The Adirondack Trust Company

2022 ANNUAL REPORT

ADIRONDACK

TRUST COMPANY

Directors

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 J. O'CONNELL
Executive Vice President

KATHLEEN M. MacAREVEY
Corporate Secretary & Executive Assistant

MICHAEL S. BRODT
Senior Vice President

PATRICK B. REILLY
Senior Vice President

ROBERT F. LOUGHRAN
Senior Vice President

JOHN W. MURPHY
Senior Vice President

ELLEN BRODIE
Vice President

ANDREW R. FERRARA
Vice President

ANGELA M. KEDIK
Vice President

EDWARD M. LENZ
Vice President

MICHAEL D. MURRAY
Vice President

SUSANNE M. ROGAN
Vice President

MATTHEW P. D'ABATE
Senior Vice President

EDWARD P. HART, III
Senior Vice President

BOBBI JO LUCAS
Senior Vice President

BRYAN M. BOOTH
Vice President

EDWARD M. CONNELL, ESQ.
Vice President

MATTHEW C. HARRISON
Vice President

DEAN A. KOLLIGIAN
Vice President

CHRISTINE H. MESICK
Vice President

KELLEY H. PELUSO
Vice President

TODD SILVA
Vice President

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NINA GUIDI
Vice President - Audit

SARA SPYCHALSKI
Vice President - Compliance

NATALIE I. WAIT, ESQ.
Vice President - Regulatory Affairs

A Note to Our Stockholders:

In 2021, our local communities rose like a phoenix out of the ashes of the destruction wrought by the COVID-19 Pandemic. That rise has had significant positive effects that carried through into 2022. There is a palpable sense of returning to normalcy after the dark days of 2020 and 2021. The summer of 2022 was an excellent summer from an economic perspective in the communities we serve. Tourists came to Saratoga and the North Country in droves, driving up restaurant, hotel and retail economic activity to pre-pandemic levels or above. SPAC had a full and excellent season. And events are largely back to being held in-person.

This has not come without cost, however. Our country took extraordinary action in 2020 and in 2021 to mitigate the terrible effects of the pandemic and the resulting government shutdowns of businesses and other gathering places. Congress and the Federal Reserve System pumped truly enormous amounts of money into our economy in furtherance of this effort. The result was that the money supply grew from $15.5 trillion in February 2020 to a high of more than $21.7 trillion in 2022, an increase of approximately 40 percent.[1] While our currently high levels of inflation undoubtedly have many causes, it is hard to believe that this increase did not significantly contribute to it. In 2022, we experienced the economic strain that such inflation can produce.

This strain has manifested itself in many ways. Borrowing costs have increased significantly as the Federal Reserve increases rates in an effort to tamp down inflation. These

1 https://fred.stlouisfed.org/series/M2SL.

rate hikes have lowered loan demand and made housing more expensive, reducing sales prices. The stock markets are also down significantly. The S&P 500, for example, was down 18.1 percent in 2022, its worst annual performance since the financial crisis in 2008. The markets for certain digital assets, such as cryptocurrencies, have experienced their own financial crisis. Costs of all kinds have increased for individuals and for businesses.

Despite this, in 2022, your Bank's net income increased more than 15 percent to $16.5 million,[2] driven by strong loan growth. Total loans hit a new record of just over $900 million, with growth in the commercial loan area of more than $55 million, or 9.3 percent. Amsure also posted record revenue of more than $17 million. As a result, your Bank earned 1.01 percent on average assets this year, up from 90 basis points in 2021, and a return on equity of 12.58 percent, up from 9.85 percent in 2021. Your Bank overcame significant headwinds to achieve these results. The dramatic decline in refinancing activity mentioned above led to a decline in income on the sale of loans of $1.4 million. Moreover, Paycheck Protection Program fee income declined in 2022 by approximately $2.8 million.

