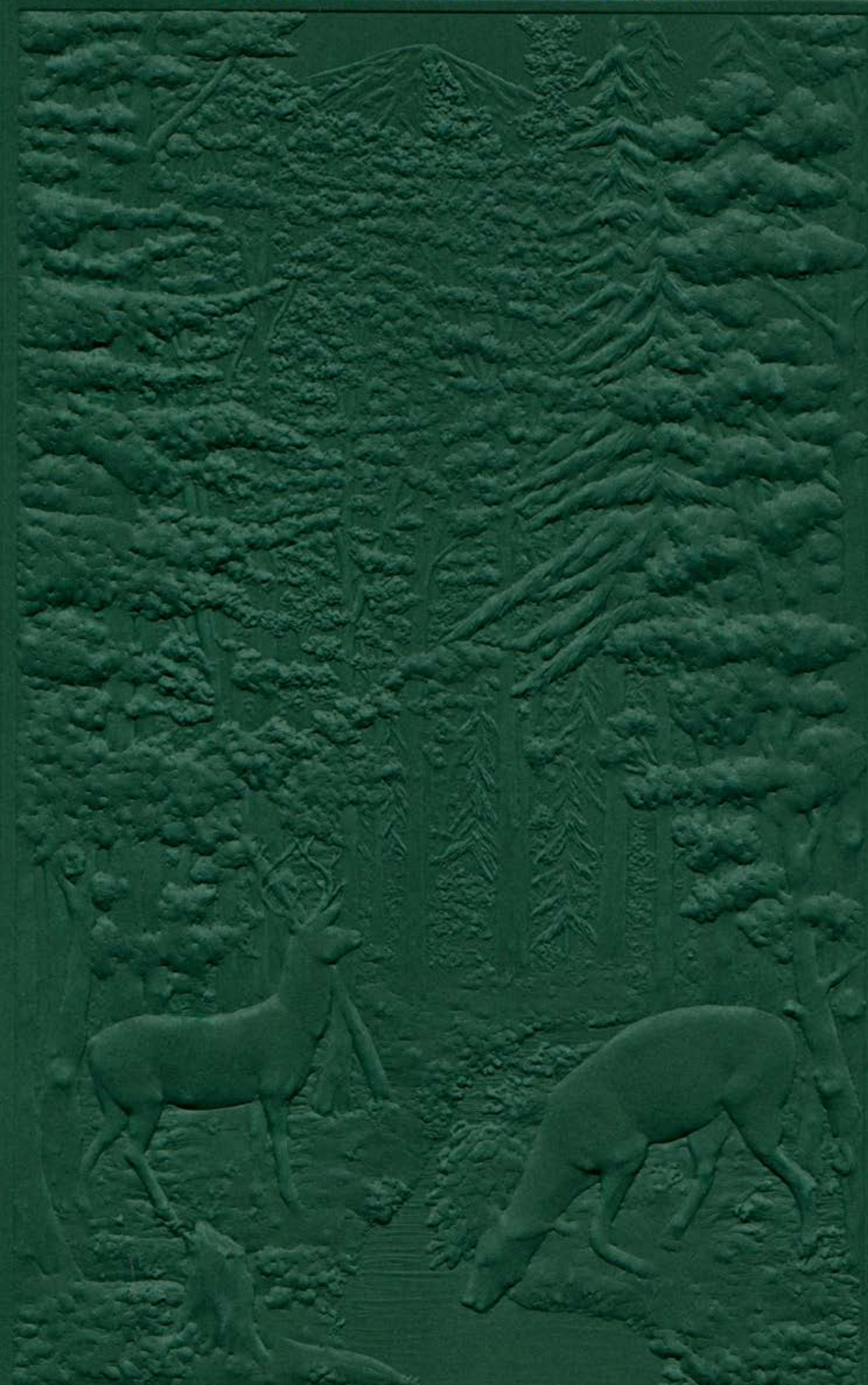
The Adirondack Trust Company



2019 ANNUAL REPORT

ADIRONDACK
TRUST COMPANY

Directors

Senior Management Team

CHARLES V. WAIT
Chairman of the Board

STEPHAN R. von SCHENK
President & CEO

CHARLES V. WAIT, JR., ESQ.
Executive Vice President

KATHIE L. DUNCAN
Regional President - North Country Region

MICHAEL J. O'CONNELL
Executive Vice President

MICHAEL S. BRODT
Senior Vice President

EDWARD P. HART, III
Senior Vice President

JOHN W. MURPHY
Senior Vice President

EDWARD M. CONNELL
Vice President

MATTHEW C. HARRISON
Vice President

DEAN A. KOLLIGIAN
Vice President

CHRISTINE H. MESICK
Vice President

KELLEY H. PELUSO
Vice President

CHRISTOPHER J. ROSE
Vice President

ROBERT E. WARD, JR.
Vice President

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

KATHLEEN M. MacAREVEY
Corporate Secretary & Executive Assistant

MATTHEW P. D'ABATE
Senior Vice President

ROBERT F. LOUGHRAN
Senior Vice President

BRYAN M. BOOTH
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

MEREDITH L. RUMPF
Vice President

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RICHARD F. CARMAN, JR.
Vice President - Audit

