

Consolidated Interim Financial Information

March 31, 2023



To our shareholders -

Ballston Spa Bancorp, Inc., parent company of Ballston Spa National Bank (BSNB), produced strong financial results for the first quarter of 2023. Net income for the three-month period ending March 31, 2023 totaled \$1.4 million, or \$1.91 per share, up 15.1% from the \$1.2 million, or \$1.66 per share reported for the same period in 2022.

Highlights for the three-months ending March 31, 2023 include:

- Commercial and commercial real estate loans increased \$12.0 million, or 3.9%, from December 31, 2022. Focus on the commercial sector, with continued investments in staff, products and financial tools, contributed to this growth;
- Residential mortgage production remained solid during the period as the portfolio increased \$4.7 million, or 1.8%, compared to year-end 2022;
- Total deposits grew \$7.0 million, or 1.1%, primarily due to increases in commercial and municipal deposits. Minor decreases in consumer deposits offset these gains;
- The net interest margin expanded from 2.72% as of March 31, 2022 to 3.29% as of the same date in 2023. We anticipate that additional Federal Reserve rate hikes will serve to increase funding expense and temper further margin expansion.

Considering reports of volatility in the banking industry and recent economic trends, management is pleased with the first quarter results and the strength of our overall financial position. Loan quality is solid as nonperforming loans increased minimally during the period and represent 0.22% of total loans at March 31, 2023. Capital levels are also strong with the Tier 1 Risk Based Capital level as of March 31, 2023 standing at 11.68%. Furthermore, the Company maintains a well-diversified core deposit base and access to ample additional funding sources. As such, the Company is well-positioned to support the ongoing financial

needs of our customers and to continue to confidently pursue additional growth opportunities.

In addition to the positive financial results, I am pleased to announce that Richard P. Sleasman has been named the new board chair for Ballston Spa Bancorp, Inc. Rich joined the board of directors in 2016 and was elected to the position of vice chair in October of 2022. He is the managing director of CBRE-Albany as well as the president of the newly formed CBRE-Upstate NY with offices in Albany, Syracuse, Rochester and Buffalo. Rich also serves as chair of the Society of Industrial & Office Realtors' national foundation and is a past chair of the board for both the Capital Region Chamber of Commerce and the Eastern New York Red Cross. With more than 35 years of experience in commercial real estate brokerage and property management services, I am confident that Rich will provide incisive leadership while contributing to the ongoing success of Ballston Spa Bancorp.

As a community based financial institution, BSNB remains focused on delivering long-term value to our customers, shareholders and community. Our strong financial position is an indication of our capability and I believe attributable to our disciplined approach and focus on meeting the financial needs of businesses and families in this region. While higher interest rates and other economic factors will continue to impact our business, we are confident in our plan and our position.

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

Robert Roemer Named VP, Information Technology



Please join us in welcoming Robert Roemer, vice president of information technology. Rob will be responsible for leading and managing the Company's information technology strategy while continuing to enhance value for our customers and assist the organization in meeting business goals.

SUMMIT Employee of the Year

Information Security Officer Bret Hasel has received



BSNB's 2022 SUMMIT Employee of the Year award. The award is given annually to an employee that demonstrates the bank's core values of teamwork, respect, accountability, integrity and leadership. Bret was commended for working hard to find solutions that benefit our customers and helping BSNB differentiate ourselves in the market.

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
1202 Troy Schenectady Road

Malta
124 Dunning Street

Milton Crest
344 Rowland Street

Stillwater
428 Hudson Avenue

Voorheesville
13 Maple Road

Wilton
625 Maple Avenue

www.bsnb.com



CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 31, 2023	December 31, 2022
Assets		
Cash and due from banks	\$ 6,785	\$ 5,827
Short-term investments	9,282	16,061
Securities available for sale, at fair value	81,461	81,970
FHLB of NY & FRB stock, at cost	5,579	5,472
Loans	645,181	627,646
Allowance for loan losses	(7,758)	(8,346)
Net loans	637,423	619,300
Premises and equipment, net	10,071	10,181
Other assets	16,639	16,972
Total Assets	\$ 767,240	\$ 755,783
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	\$ 664,567	\$ 657,557
FHLB borrowings, short-term	25,000	22,000
Junior subordinated debentures	12,905	12,905
Other liabilities	9,713	10,591
Total liabilities	\$ 712,185	\$ 703,053
Shareholders' Equity		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	49,699	48,018
Accumulated other comprehensive income	(3,295)	(3,939)
Total shareholders' equity	\$ 55,055	\$ 52,730
Total Liabilities & Shareholders' Equity	\$ 767,240	\$ 755,783

CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

For the three months ended March 31,

	2023	2022
Interest and fee income		
Loans, including fees	\$ 6,768	\$ 5,112
Securities available for sale	681	334
FHLB of NY & FRB stock	83	37
Short-term investments	48	60
Total interest and fee income	\$ 7,580	\$ 5,543
Interest expense		
Deposits	\$ 1,280	\$ 207
FHLB borrowings, short-term	187	81
Junior subordinated debentures	214	155
Total interest expense	\$ 1,681	\$ 443
Net interest income	5,889	5,100
Provision for loan losses	120	120
Net interest income after provision for loan losses	\$ 5,779	\$ 4,980
Noninterest income		
Service charges on deposit accounts	\$ 153	\$ 177
Trust and investment services income	296	294
Other	286	278
Total noninterest income	\$ 735	\$ 749
Noninterest expense		
Compensation and benefits	\$ 3,075	\$ 2,660
Occupancy and equipment	462	461
FDIC and OCC assessment	132	118
Advertising and public relations	111	93
Legal and professional fees	133	110
Debit Card processing	117	127
Data processing	248	247
Other	482	371
Total noninterest expense	\$ 4,760	\$ 4,187
Income before income tax expense	\$ 1,754	\$ 1,542
Income tax expense	333	308
Net income	\$ 1,421	\$ 1,234
Basic earnings per share	\$ 1.91	\$ 1.66