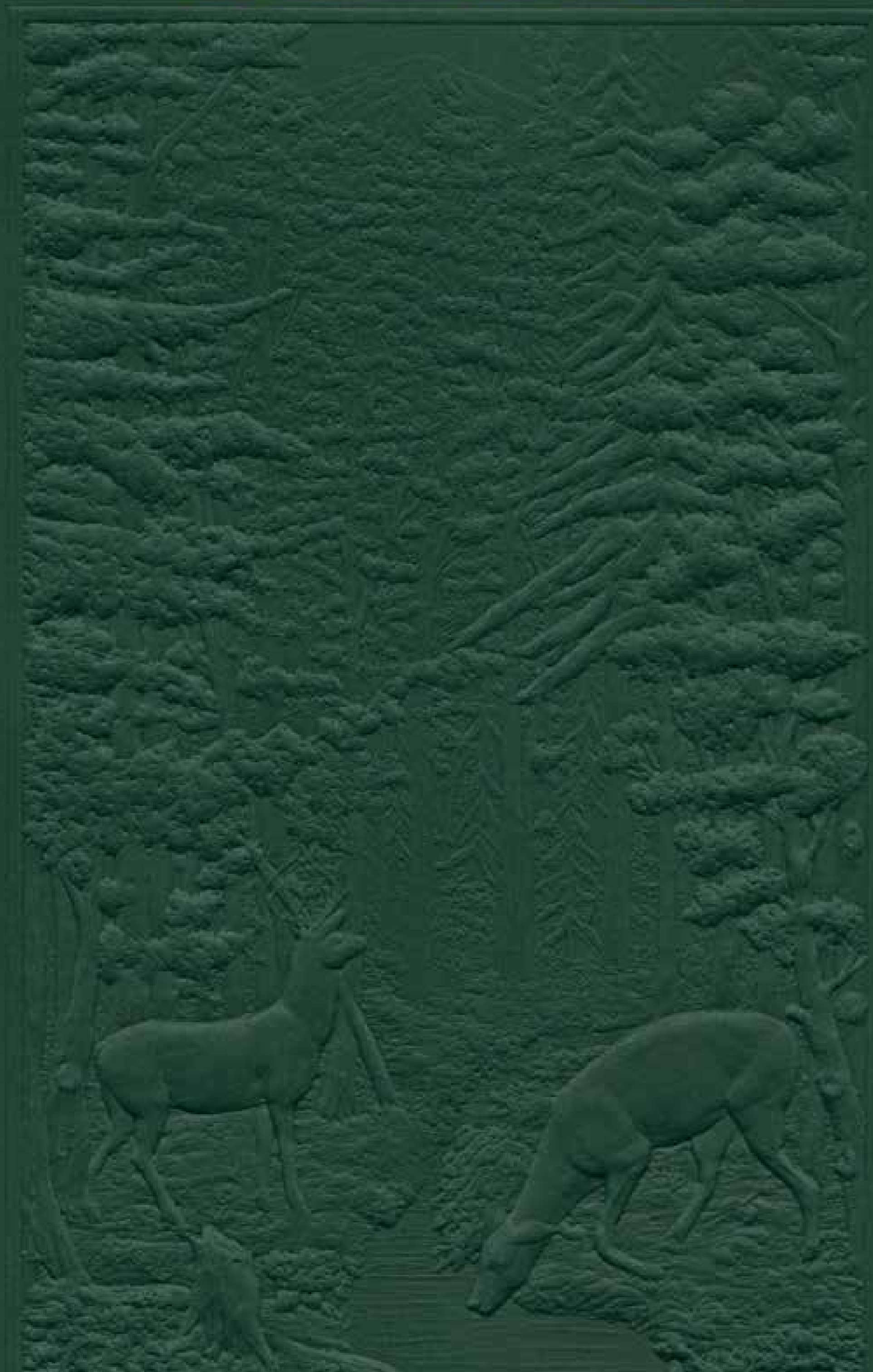
The Adirondack Trust Company



2021 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

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

CHRISTOPHER J. ROSE
Vice President

MATTHEW P. D'ABATE
Senior Vice President

EDWARD P. HART, III
Senior Vice President

JOHN W. MURPHY
Senior Vice President

BRIAN D. CHARBONNEAU
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

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NINA GUIDI
Vice President - Audit

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

A Note to Our Stockholders:

The mythical phoenix is a bird that dies and is reborn from its own ashes. One of the most commonly cited records of this myth in classical Greek literature is Herodotus's *Histories*. His description of the phoenix is vague, however, concerning the most distinctive aspect of the phoenix – its rebirth.[1] The phoenix also appears in Ovid's *Metamorphoses*, in which it more closely resembles the form with which we are familiar today.[2] The legend has been told and retold countless times since then, but the core element, the rebirth of the bird from its own ashes, has remained. One of the most eloquent depictions of the phoenix comes from Shakespeare, when Archbishop Cranmer describes the future Queen Elizabeth I:

> Nor shall this peace sleep with her; but as when
> The bird of wonder dies, the maiden phoenix,
> Her ashes new create another heir
> As great in admiration as herself,
> So shall she leave her blessedness to one,
> When heaven shall call her from this cloud of
> darkness,
> Who from the sacred ashes of her honor
> Shall starlike rise as great in fame as she was
> And so stand fixed.[3]

The communities your Bank serves experienced such a revival in 2021. In 2020, safety concerns surrounding the novel coronavirus prevented the Saratoga Race Course from welcoming fans in person, and the Saratoga Performing Arts Center from offering a typical season. This led to a dramatic

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1 Herodotus, Histories 124 (Aubrey De Sélincourt trans., Penguin Books 2003) (1954).

