The Adirondack Trust Company

2020 ANNUAL REPORT

ADIRONDACK
TRUST COMPANY

Directors

GUY ALONGE, III

SUSAN LAW DAKE

MARY C. GAVIN

JOHN T. HEDBRING

DOUGLASS M. MABEE

DOUGLASS T. MABEE

J. THOMAS ROOHAN, JR.

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 J. O'CONNELL
Executive Vice President

KATHLEEN M. MacAREVEY
Corporate Secretary & Executive Assistant

MICHAEL S. BRODT
Senior Vice President

MATTHEW P. D'ABATE
Senior Vice President

EDWARD P. HART, III
Senior Vice President

ROBERT F. LOUGHRAN
Senior Vice President

JOHN W. MURPHY
Senior Vice President

PATRICK B. REILLY
Senior Vice President

BRYAN M. BOOTH
Vice President

BRIAN D. CHARBONNEAU
Vice President

EDWARD M. CONNELL
Vice President

ANDREW R. FERRARA
Vice President

MATTHEW C. HARRISON
Vice President

ANGELA M. KEDIK
Vice President

DEAN A. KOLLIGIAN
Vice President

EDWARD M. LENZ
Vice President

CHRISTINE H. MESICK
Vice President

MICHAEL D. MURRAY
Vice President

KELLEY H. PELUSO
Vice President

SUSANNE M. ROGAN
Vice President

CHRISTOPHER J. ROSE
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:

One cold day in December, I walked into G. Willikers, a local toy store, to purchase an advent calendar for my daughter. My family loves these advent calendars because you build up a scene, piece by piece, every day of December until Christmas Eve. Because of supply chain issues brought about by the pandemic, I was worried I might not get one. Fortunately, they had one, but it was the only one left, so I bought it on the spot without looking at it.

It was not until I got it home that I realized what a perfect representation of 2020 it was. Titled "Construction Site Fire Rescue," the calendar depicts a construction site with burning oil barrels, burning puddles of oil, and construction debris. Two firefighters in full gear are spraying flame-retardant chemicals on the fire as it burns out of control. Other fires give the city skyline, which forms the background, an orange-yellow glow.

It is safe to say that this has been a year like no other. Beginning in March, the novel coronavirus devastated our communities. Many people lost loved ones and could not be with them in their final hours. The economic damage was, and continues to be, immense. All non-essential businesses were closed until early June, and many businesses crucial to a tourist economy are still closed or are operating at significantly reduced capacity. Schools and daycare centers also closed, putting a tremendous burden on working parents. All of this led to mass layoffs, permanent business closures, and loss of income.

Years of diligent and conservative management put your Bank in an excellent position to help fight these fires. One of the most significant ways your Bank did this was through the Paycheck Protection Program (PPP). In early April, The Adirondack Trust Company made one of the largest capital investments in downtown Saratoga's history through issuing over $100 million in PPP loans.

During the first half of the initial phase of this program, your Bank made just over $82.6 million in PPP loans, or about 41 basis points of all the PPP loans made in New York State up to that point. At the time, your Bank represented approximately 11 basis points of all New York State banking assets. We also worked closely with our borrowers to ensure the long-term viability of their businesses and their continued ability to repay their loans.

Your Bank helped in other ways as well. Nonprofit organizations could not hold the fundraising events they normally do, and many of these organizations lost other sources of funds as well. We therefore stepped up our already considerable charitable giving in response. For example, The Adirondack Trust Company Community Fund decided not to ask suffering local businesses for donations this year. Instead, we provided the funding for the Community Fund's Lend-A-Hand Grant program that local businesses and community members would normally raise, so that our local nonprofits could continue to help those in need.

Given these challenges, your Bank's performance in 2020 was very respectable. Total assets, loans, and deposits all reached record levels, and our Amsure and Wealth Management divisions both posted record revenue. Although net income was down significantly from the prior year, most of that decline represents prudent additional provisioning for continued economic uncertainty driven by the ongoing coronavirus pandemic. In the end, your Bank made $8.3 million while increasing its total loan loss provision by almost 70 percent, a significant achievement.

Moreover, through serendipity and a conservative approach to financial risk, your Bank has maintained its strong balance sheet despite all these extraordinary actions. Due in part to a lack of spending on the part of individuals and businesses driven by the pandemic, our deposit balances increased by over 23 percent, providing even more liquidity than we started with in 2020. Loans increased by 7.4 percent and stockholders' equity increased by 5 percent.

None of this would have been possible without the hard work and dedication of both of my immediate predecessors. During his tenure, Charles V. Wait grew your Bank from just over $130 million in assets to just over $1 billion at the end of his presidency. Dividends increased almost tenfold. Our footprint expanded from three branches in Saratoga Springs and Malta to 13 branches ranging from Luther Forest to Queensbury. He built two complementary businesses, our Wealth Management and Amsure divisions, from nothing. Today our Wealth Management Division manages over $750 million in assets, and our Amsure division is the largest independent and locally owned insurance agency in the Capital District. Of course, these are just a handful of the major accomplishments of his incredibly successful tenure as President and CEO.

