3,629,899.12	337,399.12
Loans:		
Commercial loans	676,880,983.66	644,129,109.40
Residential loans	256,491,112.73	243,206,877.53
Other loans	13,652,913.32	14,651,464.83
Allowance for credit losses	(20,003,899.53)	(20,697,776.29)
Bank premises, furniture and fixtures, net	33,110,701.93	33,271,981.67
Goodwill and other intangibles, net	18,754,983.47	19,264,830.23
Accrued interest receivable	4,725,859.38	4,257,127.03
Pension funded status	12,577,053.00	10,125,316.00
Pre-paid expenses	1,859,616.76	1,887,878.99
Other assets	48,712,886.96	50,043,277.20
TOTAL ASSETS	$1,612,110,071.65	$1,640,057,471.33

NDACK
OMPANY

ments of Condition

Liabilities and Stockholders' Equity

	As of December 31, 2023	2022
LIABILITIES		
Demand deposits	$406,912,345.25	$473,627,183.91
Savings deposits	736,911,385.37	803,085,403.24
Time deposits	233,542,881.57	203,828,602.80
Total deposits	1,377,366,612.19	1,480,541,189.95
Repurchase agreements and other borrowings	55,681,534.57	4,865,251.03
Accrued expenses	11,256,450.43	11,396,752.08
Other liabilities	20,541,860.02	16,832,985.08
TOTAL LIABILITIES	1,464,846,457.21	1,513,636,178.14
STOCKHOLDERS' EQUITY		
Common stock ($50 par value per share; 80,000 shares authorized, 76,899 and 76,886 shares issued, respectively)	3,844,950.00	3,844,300.00
Surplus	7,453,510.00	7,427,328.00
Retained earnings	163,809,852.79	154,719,691.02
Accumulated other comprehensive loss	(27,844,698.35)	(39,570,025.83)
TOTAL STOCKHOLDERS' EQUITY	147,263,614.44	126,421,293.19
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,612,110,071.65	$1,640,057,471.33

Statements of Income

	For the years ended December 31,	
	2023	2022
Interest and dividend income:		
Interest and fees on loans	$41,686,485.45	$35,168,609.40
Interest and dividends on securities	7,019,229.54	8,600,596.13
Other interest income	3,333,003.45	2,161,164.92
Total interest and dividend income	52,038,718.44	45,930,370.45
Interest expense:		
Deposits and escrow accounts	12,045,559.71	2,100,722.98
Net interest income	39,993,158.73	43,829,647.47
Provision for credit losses	0.00	0.00
Net interest income after provision for credit losses	39,993,158.73	43,829,647.47
Non-interest income:		
Commissions and fees from insurance sales	18,249,743.31	17,221,483.30
Trust service fees	3,713,855.56	3,556,886.49
Service charges on deposits	798,636.73	792,091.92
Net gains from loan sales	50,420.48	226,767.37
Net losses from securities transactions	0.00	(818,670.57)
Other income	3,843,193.37	3,017,777.35
Total non-interest income	26,655,849.45	23,996,335.86
Non-interest expense:		
Compensation and benefits	30,981,825.94	28,831,919.56
Premises and equipment, net	4,868,303.28	4,657,704.39
Data processing	5,308,477.43	4,842,171.15
Other professional services	1,709,820.78	1,669,003.86
Other expenses	6,503,549.62	6,233,101.11
Total non-interest expense	49,371,977.05	46,233,900.07
Income before income tax expense	17,277,031.13	21,592,083.26
Income tax expense	3,784,772.11	5,065,702.89
Net Income	$13,492,259.02	$16,526,380.37
Net Income per common share	$175.48	$214.98

Changes In Allowance For Credit Losses

	For the years ended December 31, 2023	2022
Balance at beginning of year	$20,697,776.29	$20,773,702.93
Recoveries credited	5,740.69	24,689.31
Provision for credit losses	0.00	0.00
Losses charged	(11,823.45)	(100,615.95)
Reclassified allowance for credit losses on off-balance sheet exposure	(687,794.00)	0.00
Balance at end of year	$20,003,899.53	$20,697,776.29

Changes In Stockholders' Equity

	For the years ended December 31, 2023	2022
Balance at beginning of year	$126,421,293.19	$148,748,275.89
Net Income	13,492,259.02	16,526,380.37
Issued 13 and 13 shares common stock, respectively	26,832.00	28,015.00
Cash dividends declared	(4,402,097.25)	(4,189,942.50)
Change in unrealized loss on securities available for sale, net of tax	10,056,576.47	(38,511,842.13)
Change in pension and post retirement benefit plans funded status, net of tax	1,668,751.01	3,820,406.56
Balance at end of year	$147,263,614.44	$126,421,293.19