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

A Note to Our Stockholders:

1969. Fifty years ago I graduated from Saratoga Springs High School. The city was a different place. In terms of population it was a little more than half the size it is today. My high school graduating class was half the size of the class of 2019. The high school had just moved from its old home on Lake Avenue to its new home on West Avenue. The Saratoga Performing Arts Center, the Adirondack Northway, the Holiday Inn were all brand new, having been built in 1966, 1964 and 1965 respectively. There were no malls, no big box stores. There were two banks, The Adirondack Trust Company and the State Bank of Albany. The only department store in Saratoga Springs was Starbuck's and it was the only building in the city with a working elevator. The Adelphi Hotel opened only for August and charged $7 per night for rooms without heat, air conditioning and with bathrooms down the hall. Only men were allowed. The major year round private sector employers in the city were Saratoga Harness, the Van Raalte knitting mill (now gone) and the General Foods printing plant in the Grande Industrial Park (also gone), but most Saratogians worked either for the State of New York or in Schenectady for "The GE". Crowds at NYRA's thoroughbred race track averaged less than 10,000 per day, and the meet was only 24 days long. Saratoga was "The August Place To Be". There was harness racing but no casino. Convention Hall had recently been destroyed in a fire and 15 years would pass before it was rebuilt. Saratoga Hospital had 42 medical surgical beds. My own doctor, Bob Rockwell, performed minor day surgery in his office at 605 Broadway, sometimes at his desk. Railroad Place, now the site of luxury condominiums, was an abandoned railroad bed, the dividing line between the east side and the west sides of town. What is now the Saratoga Arts center on the corner of Broadway and Spring Street was the public library. The Canfield Casino was in disrepair. The stained glass windows in the main dining room were missing and in their place was plywood. At my senior prom dinner plaster fell from the ceiling onto our dinner plates. There was one movie theater with one screen.

Skidmore was a college of about 1,800 students. Only women were allowed. The Adirondack Trust Company had fewer than 40 employees, no branches, no wealth management or insurance divisions, and just over $35 million in total deposits. Net income for the year 1969 was $356,662.46 at your bank.

What a difference 50 years has made.

Although a new census this coming year will give us a more accurate count of our population, current estimates have Saratoga Springs just under 30,000 people. More than 500 students graduated from Saratoga High School. In 1969 half the graduating class went on to college. This past year 87 percent have done so.

Major private sector employers in the city include Saratoga Casino Hotel, Quad Graphics, Ball Manufacturing, Ayco, Espey Manufacturing, New Country Motor Car group, Logistics One, Stewart's Shops, and of course The Adirondack Trust Company.

NYRA regularly hosts crowds in excess of 30,000 per day for its 40 days of racing and Saratoga is now the July and August place to be. Skidmore College has an enrollment of 2,516 students, male and female, and the newly rebuilt Adelphi Hotel is open year round with a discounted rate for "locals" as low as $150 per night in the off season and a standad rate of as much as $1,439 for the Travers Suite in August. SPAC has had 53 successful seasons of artistic presentations by the New York City Ballet and The Philadelphia Orchestra. In 1998 the Lake George Opera (now Opera Saratoga) became the third summer resident company and more recently the Chamber Music Society of Lincoln Center has been added to the roster. We still have one movie theater, but it has 11 screens.

Three new museums opened in the last 50 years: the Saratoga Automobile Museum, the National Museum of Dance and Hall of Fame and the New York State Military Museum and Veterans Research Center. The National Museum of Racing and Hall of Fame is undergoing a $20 million renovation. The Canfield Casino has been renovated and improved many times, and the plaster no longer falls into your dinner.

Growth of this magnitude naturally attracts financial service providers and the two banks have become seven with several new credit unions and scores of financial service providers. In spite of (or maybe because of) the intense competition, your bank has grown from just shy of $40 million in total assets to more than $1.2 billion. Loans have grown from $22 million to $774 million, and our wealth management division manages more than $700 million in clients' assets. Net income has grown from $356,662.46 to almost $13 million. One share of stock in The Adirondack Trust Company was worth $160 in 1969. Through stock splits, that one share has become eight shares priced recently as high as $1,890 per share. Adding in dividends, the total annual compound rate of return on your investment over the past 50 years has been 12.52 percent, or 3.17 times the annual rate of inflation over the same period of time, and handily outperforming the return on stocks as measured by the S&P 500 over the same time period.

And as we look forward more change is on the way.