My immediate predecessor, Stephan R. von Schenk, further cemented your Bank's enviable position. He presided over a major branding initiative that resulted in the adoption of Amsure as the brand for our insurance agency and the first change to the Bank's logo in many years. He also led a series of efforts that culminated in the Bank receiving the Albany Business Review's Best Places to Work award for the third consecutive year in 2020. Finally, under his tenure your Bank engaged in several major technological changes, converting its core banking system (a massive undertaking) and building an entirely new and modern website. These changes put your Bank in a much better position to continue to serve its communities.

Newman E. Wait, Jr., fourth President of The Adirondack Trust Company, said, "We can't be a successful bank in a community that's a failure." As I write these words, we are one day away from beginning our second round of providing local businesses with sorely needed cash through the PPP program. Your Bank will continue to do the hard work of building and supporting the communities it serves while maintaining its fundamental safety and soundness. We will always be guided by this core philosophy.

We live in very uncertain times. Between the challenges we face from the ongoing coronavirus pandemic and the deep divisions in our country, it can be easy for any of us to feel a little discouraged. These are, however, precisely the times in which those who do not give in to these feelings can build a successful future. The best path forward is to focus on things one can control instead of on things one cannot. This sentiment guides your Bank's management as it navigates these times. Finally, I want to thank all our employees for their extraordinary efforts over the past year. Through all the challenges that this difficult year threw at them, they nevertheless went above and beyond for our customers and our communities every single day. To our shareholders, thank you for your continued support.

Sincerely,

Charles V. Wait, Jr.
President & CEO

Financial Narrative:

New records were achieved in total assets, deposits, and loans during 2020. Consolidated total assets of $1.5 billion and total deposits of $1.3 billion were up 21% and 23%, respectively. Total loans of $832 million grew by 7.4% after providing $103 million in SBA-PPP loans to local businesses earlier this year. Loan growth was funded by the increase in deposits, the continued planned runoff of consumer loans, investment portfolio maturities, and excess cash held at the Federal Reserve Bank of New York.

Net income of $8.3 million in 2020 was down compared to last year, as interest rates continued to decline during this year, and we provided $8.5 million to our loan loss reserve compared to $750 thousand last year, in response to the effects and uncertainty associated with the ongoing COVID-19 pandemic, bringing our total reserve up to $20.7 million. We again ended this year in a net recovery position.

Non-interest income increased by 8%, as record revenue was realized from our Insurance Agency, the Trust/Wealth Management division, and net gains from loan sales. Non-interest expense increased slightly, due in part to an increase in charitable contributions to local organizations during the year, offset by a decrease in data processing fees and advertising-related expenses.

Return on average assets and equity was 0.61% and 5.9%, respectively.

Respectfully submitted,

Jack Arnold, CPA
EVP, CAO, CFO, & Treasurer

Consolidated Statements of Condition

Assets

	As of December 31 2020	2019
ASSETS		
Cash and due from banks	$402,623,640.40	$139,757,598.32
Securities:		
Obligations of U.S. government	175,523,962.22	205,014,335.30
Obligations of federal agencies	4,243,508.74	7,760,720.58
Obligations of state and municipal subdivisions	14,932,644.29	8,114,548.15
Corporate	16,900,050.00	43,517,086.94
Other securities	335,999.12	334,649.12
Loans:		
Commercial loans	594,871,996.21	512,970,744.49
Residential loans	220,977,475.02	226,532,534.73
Other loans	15,659,279.56	34,890,137.75
Allowance for loan losses	(20,724,412.31)	(12,216,494.88)
Bank premises, furniture and fixtures, net	30,110,945.35	29,484,272.58
Goodwill and other intangibles, net	20,284,523.75	20,794,370.51
Accrued interest receivable	3,597,728.86	3,074,322.60
Pension funded status	1,949,505.00	2,717,831.00
Pre-paid expenses	1,503,635.66	2,298,789.60
Other assets	13,100,289.79	12,415,924.45
TOTAL ASSETS	**$1,495,890,771.66**	**$1,237,461,371.24**

Liabilities and Stockholders' Equity

	As of December 31 2020	2019
LIABILITIES		
Demand deposits	$450,303,242.26	$348,802,305.83
Savings deposits	665,517,364.98	519,569,968.23
Time deposits	205,968,858.01	205,788,018.08
Total deposits	1,321,789,465.25	1,074,160,292.14
Customer repurchase agreements	9,174,151.02	3,650,660.32
Accrued expenses	12,486,368.60	13,173,808.94
Other liabilities	12,112,271.36	12,801,429.10
TOTAL LIABILITIES	**1,355,562,256.23**	**1,103,786,190.50**
STOCKHOLDERS' EQUITY		
Common stock ($50 par value per share; 80,000 shares authorized, 76,860 and 76,849 shares issued, respectively)	3,843,000.00	3,842,450.00
Surplus	7,376,693.00	7,354,561.00
Retained earnings	131,993,423.58	127,637,219.21
Accumulated other comprehensive loss	(2,884,601.15)	(5,159,049.47)
TOTAL STOCKHOLDERS' EQUITY	**140,328,515.43**	**133,675,180.74**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$1,495,890,771.66**	**$1,237,461,371.24**

