

# Consolidated Interim Financial Information

## June 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 second quarter of 2021. Net income for the six-month period ending June 30, 2021 totaled \$2.4 million, or \$3.21 per share, essentially on par with the \$2.4 million, or \$3.23 per share reported for the same period in 2020.

The prolonged low interest rate environment continues to drive margin compression and negatively impact income performance. The effects of this negative trend over the last several periods have been offset by strong growth in our loan and deposit portfolios, coupled with the positive impact of short-term income sources.

Highlights for the six-months ending June 30, 2021 include:

- The second round of funding for the Small Business Administration's Paycheck Protection Program (PPP) ended during the second quarter with BSNB extending nearly \$17 million in loans to more than 200 local businesses during 2021. Fees generated from the origination of these loans also contributed to the strong income performance during the period;
- Absent the boost of PPP loan balances, commercial and commercial real estate loans increased a healthy \$13.9 million or 5.9% from December 31, 2020;
- Residential mortgage production remained strong during the period. Capitalizing on a modest increase in long-term rates, the Company reduced secondary market sales and retained more loans during the period. As a result, portfolio loan balances increased \$12.9 million or 5.9% compared to year-end 2020;
- Loan growth was supported by an increase in consumer and commercial deposits of \$24.2 million or 5.2% during the first six months of 2021. Seasonal fluctuations in municipal deposits offset the impact on these results in total deposits;
- Adjusting for the positive impact of PPP fee income, the Bank's annualized net interest margin has declined 65 basis points from June 30, 2019 to June 30, 2021. Given the interest rate outlook provided by the Federal Reserve, it is anticipated that margins will remain compressed for the next several periods.

In addition to the solid loan and deposit growth, our balance sheet remains strong. Credit quality is solid as reflected in nonperforming loans as a percentage of total loans which declined from 0.46% on June 30, 2020 to 0.37% as of the end of the second quarter in 2021. Balance sheet strength is further demonstrated in the Bank's Tier 1 capital ratio. Standing at 12.13% as of June 30, 2021, the ratio is well above regulatory minimums and more than adequate to support opportunities for additional market expansion, growth in our southern branches and expansion of existing relationships throughout our market area.

Given our strong financial performance and consistent with our community giving goals, the Company again partnered with the Regional Food Bank of Northeastern New York to hold additional drive thru food pantries during the period. These events, coupled with those conducted since the start of the pandemic in 2020 resulted in the distribution of 270,000 pounds of food across the region to 14,000 people in need. Furthermore, to assist the Food Bank financially, BSNB donated a total of \$75,000 over the course of the pandemic and raised another \$34,000 from the community through a series of matching campaigns.

As we begin the second half of the year, we anticipate additional economic uncertainty but believe we are well positioned to pursue our long-term goals. On behalf of the Board, staff and management, we remain personally invested in the success of our company, clients and community. Thank you for your continued support.

**Christopher R. Dowd**  
President and Chief Executive Officer



# A Closer Look

## Mobile Banking Enhancements

As consumers rely more heavily on the mobile channel for their banking needs, BSNB introduced a modern, updated mobile banking app in late June. The new design offers an improved user experience, new security features and settings, biometrics for Android users and a customized greeting when using the app. Couple the new features with the existing ability to check balances, make transfers, make bill payments and deposit checks using your device's camera and you can bank 24/7 from virtually anywhere! The new apps, for both iPhone and Android smartphones, are available on the App Store and on Google play.

## Estate Planning for Everyone

Estate Planning was once reserved for the wealthiest of individuals and families. This is no longer the case. If you have assets, you will need to establish the right financial and asset distribution plan for your unique situation. BSNB's Wealth Management team recently hosted a virtual estate planning webinar as part of our education series. If you would like to meet with an advisor to explore estate planning options, please contact BSNB Wealth Management Solutions at 518-363-8698.

## 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)

	June 30, 2021	December 31, 2020
<b>Assets</b>		
Cash and due from banks	\$ 6,380	\$ 6,188
Short-term investments	65,404	84,154
Securities available for sale, at fair value	72,592	68,332
FHLB of NY & FRB stock, at cost	5,365	5,518
Loans	533,063	510,247
Allowance for loan losses	(7,772)	(7,374)
Net loans	525,291	502,873
Premises and equipment, net	9,604	9,819
Other assets	14,108	12,867
<b>Total Assets</b>	<b>\$ 698,744</b>	<b>\$ 689,751</b>

### Liabilities and Shareholders' Equity

#### Liabilities

Deposits	\$ 614,940	\$ 605,462
FHLB borrowings, short-term	10,000	10,000
FHLB borrowings, long-term	3,637	5,880
Junior subordinated debentures	12,905	12,905
Other liabilities	10,126	10,294
Total liabilities	\$ 651,608	\$ 644,541

#### Shareholders' Equity

Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	40,626	38,731
Accumulated other comprehensive income	(2,141)	(2,172)
Total shareholders' equity	\$ 47,136	\$ 45,210

<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 698,744</b>	<b>\$ 689,751</b>
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## CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

For the six months ended June 30,

	2021	2020
<b>Interest and fee income</b>		
Loans, including fees	\$ 10,617	\$ 10,482
Securities available for sale	675	762
FHLB of NY & FRB stock	147	90
Short-term investments	40	141
Total interest and fee income	\$ 11,479	\$ 11,475
<b>Interest expense</b>		
Deposits	\$ 428	\$ 1,252
FHLB borrowings, short-term	161	152
FHLB borrowings, long-term	83	86
Junior subordinated debentures	335	336
Total interest expense	\$ 1,007	\$ 1,826
Net interest income	10,472	9,649
Provision for loan losses	426	483
Net interest income after provision for loan losses	\$ 10,046	\$ 9,166

#### Noninterest income

Service charges on deposit accounts	\$ 298	\$ 330
Trust and investment services income	580	439
Other	854	991
Total noninterest income	\$ 1,732	\$ 1,760

#### Noninterest expense

Compensation and benefits	\$ 5,656	\$ 5,163
Occupancy and equipment	825	849
FDIC and OCC assessment	276	125
Advertising and public relations	160	160
Legal and professional fees	267	235
Debit Card processing	210	202
Data processing	474	496
Other	880	772
Total noninterest expense	\$ 8,748	\$ 8,002
Income before income tax expense	\$ 3,030	\$ 2,924
Income tax expense	645	527

<b>Net income</b>	<b>\$ 2,385</b>	<b>\$ 2,397</b>
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<b>Basic earnings per share</b>	<b>\$ 3.21</b>	<b>\$ 3.23</b>
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