2 Ovid, Metamorphoses 429 (Stanley Lombardo trans., Hackett Publishing Co., Inc. 2010).

3 William Shakespeare, King Henry the Eighth Act 5, sc. 4.

decline in hotel occupancy, restaurant patronage and other economic activity in 2020. Many local businesses would have failed but for the timely partnership between your Bank and the Small Business Administration through its Paycheck Protection Program. As vital as this program was, it could not continue indefinitely.

Fortunately, vaccines against COVID-19 became available for those most vulnerable to it in early 2021. This amazing feat made it possible to reopen the Saratoga Race Course and for SPAC to have a more extensive summer season. This, in turn, led to a dramatic increase in economic activity. For example, the Saratoga Race Course returned to more than 1 million in-person attendees, and the $815.5 million handle broke 2019's record by more than 15 percent. Hotel room tax revenue increased by more than threefold for the months of June through August, as compared to the prior year's revenues. And our local restaurants, shops and other businesses were able to welcome customers back in person.

Your Bank benefited from this revival. Our Chief Financial Officer discusses this in more detail in his financial report, but the highlights are these: Our Wealth Management and Amsure divisions each reported record revenue in 2021. Deposits increased more than 14 percent to a new record of more than $1.5 billion. This also drove record-setting asset growth of 14 percent to just under $1.7 billion. Despite record prepayments on loans, due in part to government stimulus, strong new loan origination further drove increased revenue. All of this resulted in an increase in net income of 73 percent, to a new record of more than $14 million. We are very pleased with these results.

The cycle of death and rebirth encapsulated in the myth of the phoenix is widely appealing because it is a good metaphor for many aspects of life. We all face difficult times. These times do not last forever, and better times follow. The cycle repeats.

Likewise, fresh challenges face your Bank and the communities it serves following the economic revival of 2021. Although cases of COVID-19 have been declining rapidly, they are still at elevated levels and are still causing disruption, especially for working parents. Quarantines keep workers from their jobs and children from school. These absences compound existing problems in both the market for goods and in the market for labor, which limits economic growth in our communities.

Business challenges aside from COVID-19 continue to present themselves as well. We must continually update our technology to stay ahead of the cybercriminals as well as the competition. Inflation is a problem. Not only is it destructive of wealth, but it makes life even harder for the least fortunate among us. And an ever-increasing web of complex regulations requires ever more effort and cost to navigate.

Despite all of this, your Bank will continue to reinvent itself in the face of these difficulties. In this, as in many things, we both lead and follow the communities we serve. Particular actions of leadership serve to inspire other such actions, creating a cycle of positive reinforcement. That is what makes our community such a great place to live and work.

Sincerely,

Charles V. Wait, Jr.
President & CEO

Financial Narrative:

New records were achieved in total assets, deposits and earnings during 2021. Consolidated total assets of $1.7 billion and total deposits of $1.5 billion were both up 14%. Loan growth was also strong, excluding the paydown of SBA-Paycheck Protection Program (PPP) loans. Total loans of $824 million were down just under 1% after receiving payoff of a substantial amount from the SBA for PPP loans provided to local businesses during the past two years, totaling just over $163 million. Investments grew by $351 million, to $563 million, funded by excess cash held in our account at the Federal Reserve Bank of New York. Investment growth was primarily added to our US Treasury bond portfolio.

Net income of $14 million in 2021 was up 73% compared to last year, a new record. We also achieved new revenue records for both our Trust/Wealth Management and Insurance Agency. In 2020, we provided $8.5 million to our loan loss reserve in response to the risk and uncertainty associated with the ongoing COVID-19 pandemic. We did not add to our loan loss reserve in 2021. We continue to monitor our local market during the ongoing effects and reaction to the pandemic. We again ended this year in a net recovery position.

