

Consolidated Interim Financial Information

September 30, 2021



To our shareholders -

Ballston Spa Bancorp, Inc., parent company of Ballston Spa National Bank (BSNB), continued to produce strong financial results for the third quarter of 2021. Net income for the nine-month period ending September 30, 2021 totaled \$4.1 million, or \$5.49 per share, up 10.7% from the \$3.7 million, or \$4.96 per share reported for the same period in 2020. The improved earnings performance is largely a result of growth in the Company's loan and deposit portfolios, Paycheck Protection Program (PPP) loan fees, and one-time gains recognized in the third quarter of 2021. These income advances were offset by continued compression in the Company's net interest margin.

Highlights for the nine-months ending September 30, 2021 include:

- Commercial and commercial real estate loans, without the benefit of PPP balances, increased a healthy \$10.7 million, or 4.5%, from December 31, 2020;
- Residential mortgage production remained strong during the period. Portfolio balances increased \$17.9 million, or 8.25%, compared to year-end 2020. In light of certain economic and balance sheet trends, the Company elected to retain a greater share of these loans in 2021 as compared to 2020. Correspondingly, gains on the sale of residential mortgage loans decreased \$737 thousand compared to the same period in 2020;
- Loan growth was supported by an increase in consumer and commercial deposits of \$33.8 million or 8.0% during the first nine months of 2021. Seasonal fluctuations in municipal deposits also contributed to an increase in total deposits of \$75.8 million or 12.5%;
- The Company recognized pretax income of \$886 thousand during the third quarter of 2021 from gains derived from a legal settlement and the sale of a vacant parcel of land.

I am also pleased to report that the Company's balance sheet remains strong and well positioned to pursue growth opportunities. Loan quality, despite pandemic related economic uncertainties, remains solid. Nonperforming loans as a percentage of total loans declined from 0.39% on September 30, 2020 to 0.35% as of the end of the third quarter in 2021. As a further measure of strength, capital levels are well above the regulatory minimums as our Tier 1 capital ratio totaled 12.35% as of September 30, 2021.

In view of recent financial trends and performance, the Company is moving forward with additional strategic investments in our building and technology infrastructure. To that end, we recently initiated a plan to relocate our Latham branch to a new facility that will better serve and support customers in the Capital Region market. Located in very close proximity to the existing branch office, the facility, once renovated, will provide an enhanced banking experience with new drive-thru service and easier access. The transition to the new office is anticipated to occur in the spring of 2022.

Looking ahead, we anticipate that the low interest rate environment will keep interest margins compressed and negatively impact income expectations for future periods. That said, given our strong financial foundation and a team committed to making a positive difference, the Company remains focused on the pursuit of additional growth opportunities and service enhancements. On behalf of the Board, staff and management, we thank you for your continued support.

Christopher R. Dowd
President and Chief Executive Officer



A Closer Look



Artist rendering of new Latham location.

Coming Spring of 2022 – New Location in Latham

BSNB's current office at 1207 Troy Schenectady Road will be moving across the street to the newly named BSNB Plaza at 1202 Troy Schenectady Road. Consistent with our growth plans in the Capital Region, the new location will offer customers an enhanced banking experience with new drive-thru banking lanes and easier access. Together with our highly experienced team of bankers and comprehensive slate of services, the prominent location underscores our continued commitment to the Albany market.

BSNB Volunteers in Action

Since 2020, BSNB employees have volunteered more than 1,500 hours to support drive-thru food pantries in cooperation with the Regional Food Bank of NENY. As a result, employees distributed more than 300,000 pounds of food to area neighbors experiencing food insecurities due to the pandemic. In addition, BSNB's matching campaigns have generated donations from the community totaling nearly \$35,000. Coupled with \$85,000 in support from BSNB, the Regional Food Bank has received nearly \$120,000 in support since the start of the pandemic.

BSNB Locations

Ballston Spa | 87 Front Street

Burnt Hills | 770 Saratoga Road

Clifton Park | 1714 Route 9

Corporate | 990 State Route 67

Galway | 5091 Sacandaga Road

Greenfield Center | 3060 Route 9N

Guilderland | 1973 Western Avenue

Latham | 1207 Troy-Schenectady Road

Malta | 124 Dunning Street

Milton Crest | 344 Rowland Street

Stillwater | 428 Hudson Avenue

Voorheesville | 13 Maple Road

Wilton | 625 Maple Avenue

CONSOLIDATED BALANCE SHEETS

(In thousands)

	September 30, 2021	December 31, 2020
Assets		
Cash and due from banks	\$ 7,939	\$ 6,188
Short-term investments	127,659	84,154
Securities available for sale, at fair value	78,123	68,332
FHLB of NY & FRB stock, at cost	5,145	5,518
Loans	528,837	510,247
Allowance for loan losses	(7,927)	(7,374)
Net loans	520,910	502,873
Premises and equipment, net	9,443	9,819
Other assets	13,430	14,380
Total Assets	\$ 762,649	\$ 691,264
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	\$ 680,776	\$ 604,972
FHLB borrowings, short-term	10,000	10,000
FHLB borrowings, long-term	-	5,880
Junior subordinated debentures	12,905	12,905
Other liabilities	10,501	12,297
Total liabilities	\$ 714,182	\$ 646,054
Shareholders' Equity		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	42,075	38,731
Accumulated other comprehensive income	(2,259)	(2,172)
Total shareholders' equity	\$ 48,467	\$ 45,210
Total Liabilities & Shareholders' Equity	\$ 762,649	\$ 691,264

CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

For the nine months ended September 30,

	2021	2020
Interest and fee income		
Loans, including fees	\$ 15,993	\$ 15,759
Securities available for sale	1,001	1,080
FHLB of NY & FRB stock	223	171
Short-term investments	72	151
Total interest and fee income	\$ 17,289	\$ 17,161
Interest expense		
Deposits	\$ 634	\$ 1,549
FHLB borrowings, short-term	87	226
FHLB borrowings, long-term	238	129
Junior subordinated debentures	502	505
Total interest expense	\$ 1,461	\$ 2,409
Net interest income	15,828	14,752
Provision for loan losses	606	825
Net interest income after provision for loan losses	\$ 15,222	\$ 13,927
Noninterest income		
Service charges on deposit accounts	\$ 483	\$ 484
Trust and investment services income	874	675
Other	2,207	1,844
Total noninterest income	\$ 3,564	\$ 3,003
Noninterest expense		
Compensation and benefits	\$ 8,461	\$ 8,046
Occupancy and equipment	1,220	1,253
FDIC and OCC assessment	415	243
Advertising and public relations	253	253
Legal and professional fees	425	371
Debit Card processing	346	327
Data processing	720	737
Other	1,496	1,205
Total noninterest expense	\$ 13,336	\$ 12,435
Income before income tax expense	\$ 5,450	\$ 4,495
Income tax expense	1,371	809
Net income	\$ 4,079	\$ 3,686
Basic earnings per share	\$ 5.49	\$ 4.96