

PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of Ballston Spa National Bank (BSNB), continued to produce strong financial results for the first quarter of 2021. Net income for the three-month period ending March 31, 2021 totaled \$1.2 million, or \$1.63 per share, up modestly from the \$1.62 per share reported for the same period in 2020. First quarter performance is ahead of expectations and positively impacted by income derived from loans extended under the Small Business Administration's Paycheck Protection Program (PPP) as well as strong residential lending activity. The short term benefit of the PPP gains helped offset compression in our net interest margin during the period.

As previously reported, the Company entered 2021 in a solid financial position in pursuit of our growth goals and long term objectives. Financial highlights for the period ending March 31, 2021 demonstrate further progress in this regard and include:

- Commercial and commercial real estate loan balances increased \$4.6 million or 1.8% from December 31, 2020. Activity in this segment is increasing but has not returned to pre-pandemic levels;
- Residential mortgage production remained at record levels. Residential mortgage loan balances increased \$4.8 million or 2.2% during the quarter. Likewise, gains on the sale of residential mortgage loans totaled \$143 thousand for the three months ending March 31, 2021, up \$63 thousand or 78.8% from the first quarter of 2020;
- Loan growth was funded by an increase in total deposits of \$37.1 million, or 6.1%, during the first three months of the year. The growth added to the Company's strong liquidity position. Management does anticipate some reduction in deposit balances in future periods as business investment and consumer spending return to pre-pandemic levels; and
- Despite predictions in the early stages of the pandemic for wide spread credit deterioration, the quality of the Company's loan and investment portfolios is very sound. In fact, nonperforming loan balances declined to 0.48% during the quarter from 0.50% at December 31, 2020.

In addition to these accomplishments, the Company has remained focused on opportunities to provide support and relief to area businesses and families impacted by the pandemic. With this in mind, the Company continued our efforts to provide relief to local businesses. BSNB funded an additional \$12.4 million in PPP loans during the quarter providing support to 160 area businesses.

In addition, BSNB again partnered with the Regional Food Bank to hold three additional drive thru food pantries during the period. BSNB volunteers staffed these events which provided over 54 thousand pounds of food to families in need in our region. In total, we have hosted 12 of these events

PRESIDENT'S MESSAGE CONTINUED

since the beginning of the pandemic. To assist in the cost of food supplies, BSNB has donated \$60 thousand to the Food Bank and helped raise an additional \$22 thousand through community matching contributions.

On behalf of the Board, staff and management, we remain personally invested in the success of our company, our clients and our community. Thank you for your continued support.

Christopher R. Dowd
President and Chief Executive Office

CONSOLIDATED BALANCE SHEETS

(In thousands)

	March 31, 2021	December 31, 2020
Assets		
Cash and due from banks	\$ 7,458	\$ 6,188
Short-term investments	111,981	84,154
Securities available for sale, at fair value	68,115	68,332
FHLB of NY & FRB stock, at cost	5,545	5,518
Loans	518,904	510,247
Allowance for loan losses	(7,565)	(7,374)
Net loans	511,339	502,873
Premises and equipment, net	9,680	9,819
Other assets	12,975	12,867
Total Assets	\$ 727,093	\$ 689,751
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	\$ 642,548	\$ 605,462
FHLB borrowings, short-term	10,000	10,000
FHLB borrowings, long-term	5,880	5,880
Junior subordinated debentures	12,905	12,905
Other liabilities	9,627	10,294
Total liabilities	\$ 680,960	\$ 644,541
Shareholders' Equity		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	39,694	38,731
Accumulated other comprehensive loss	(2,212)	(2,172)
Total shareholders' equity	\$ 46,133	\$ 45,210
Total Liabilities & Shareholders' Equity	\$ 727,093	\$ 689,751

CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

For the three months ended
March 31,

	2021	2020
Interest and fee income		
Loans, including fees	\$ 5,292	\$ 5,236
Securities available for sale	334	409
FHLB of NY & FRB stock	66	40
Short-term investments	20	118
Total interest and fee income	\$ 5,712	\$ 5,803
Interest expense		
Deposits	\$ 214	\$ 791
FHLB borrowings, short-term	43	43
FHLB borrowings, long-term	82	78
Junior subordinated debentures	167	168
Total interest expense	\$ 506	\$ 1,080
Net interest income	5,206	4,723
Provision for loan losses	213	141
Net interest income after provision for loan losses	\$ 4,993	\$ 4,582
Noninterest income		
Service charges on deposit accounts	\$ 143	\$ 183
Trust and investment services income	280	212
Other	470	375
Total noninterest income	\$ 893	\$ 770
Noninterest expense		
Compensation and benefits	\$ 2,944	\$ 2,581
Occupancy and equipment	419	428
FDIC and OCC assessment	139	34
Advertising and public relations	88	108
Legal and professional fees	78	78
Debit Card processing	100	103
Data processing	237	248
Other	394	342
Total noninterest expense	\$ 4,399	\$ 3,922
Income before income tax expense	\$ 1,487	\$ 1,430
Income tax expense	277	225
Net income	\$ 1,210	\$ 1,205
Basic earnings per share	\$ 1.63	\$ 1.62



A Closer Look

Retirement and 401(k)

Offering a quality retirement plan is a great way to attract and retain employees. BSNB's wealth management solutions team provides guidance and resources to help simplify the responsibilities of the business owner. Your company will benefit from affordable options and plan types depending on needs. Employees will enjoy automatic enrollment, pre-tax and Roth options, ongoing retirement and financial online education, and contribution escalation features. To learn more, contact Wealth Management Solutions at 518-363-8698.



Fraud Awareness

Earlier this year, BSNB hosted a webinar to educate business and municipal clients on trends in fraud and cybersecurity. Led by Thomas A. Capezza, a local attorney with broad experience in the investigation and litigation of matters involving fraud, the webinar identified current fraud scenarios and suggestions for mitigating risk. BSNB's Deborah O'Connor, VP/ Treasury Management, provided information on solutions that address the growing problem of check and ACH fraud. To learn more about these services, please contact Deborah at 518-363-8119.

Summit Employee of the Year

Melissa Mewhorter has received the 2020 SUMMIT Employee of the Year award. Mewhorter, who serves as AVP and Assistant Controller, was commended by President Chris Dowd for her leadership in hosting numerous BSNB drive thru food pantries in cooperation with the Regional Food Bank of Northeastern New York. 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, 2021