We will likely face further challenges in 2023. Both sides in the war in Ukraine are key suppliers of essential goods, such as oil and foodstuffs, to the world. The ongoing conflict will continue to negatively affect the global economy. Inflation remains stubbornly high and may be driven in part by demographic trends that are unlikely to reverse any time soon. While the cryptocurrency crisis seems, for the moment at least, to be contained, as most financial institutions, including your Bank, have steered clear of it, other crises may present themselves. The last time interest rates rose rapidly, we experienced a financial crisis and a deep recession. That is why your Bank has been, and will continue to be, managed conservatively, always with an eye toward the future.

One way in which we are planning for the future is to upgrade our technology. As I write these words, we are engaged in our most significant technological change since we converted our core banking system in 2014. We are completely renovating our WebWise Online and Mobile Banking system. This new system will offer many new features and benefits. It seamlessly integrates multiple applications, such as Bill Pay, remote deposit capture and credit cards. Importantly, it will allow us to take advantage of economies of scale and be able to deploy new innovations more quickly. We hope you enjoy this new version of WebWise as much as we do. Thank you for your continued support.

Sincerely,

Charles V. Wait, Jr.
President & CEO

2 Based on preliminary, unaudited financial results.

ADIRONDACK
TRUST COMPANY

Financial Narrative:

New records were achieved in total loans, Insurance Agency revenue and overall companywide earnings during 2022. Consolidated total assets of $1.6 billion and total deposits of $1.5 billion were down 3.5% and 1.9%, respectively. Total loans of $902 million were up 9.5%. Our net loan growth includes the paydown of substantially all of the remaining SBA Paycheck Protection Program (PPP) loans during the year. Investments were down $89.3 million or 15.9%.

Net income of $16.5 million in 2022 was up 15.0% compared to last year, a new record. We also achieved new revenue records for our Insurance Agency of more than $17 million. We did not add to our loan loss reserve in 2022. We continue to monitor our local market during the ongoing effects and reaction to the Pandemic.

Non-interest expenses were relatively consistent, due in part to the recognition of fixed, upfront acquisition costs totaling $1.5 million, associated with our purchase agreement for a new BOLI (Bank Owned Life Insurance) program in December 2021. Offsetting this were increases in compensation and benefits expense and data processing fees 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 1.01% and 12.58%, respectively.

Respectively submitted,

Jack Arnold, CPA
EVP, CAO, CFO & Treasurer

ADIRONDACK
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Consolidated Statements of Condition

Assets

	As of December 31 2022	As of December 31 2021
ASSETS		
Cash and due from banks	$166,149,019.70	$251,305,514.82
Securities:		
Obligations of U.S. government	386,785,669.51	471,915,503.48
Obligations of federal agencies	29,862,988.65	32,735,080.70
Obligations of state and municipal subdivisions	16,666,465.83	13,539,373.04
Corporate	40,115,841.93	44,491,831.12
Other securities	337,399.12	336,649.12
Loans:		
Commercial loans	644,129,109.40	589,104,961.90
Residential loans	243,206,877.53	226,507,323.37
Other loans	14,651,464.83	8,424,052.00
Allowance for loan losses	(20,697,776.29)	(20,773,702.93)
Bank premises, furniture and fixtures, net	33,271,981.67	33,352,351.04
Goodwill and other intangibles, net	19,264,830.23	19,774,676.99
Accrued interest receivable	4,257,127.03	3,565,743.77
Pension funded status	10,125,316.00	6,002,445.00
Pre-paid expenses	1,887,878.99	1,754,505.41
Other assets	50,043,277.20	16,665,192.55
TOTAL ASSETS	**$1,640,057,471.33**	**$1,698,701,501.38**