Non-interest expense increased 8%, 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. We also realized 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 .90% 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 2021	2020
ASSETS		
Cash and due from banks	$251,305,514.82	$402,623,640.40
Securities:		
Obligations of U.S. government	471,915,503.48	175,523,962.22
Obligations of federal agencies	32,735,080.70	4,243,508.74
Obligations of state and municipal subdivisions	13,539,373.04	14,932,644.29
Corporate	44,491,831.12	16,900,050.00
Other securities	336,649.12	335,999.12
Loans:		
Commercial loans	589,104,961.90	594,871,996.21
Residential loans	226,507,323.37	220,977,475.02
Other loans	8,424,052.00	15,659,279.56
Allowance for loan losses	(20,773,702.93)	(20,724,412.31)
Bank premises, furniture and fixtures, net	33,352,351.04	30,110,945.35
Goodwill and other intangibles, net	19,774,676.99	20,284,523.75
Accrued interest receivable	3,565,743.77	3,597,728.86
Pension funded status	6,002,445.00	1,949,505.00
Pre-paid expenses	1,754,505.41	1,503,635.66
Other assets	16,665,192.55	13,100,289.79
TOTAL ASSETS	**$1,698,701,501.38**	**$1,495,890,771.66**

Liabilities and Stockholders' Equity

	As of December 31 2021	2020
LIABILITIES		
Demand deposits	$500,417,335.69	$450,303,242.26
Savings deposits	789,608,760.90	665,517,364.98
Time deposits	218,590,442.94	205,968,858.01
Total deposits	1,508,616,539.53	1,321,789,465.25
Customer repurchase agreements	10,902,169.16	9,174,151.02
Accrued expenses	13,699,518.90	12,486,368.60
Other liabilities	16,734,997.90	12,112,271.36
TOTAL LIABILITIES	**1,549,953,225.49**	**1,355,562,256.23**
STOCKHOLDERS' EQUITY		
Common stock ($50 par value per share; 80,000 shares authorized, 76,873 and 76,860 shares issued, respectively)	3,843,650.00	3,843,000.00
Surplus	7,399,963.00	7,376,693.00
Retained earnings	142,383,253.15	131,993,423.58
Accumulated other comprehensive loss	(4,878,590.26)	(2,884,601.15)
TOTAL STOCKHOLDERS' EQUITY	**148,748,275.89**	**140,328,515.43**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$1,698,701,501.38**	**$1,495,890,771.66**

Statements of Income

	For the years ended December 31	
	2021	2020
Interest and dividend income:		
Interest and fees on loans	$35,442,798.88	$35,848,856.66
Interest and dividends on securities	6,158,780.17	4,313,254.55
Other interest income	440,645.29	560,851.58
Total interest and dividend income	**42,042,224.34**	**40,722,962.79**
Interest expense:		
Deposits and escrow accounts	1,121,050.73	2,217,417.46
Net interest income	**40,921,173.61**	**38,505,545.33**
Provision for loan losses	0.00	8,500,000.00
Net interest income after provision for loan losses	**40,921,173.61**	**30,005,545.33**
Non-interest income:		
Commissions and fees from insurance sales	15,985,497.20	15,550,948.88
Trust service fees	3,835,810.75	3,037,571.85
Service charges on deposits	668,815.01	642,509.89
Net gains from loan sales	1,629,897.84	1,994,220.76
Net (losses) gains from securities transactions	(50,000.00)	36,358.75
Other income	2,653,864.03	2,346,294.87
Total non-interest income	**24,723,884.83**	**23,607,905.00**
Non-interest expense:		
Compensation and benefits	27,774,861.68	27,114,738.12
Premises and equipment, net	4,434,094.34	4,450,691.55
Data processing	4,505,622.03	4,079,761.45
Other professional services	1,962,917.18	1,623,961.84
Other expenses	7,603,675.95	5,741,811.70
Total non-interest expense	**46,281,171.18**	**43,010,964.66**
Income before income tax expense	19,363,887.26	10,602,485.67
Income tax expense	4,996,214.69	2,288,274.55
Net Income	**$14,367,672.57**	**$8,314,211.12**
Net Income per common share	**$186.93**	**$108.19**

Changes In Loan Reserves

	For the years ended December 31	
	2021	2020
Balance at beginning of year	$20,724,412.31	$12,216,494.88
Recoveries credited	108,440.04	130,597.55
Provision	0.00	8,500,000.00
Losses charged	(59,149.42)	(122,680.12)
Balance at end of year	**$20,773,702.93**	**$20,724,412.31**

Changes In Stockholders' Equity

	For the years ended December 31	
	2021	2020
Balance at beginning of year	$140,328,515.43	$133,675,180.74
Net Income	14,367,672.57	8,314,211.12
Issued 13 and 11 shares common stock, respectively	23,920.00	22,682.00
Cash dividends declared	(3,977,843.00)	(3,958,006.75)
Change in unrealized (loss) gain on securities available for sale, net of tax	(5,721,793.70)	3,251,241.70
Change in pension and post retirement benefit plans funded status, net of tax	3,727,804.59	(976,793.38)
Balance at end of year	**$148,748,275.89**	**$140,328,515.43**

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

LUTHER FOREST
51 Luther Forest Boulevard
Malta

MALTA
2510 Route 9
Malta

QUEENSBURY
376 Bay Road
Queensbury

WEST CHURCH
315 Church Street
Saratoga Springs

EXIT 11
322 Ruhle Road
Ballston Lake

EXIT 18
79 Main Street
Queensbury

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

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
December 2021.

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