In 1969, my father Newman E. Wait, Jr. was the relatively new fourth president of The Adirondack Trust Company. On February 12th of 2020, your Board of Directors will elect the seventh president of The Adirondack Trust Company, succeeding Stephan R. von Schenk, who is retiring after 16 years with your bank.

And this, my 36th letter to you, the stockholders of The Adirondack Trust Company, will be my last. While I will continue to serve as Chairman of the Board for a period of time at the pleasure of the board, the job of communicating your bank's progress will be assumed by your new president.

We are grateful to Steve for the wonderful job he did during his tenure as president. Steve has helped build a team of superior banking, insurance, and wealth management talent capable of leading The Adirondack Trust Company through the challenges and opportunities that lie ahead. We are pleased that he will continue to serve on the Board of Directors and that we will continue to enjoy his good advice and sound judgment in an official capacity.

In addition to Steve, Kathie Duncan, the president of our North Country Division is also retiring. Like Steve, Kathie will continue as a consultant for a period of time to ensure that we will continue to have the benefit of her years of banking experience.

It has been interesting to look back over the last 50 years and see the many good works that have been accomplished by the people of this community and the staff of your bank.

Enclosed is a copy of "The Rebirth of Elegance," a booklet produced by Joseph W. Dalton, Jr., which describes the largely volunteer effort which transformed Saratoga Springs from a languishing old resort to the vibrant community it has become. I hope you are pleased to read about your bank's involvement in this transformation. I hope that you are also pleased to know that your bank received recognition this year as the most active Large Community Bank Lender in the Capital Region by the U.S. Small Business Administration (SBA) and was listed as one of the Best Places to Work by the *Albany Business Review*. You can rest assured, that the new generation of leaders at your bank are the best that have ever been brought together, and are among the best in the state, if not the nation. I am proud of their accomplishments and confident that they will achieve even more than your bank has already accomplished.

As always, thank you for your continued support.

Charles V. Wait
Chairman

Financial Narrative:

Consolidated total assets of $1.2 billion and total deposits of $1.1 billion were both up just under 8%. Total loans of $774 million grew by $14 million or 1.8% while maintaining our continued strong asset quality as evidenced by our non-performing loans to gross loans ratio of just 14 basis points. Loan growth was funded by the increase in deposits and the continued planned run off of consumer loans and excess cash held at the Federal Reserve Bank of New York and invested in higher yielding commercial loans and investments in US Government bonds.

Net income was up 3.7% to $12.8 million in 2019, a new record. This was driven by an increase in net interest income of 5.2%. Increased net interest income was due to the incremental rise in interest rates during the substance of 2019 and the continued planned run off of lower yielding consumer loans to higher yielding commercial and residential loans. We also benefited from increased rates on reinvested investment securities and higher interest rates paid on our excess cash held at the Federal Reserve Bank of New York. We added another $750 thousand to the provision for loan losses and ended the year in a net recovery position.

Non-interest income increased $310 thousand as our Trust/Wealth Management group revenue increased 7.5%. Non-interest expense increased 4.6%, driven primarily by increases in benefits expense, occupancy expense and data processing fees.

Return on average assets and equity was 1.07% and 9.85%, respectively.

Respectfully submitted,

Jack Arnold, CPA
EVP, CAO, CFO & Treasurer

ADIRONDACK
TRUST COMPANY

Consolidated Statements of Condition

Assets

	As of December 31, 2019	2018
ASSETS		
Cash and due from banks	$139,757,598.32	$69,970,620.48
Securities:		
Obligations of U.S. government	205,014,335.30	194,889,573.46
Obligations of federal agencies	7,760,720.58	3,628,690.73
Obligations of state and municipal subdivisions	8,114,548.15	12,938,298.30
Corporate	43,517,086.94	47,900,003.04
Other securities	334,649.12	334,649.12
Loans:		
Commercial loans	512,970,744.49	487,769,848.23
Residential loans	226,532,534.73	211,935,489.97
Other loans	34,890,137.75	60,739,477.62
Allowance for loan losses	(12,216,494.88)	(11,408,024.60)
Bank premises, furniture and fixtures, net	29,484,272.58	27,380,488.99
Goodwill and other intangibles, net	20,794,370.51	21,304,217.27
Accrued interest receivable	3,074,322.60	2,872,740.04
Pension funded status	2,717,831.00	3,450,147.00
Pre-paid expenses	2,298,789.60	2,233,001.46
Other assets	12,415,924.45	12,393,173.62
TOTAL ASSETS	**$1,237,461,371.24**	**$1,148,332,394.73**