Liabilities and Stockholders' Equity

	As of December 31 2022	As of December 31 2021
LIABILITIES		
Demand deposits	$473,627,183.91	$500,417,335.69
Savings deposits	803,085,403.24	789,608,760.90
Time deposits	203,828,602.80	218,590,442.94
Total deposits	1,480,541,189.95	1,508,616,539.53
Customer repurchase agreements	4,865,251.03	10,902,169.16
Accrued expenses	11,396,752.08	13,699,518.90
Other liabilities	16,832,985.08	16,734,997.90
TOTAL LIABILITIES	**1,513,636,178.14**	**1,549,953,225.49**
STOCKHOLDERS' EQUITY		
Common stock ($50 par value per share; 80,000 shares authorized, 76,886 and 76,873 shares issued, respectively)	3,844,300.00	3,843,650.00
Surplus	7,427,328.00	7,399,963.00
Retained earnings	154,719,691.02	142,383,253.15
Accumulated other comprehensive loss	(39,570,025.83)	(4,878,590.26)
TOTAL STOCKHOLDERS' EQUITY	**126,421,293.19**	**148,748,275.89**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$1,640,057,471.33**	**$1,698,701,501.38**

Statements of Income

	For the years ended December 31	
	2022	2021
Interest and dividend income:		
Interest and fees on loans	$35,168,609.40	$35,442,798.88
Interest and dividends on securities	8,600,596.13	6,158,780.17
Other interest income	2,161,164.92	440,645.29
Total interest and dividend income	**45,930,370.45**	**42,042,224.34**
Interest expense:		
Deposits and escrow accounts	2,100,722.98	1,121,050.73
Net interest income	**43,829,647.47**	**40,921,173.61**
Provision for loan losses	0.00	0.00
Net interest income after provision for loan losses	**43,829,647.47**	**40,921,173.61**
Non-interest income:		
Commissions and fees from insurance sales	17,221,483.30	15,985,497.20
Trust service fees	3,556,886.49	3,835,810.75
Service charges on deposits	792,091.92	668,815.01
Net gains from loan sales	226,767.37	1,629,897.84
Net losses from securities transactions	(818,670.57)	(50,000.00)
Other income	3,017,777.35	2,653,864.03
Total non-interest income	**23,996,335.86**	**24,723,884.83**
Non-interest expense:		
Compensation and benefits	28,831,919.56	27,774,861.68
Premises and equipment, net	4,657,704.39	4,434,094.34
Data processing	4,842,171.15	4,505,622.03
Other professional services	1,669,003.86	1,962,917.18
Other expenses	6,233,101.11	7,603,675.95
Total non-interest expense	**46,233,900.07**	**46,281,171.18**
Income before income tax expense	21,592,083.26	19,363,887.26
Income tax expense	5,065,702.89	4,996,214.69
Net Income	**$16,526,380.37**	**$14,367,672.57**
Net Income per common share	**$214.98**	**$186.93**

Changes In Loan Reserves

	For the years ended December 31	
	2022	2021
Balance at beginning of year	$20,773,702.93	$20,724,412.31
Recoveries credited	24,689.31	108,440.04
Provision	0.00	0.00
Losses charged	(100,615.95)	(59,149.42)
Balance at end of year	**$20,697,776.29**	**$20,773,702.93**

Changes In Stockholders' Equity

	For the years ended December 31	
	2022	2021
Balance at beginning of year	$148,748,275.89	$140,328,515.43
Net Income	16,526,380.37	14,367,672.57
Issued 13 and 13 shares common stock, respectively	28,015.00	23,920.00
Cash dividends declared	(4,189,942.50)	(3,977,843.00)
Change in unrealized loss on securities available for sale, net of tax	(38,511,842.13)	(5,721,793.70)
Change in pension and post retirement benefit plans funded status, net of tax	3,820,406.56	3,727,804.59
Balance at end of year	**$126,421,293.19**	**$148,748,275.89**

ADIRONDACK

TRUST COMPANY

MAIN OFFICE

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:

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Photograph by Tom Stock
Adirondack Trust Company Staff at Main Office Branch
December 2022.

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