ADIRONDACK
TRUST COMPANY

MAIN OFFICE

473 Broadway Saratoga
Springs, New York
(518) 584-5844

BRANCH OFFICES

BALLSTON SPA
224 Church Avenue
Ballston Spa

EXIT 11
322 Ruhle Road
Ballston Lake

EXIT 15
3017 Route 50
Wilton

EXIT 18
79 Main Street
Queensbury

LAKE GEORGE
350 Canada Street
Lake George

LUTHER FOREST
51 Luther Forest Boulevard
Malta

MALTA
2510 Route 9
Malta

MILTON
162 Northline Road
Milton

PRESTWICK CHASE
100 Saratoga Boulevard
Saratoga Springs

QUEENSBURY
376 Bay Road
Queensbury

SOUTH BROADWAY
112 South Broadway
Saratoga Springs

WEST CHURCH
315 Church Street
Saratoga Springs

WILTON
650 Maple Avenue
Wilton

ADIRONDACK
WEALTH MANAGEMENT

OFFICES

MAIN OFFICE
31 Church Street
Saratoga Springs

EXIT 18
79 Main Street
Queensbury

Adirondack Wealth Management takes pride in providing financial solutions to individuals, families, corporations, and nonprofit institutions. As trusted advisors, our financial planning, investment management, and trust and estate professionals are committed to helping our clients build wealth and achieve their financial goals. It is our philosophy that the delivery of financial planning and investment-management services begins and ends with the client. We believe that highly personalized communication with each of our clients is paramount to providing financial solutions and having a successful long-term relationship.

AMSURE®

INSURANCE OFFICES

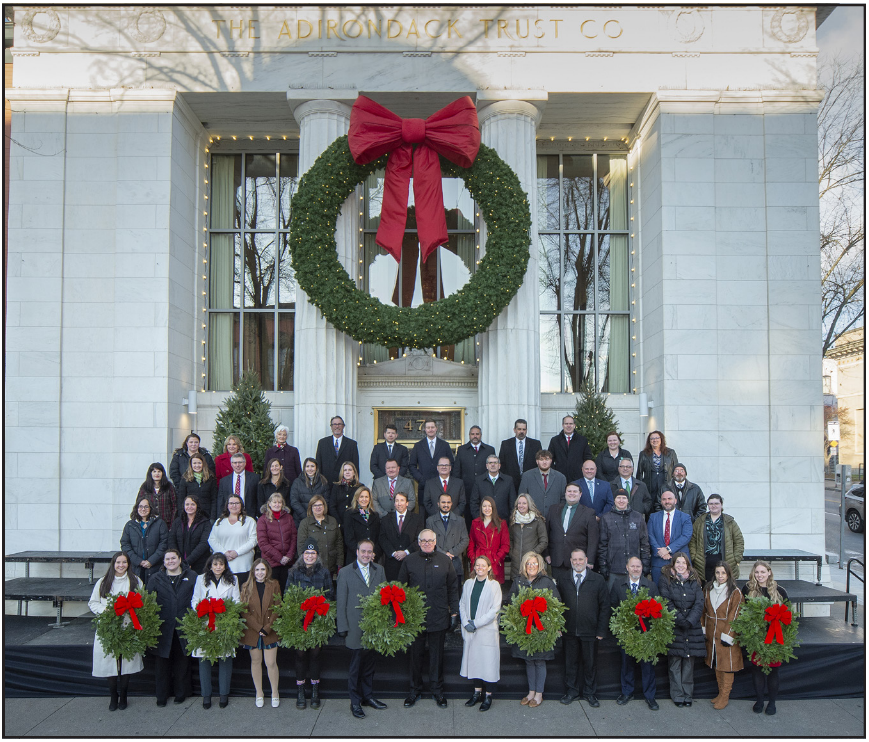
MAIN OFFICE
31 Church Street
Saratoga Springs

ALBANY
12 Computer Drive West
Albany

For over a half century, Amsure has developed customized insurance solutions for a diverse range of business clients, nonprofit organizations, individuals, and families. As a local company, we take the time to develop insurance solutions that are based on the relationship with our clients. We work to understand their needs and tailor an insurance program that protects each client while managing their cost.

Notes:

ADIRONDACK
TRUST COMPANY



Photograph by Tom Stock
Adirondack Trust Company Staff at Main Office Branch.
November 2023

A

ADIRONDACK
TRUST COMPANY