

PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, reported strong financial results for the first quarter of 2020. Net income for the three-month period ending March 31, 2020 totaled \$1.2 million, or \$1.62 per share, up 4.5% from the \$1.55 per share reported for the same period in 2019. Growth in the Company's loan and deposit portfolios was the primary contributor to the improved earnings performance.

Efforts to pursue opportunities in the commercial banking market segment are yielding positive results for the Company. Balances in the commercial and commercial real estate portfolios increased an additional \$3.8 million, or 1.7% at March 31, 2020 as compared to December 31, 2019. Residential mortgage originations during the period remained robust and contributed to strong secondary market loan sales while loan balances remained stable as of March 31, 2020.

The growth in loans was supported by a sizeable increase in total deposits of \$102.6 million during the first quarter ending March 31, 2020. The increase is primarily attributed to a short term influx of commercial and consumer deposits coupled with the acquisition of a large certificate of deposit as part of a funding strategy. We anticipate these funds will diminish over the course of the next twelve months. The large increase in deposits during the period resulted in elevated deposit interest expense as compared to the same quarter in 2019, however this was offset somewhat by the declining interest rate environment.

In addition to our earnings and loan and deposit growth, the Company's balance sheet also remained strong as of March 31, 2020. Nonperforming loan balances as a percentage of total loans increased minimally to 0.50% compared to year-end 2019, remaining below our peer group. Furthermore, capital is well above regulatory minimums, as reflected in the Bank's Tier 1 risk-based capital ratio of 13.14% as of March 31, 2020.

While confident in our financial strength and position coming out of the first quarter, the Company has entered a period of unusually high economic uncertainty as a result of the COVID-19 pandemic. We anticipate that the stay-at-home orders issued by the state and limitations imposed by the federal government will lead to an increased rate of business failures in the region and higher levels of problem loans. That said, we believe our strong capital and liquidity levels

PRESIDENT'S MESSAGE CONTINUED

combined with very good asset quality properly position the Company to weather this period. As such, we remain focused on providing the highest level of service and support to our customers and building long-term value for our shareholders.

On behalf of the Board, staff and management, we are grateful for your ongoing trust and confidence.

Christopher R. Dowd
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 31, 2020	December 31, 2019
Assets		
Cash and due from banks	\$ 9,410	\$ 6,837
Short-term investments	45,125	4,575
Securities available for sale, at fair value	72,266	75,325
FHLB of NY & FRB stock, at cost	4,215	6,425
Loans	479,720	477,834
Allowance for loan losses	(6,346)	(6,205)
Net loans	473,374	471,629
Premises and equipment, net	10,269	10,434
Other assets	11,639	12,967
Total Assets	\$ 626,298	\$ 588,192
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 548,643	\$ 446,026
FHLB borrowings, short-term	10,000	74,210
FHLB borrowings, long-term	5,880	5,880
Junior subordinated debentures	12,905	12,905
Other liabilities	7,427	8,401
Total liabilities	\$ 584,856	\$ 547,422
Shareholders' Equity		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	35,681	34,722
Accumulated other comprehensive loss	(2,889)	(2,603)
Total shareholders' equity	\$ 41,443	\$ 40,770
Total Liabilities & Shareholders' Equity	\$ 626,298	\$ 588,192

CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

For the three months ended
March 31,

	2020	2019
Interest and fee income		
Loans, including fees	\$ 5,236	\$ 4,921
Securities available for sale	409	447
FHLB of NY & FRB stock	40	68
Short-term investments	118	16
Total interest and fee income	\$ 5,803	\$ 5,452
Interest expense		
Deposits	\$ 790	\$ 328
FHLB borrowings, short-term	78	296
FHLB borrowings, long-term	43	43
Junior subordinated debentures	168	168
Total interest expense	\$ 1,079	\$ 835
Net interest income	4,724	4,617
Provision for loan losses	141	180
Net interest income after provision for loan losses	\$ 4,583	\$ 4,437
Noninterest income		
Service charges on deposit accounts	\$ 183	\$ 187
Trust and investment services income	212	259
Other	375	348
Total noninterest income	\$ 770	\$ 794
Noninterest expense		
Compensation and benefits	\$ 2,581	\$ 2,477
Occupancy and equipment	428	390
FDIC and OCC assessment	34	95
Advertising and public relations	78	72
Legal and professional fees	108	119
Debit Card processing	103	86
Data processing	248	231
Other	343	380
Total noninterest expense	\$ 3,923	\$ 3,850
Income before income tax expense	\$ 1,430	\$ 1,381
Income tax expense	225	228
Net income	\$ 1,205	\$ 1,153
Basic earnings per share	\$ 1.62	\$ 1.55



A Closer Look



Banking at home, or on the go

Conveniently manage your banking wherever life takes you. At home or on the go, BSNB has you covered with banking solutions that help you accomplish a variety of your everyday banking tasks.

Online Banking and Mobile Banking services are available 24/7 and make it easy to securely and safely deposit checks, transfer funds, check account balances and more from your desktop, tablet or phone. Visit www.bsnb.com/mobile-banking/ to sign up or learn more.

A **BSNB Debit MasterCard®** is a faster way to make purchases, including purchases made online. The purchase amount is deducted from your checking account, just like a check, making it easy to keep track of your spending. Through the **SecureLock Equip app**, we offer tools to help you monitor payment activity and combat fraud. Visit www.bsnb.com/personal/debit-cards.php to learn more about these services.



Summit Employee of the Year

Heather O'Shea has received the 2019 SUMMIT Employee of the Year award. O'Shea, a Relationship Manager at the Malta office, was honored at an employee meeting earlier this year by President Chris Dowd for her exemplary commitment to customer

Heather O'Shea, right, with BSNB President and CEO Chris Dowd (left)

service and for continuous support of her teammates. The SUMMIT award is given annually to an employee that demonstrates the bank's core values of teamwork, respect, accountability, integrity and leadership.

BSNB LOCATIONS

Ballston Spa
87 Front Street

Burnt Hills
770 Saratoga Road

Clifton Park
1714 Route 9

Corporate Branch
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



www.bsnb.com



Member FDIC

Consolidated Interim Financial Information

March 31, 2020



BSNB *Better.*

Digital solutions for banking virtually anywhere.