Statements of Income

	For the years ended December 31	
	2020	2019
Interest and dividend income:		
Interest and fees on loans	$35,848,856.66	$33,618,609.06
Interest and dividends on securities	4,313,254.55	5,689,486.33
Other interest income	560,851.58	2,125,328.97
Total interest and dividend income	**40,722,962.79**	**41,433,424.36**
Interest expense:		
Deposits and escrow accounts	2,217,417.46	3,134,944.69
Net interest income	**38,505,545.33**	**38,298,479.67**
Provision for loan losses	8,500,000.00	750,000.00
Net interest income after provision for loan losses	**30,005,545.33**	**37,548,479.67**
Non-interest income:		
Commissions and fees from insurance sales	15,550,948.88	14,800,423.87
Trust service fees	3,037,571.85	2,958,250.43
Service charges on deposits	642,509.89	1,024,478.33
Net gains from loan sales	1,994,220.76	399,294.48
Net gains (losses) from securities transactions	36,358.75	(211,951.04)
Other income	2,346,294.87	2,796,488.24
Total non-interest income	**23,607,905.00**	**21,766,984.31**
Non-interest expense:		
Compensation and benefits	27,114,738.12	26,031,252.48
Premises and equipment, net	4,450,691.55	4,488,232.25
Data processing	4,079,761.45	4,409,074.31
Other professional services	1,623,961.84	1,557,263.04
Other expenses	5,741,811.70	6,311,117.32
Total non-interest expense	**43,010,964.66**	**42,796,939.40**
Income before income tax expense	10,602,485.67	16,518,524.58
Income tax expense	2,288,274.55	3,757,914.47
Net Income	**$8,314,211.12**	**$12,760,610.11**
Net Income per common share	**$108.19**	**$166.07**

Changes In Loan Reserves

	For the years ended December 31	
	2020	2019
Balance at beginning of year	$12,216,494.88	$11,408,024.60
Recoveries credited	130,597.55	233,683.65
Provision	8,500,000.00	750,000.00
Losses charged	(122,680.12)	(175,213.37)
Balance at end of year	**$20,724,412.31**	**$12,216,494.88**

Changes In Stockholders' Equity

	For the years ended December 31	
	2020	2019
Balance at beginning of year	$133,675,180.74	$121,797,163.90
Net Income	8,314,211.12	12,760,610.11
Issued 11 and 12 shares common stock, respectively	22,682.00	22,680.00
Cash dividends declared	(3,958,006.75)	(3,957,414.50)
Change in unrealized gain on securities available for sale, net of tax	3,251,241.70	2,828,143.63
Change in pension and post retirement benefit plans funded status, net of tax	(976,793.38)	223,997.60
Balance at end of year	**$140,328,515.43**	**$133,675,180.74**

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 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

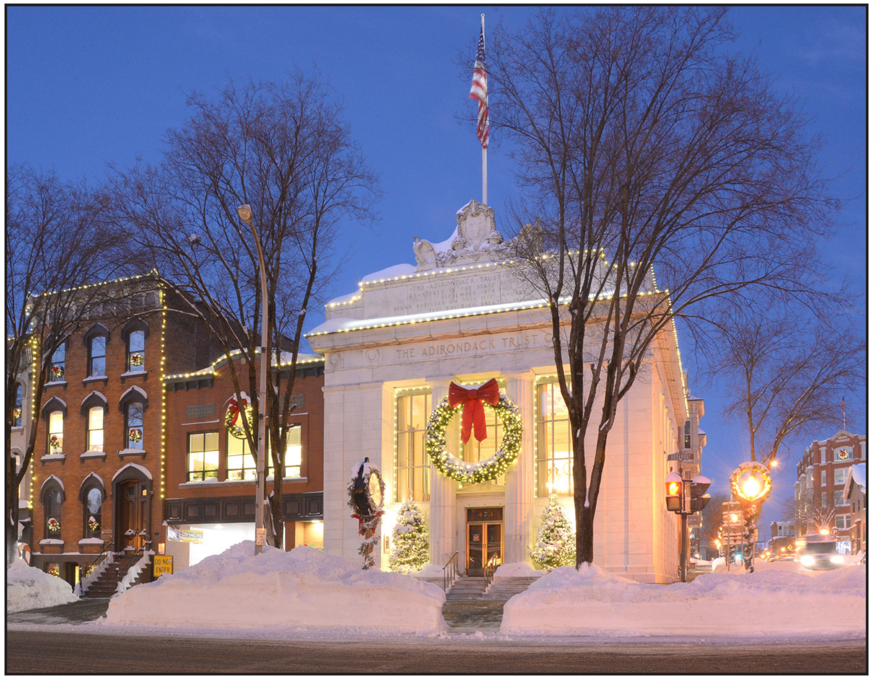
ALBANY
12 Computer Drive West
Albany

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 Main Office
December 2020.

ADIRONDACK
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