Liabilities and Stockholders' Equity

	As of December 31, 2019	2018
LIABILITIES		
Demand deposits	$348,802,305.83	$285,772,723.90
Savings deposits	519,569,968.23	509,056,608.50
Time deposits	205,788,018.08	202,416,822.47
Total deposits	1,074,160,292.14	997,246,154.87
Customer repurchase agreements	3,650,660.32	3,404,807.55
Accrued expenses	13,173,808.94	13,215,376.79
Other liabilities	12,801,429.10	12,668,891.62
TOTAL LIABILITIES	**1,103,786,190.50**	**1,026,535,230.83**
STOCKHOLDERS' EQUITY		
Common stock ($50 par value per share; 80,000 shares authorized, 76,849 and 76,837 shares issued, respectively)	3,842,450.00	3,841,850.00
Surplus	7,354,561.00	7,332,481.00
Retained earnings	127,637,219.21	117,489,422.92
Accumulated other comprehensive loss	(5,159,049.47)	(6,866,590.02)
TOTAL STOCKHOLDERS' EQUITY	**133,675,180.74**	**121,797,163.90**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$1,237,461,371.24**	**$1,148,332,394.73**

Statements of Income

	For the years ended December 31,	
	2019	**2018**
Interest and dividend income:		
Interest and fees on loans	$33,618,609.06	$31,169,340.67
Interest and dividends on securities	5,689,486.33	5,036,726.28
Other interest income	2,125,328.97	1,926,371.63
Total interest and dividend income	**41,433,424.36**	**38,132,438.58**
Interest expense:		
Deposits and escrow accounts	3,134,944.69	1,720,492.07
Net interest income	**38,298,479.67**	**36,411,946.51**
Provision for loan losses	750,000.00	1,000,000.00
Net interest income after provision for loan losses	**37,548,479.67**	**35,411,946.51**
Non-interest income:		
Commissions and fees from insurance sales	14,800,423.87	15,108,075.70
Trust service fees	2,958,250.43	2,750,749.44
Service charges on deposits	1,024,478.33	1,055,334.48
Net gains from loan sales	399,294.48	507,194.53
Net losses from securities transactions	(211,951.04)	(245,432.54)
Other income	2,796,488.24	2,281,092.15
Total non-interest income	**21,766,984.31**	**21,457,013.76**
Non-interest expense:		
Compensation and benefits	26,031,252.48	25,184,735.13
Premises and equipment, net	4,488,232.25	4,246,462.58
Data processing	4,409,074.31	3,806,745.31
Other professional services	1,557,263.04	1,867,266.54
Other expenses	6,311,117.32	5,819,426.73
Total non-interest expense	**42,796,939.40**	**40,924,636.29**
Income before income tax expense	16,518,524.58	15,944,323.98
Income tax expense	3,757,914.47	3,640,977.60
Net Income	**$12,760,610.11**	**$12,303,346.38**
Net Income per common share	**$166.07**	**$160.15**

Changes In Loan Reserves

	For the years ended December 31,	
	2019	**2018**
Balance at beginning of year	$11,408,024.60	$10,979,718.40
Recoveries credited	233,683.65	93,300.33
Provision	750,000.00	1,000,000.00
Losses charged	(175,213.37)	(664,994.13)
Balance at end of year	**$12,216,494.88**	**$11,408,024.60**

Changes In Stockholders' Equity

	For the years ended December 31,	
	2019	**2018**
Balance at beginning of year	$121,797,163.90	$113,453,052.50
Net Income	12,760,610.11	12,303,346.38
Issued 12 and 12 shares common stock, respectively	22,680.00	22,416.00
Cash dividends declared	(3,957,414.50)	(3,937,590.25)
Change in unrealized gain (loss) on securities available for sale, net of tax	2,828,143.63	(444,824.60)
Change in pension and post retirement benefit plans funded status, net of tax	223,997.60	400,763.87
Balance at end of year	**$133,675,180.74**	**$121,797,163.90**

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 15
3017 Route 50
Wilton

MALTA
2510 Route 9
Malta

LUTHER FOREST
51 Luther Forest Boulevard
Malta

QUEENSBURY
376 Bay Road
Queensbury

WEST CHURCH
315 Church Street
Saratoga Springs

EXIT 11
322 Ruhle Road
Ballston Lake

GLENS FALLS
24 Maple Street
Glens Falls

MILTON
162 Northline Road
Milton

PRESTWICK CHASE
100 Saratoga Boulevard
Saratoga Springs

SOUTH BROADWAY
112 South Broadway
Saratoga Springs

WILTON
650 Maple Avenue
Wilton

ADIRONDACK
WEALTH MANAGEMENT

OFFICES

MAIN OFFICE
31 Church Street
Saratoga Springs

GLENS FALLS
24 Maple Street
Glens Falls

Adirondack Wealth Management takes pride in providing financial solutions to individuals, families, corporations and nonprofit institutions. As trusted advisers, 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 taken by Tom Stock
of The Adirondack Trust Company and Amsure staff
in front of the Main Office in December 2019.

ADIRONDACK

TRUST COMPANY