

Consolidated Interim Financial Information

June 30, 2023



To our shareholders -

Ballston Spa Bancorp, Inc., parent company of Ballston Spa National Bank (BSNB), produced strong financial results for the second quarter of 2023, adding to a successful first half of the year. Net income for the six-month period ending June 30, 2023 totaled \$2.8 million, or \$3.76 per share, essentially on par with the \$2.9 million, or \$3.89 per share reported for the same period in 2022. Income performance was positively impacted by recent interest margin expansion and strong loan growth.

Highlights for the six-months ending June 30, 2023 include:

- The Company continues to benefit from the execution of long-term growth strategies in the commercial banking market segment. Balances in the commercial and commercial real estate loan portfolios increased a healthy \$22.4 million, or 7.24%, from December 31, 2022;
- Residential mortgage originations also remained robust during the period as the portfolio increased \$19.0 million, or 7.07%, compared to year-end 2022;
- Conversely, total deposits declined \$33.6 million, or 5.11% from December 31, 2022. The decline is primarily attributable to seasonal fluctuations in municipal deposits combined with a modest decline in retail deposit balances.

Furthermore, the Company's balance sheet remains strong and well positioned to support future growth. Non-performing loans as a percentage of total loans declined from 0.25% on June 30, 2022 to 0.22% as of the end of the second quarter in 2023. Problem loan levels are at historic lows and compare favorably to peers. Additionally, the Company continues to maintain ample capital levels and sources of liquidity. The Bank's Tier 1 capital ratio as of June 30, 2023 stood at 10.54%, a level well above regulatory minimums. It is important to note that the capital ratio reflects the re-

cent decision by management to prepay a trust preferred instrument at the end of June 2023.

In light of our financial accomplishments and recognizing our mission, the Company again turned our attention to focus on the needs of the greater community during the period. In May, we closed all offices early to hold our Annual Community Service Day. This event originated six years ago in an effort to give back and help support organizations making a difference in the markets we serve. This year we had 130 BSNB staff members volunteer time to assist local non-profits with general property maintenance, landscaping projects and cleaning. Organizations receiving assistance included: Rebuilding Together Saratoga, LifeWorks Community Action, Brookside Museum, Adopt-A-Highway, Veterans & Community Housing Coalition, and Ballston Spa Village Cemetery.

Looking ahead, we do anticipate that the unprecedented increases in short-term interest rates combined with increased competition for deposit balances will negatively impact interest margins. That said, we remain confident in our financial position, talented staff and our ability to deliver exceptional service and support to customers. As such, we are focused on the pursuit of strategies to achieve our growth goals and to enhance the value we deliver to customers, shareholders and community.

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

Jodi Modder Named Vice President, Customer Support Services



Please join us in welcoming Jodi Modder, vice president of customer support services. Jodi will be responsible for overseeing deposit and cash management operations in addition to the Bank's contact center groups.

Top 200 Community Bank

American Banker, a leading industry publication, has included Ballston Spa Bancorp, Inc. on their list of Top 200 Community Banks for 2023. BSNB was ranked #149 nationally and was one of only 7 New York State banks included on the list.

#149 in the
Nation

#1 in NY's
Capital Region

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

CONSOLIDATED BALANCE SHEETS

(In thousands)

	June 30, 2023	December 31, 2022
Assets		
Cash and due from banks	\$ 9,627	\$ 5,827
Short-term investments	16,784	16,061
Securities available for sale, at fair value	74,952	81,970
FHLB of NY & FRB stock, at cost	9,028	5,472
Loans	670,971	627,646
Allowance for loan losses	(7,853)	(8,346)
Net loans	663,118	619,300
Premises and equipment, net	10,153	10,181
Other assets	16,432	16,972
Total Assets	\$ 800,094	\$ 755,783

Liabilities and Shareholders' Equity

Liabilities

Deposits	\$ 623,927	\$ 657,557
FHLB borrowings, short-term	72,500	22,000
FHLB borrowings, long-term	30,000	-
Junior subordinated debentures	7,750	12,905
Other liabilities	10,150	10,591
Total liabilities	\$ 744,327	\$ 703,053

Shareholders' Equity

Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	50,672	48,018
Accumulated other comprehensive income	(3,556)	(3,939)
Total shareholders' equity	\$ 55,767	\$ 52,730

Total Liabilities & Shareholders' Equity **\$ 800,094** **\$ 755,783**

CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

For the six months ended June 30,

	2023	2022
Interest and fee income		
Loans, including fees	\$ 13,913	\$ 10,584
Securities available for sale	1,391	690
FHLB of NY & FRB stock	204	109
Short-term investments	89	277
Total interest and fee income	\$ 15,597	\$ 11,660
Interest expense		
Deposits	\$ 2,815	\$ 383
FHLB borrowings, short-term	603	159
FHLB borrowings, long term	186	-
Junior subordinated debentures	425	320
Total interest expense	\$ 4,029	\$ 862
Net interest income	11,568	10,798
Provision for loan losses	240	240
Net interest income after provision for loan losses	\$ 11,328	\$ 10,558
Noninterest income		
Service charges on deposit accounts	\$ 306	\$ 351
Trust and investment services income	610	569
Other	708	616
Total noninterest income	\$ 1,624	\$ 1,536
Noninterest expense		
Compensation and benefits	\$ 6,024	\$ 5,301
Occupancy and equipment	917	920
FDIC and OCC assessment	278	259
Advertising and public relations	222	186
Legal and professional fees	326	311
Debit Card processing	234	214
Data processing	526	507
Other	976	859
Total noninterest expense	\$ 9,503	\$ 8,557
Income before income tax expense	\$ 3,449	\$ 3,537
Income tax expense	655	651
Net income	\$ 2,794	\$ 2,886
Basic earnings per share	\$ 3.76	\$ 3.89