

Consolidated Interim Financial Information

June 30, 2022



(Front) Christopher Dowd (Standing left to right) Cynthia Minuti, James Dodd, Peggy de Koning

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 2022. Net income for the six-month period ending June 30, 2022 totaled \$2.9 million, or \$3.89 per share, up 21.1% from the \$2.4 million, or \$3.21 per share reported for the same period in 2021.

Highlights for the six-months ending June 30, 2022 include:

- Commercial and commercial real estate loans, factoring out balances of Paycheck Protection Program (PPP) loans, increased a healthy \$36.2 million, or 14.2%, from December 31, 2021;
- Residential mortgage production remained strong during the period as the portfolio increased \$14.6 million, or 6.18%, compared to year-end 2021;
- Total deposits decreased during the first six months of 2022 due to seasonal fluctuations in municipal deposits and the maturity of a longer-term funding instrument. These changes were partially offset by further growth in retail and commercial deposits during the period.

Beyond the earnings performance and growth achieved, the Company's balance sheet as of June 30, 2022 is in a strong position reflecting ample liquidity, low levels of problem loans, and solid capital levels. Problem loan levels are at historic lows with nonperforming loan balances as a percentage of total loans decreasing to 0.25% as of June 30, 2022. The Bank's Tier 1 Capital Ratio standing at 11.88% as of the end of the second quarter is well in excess of regulatory minimums. The combination of these factors provides the Company with a solid foundation upon which to pursue additional growth opportunities.

In light of our progress and considering the opportunities evident in the market, the Company has taken steps to broaden and strengthen our senior leadership team. To that end, I am pleased to announce the addition of

Cynthia Minuti in the new role of Senior Vice President and Chief Customer Officer. In this new role, Cynthia will be responsible for the oversight of Wealth Management, Retail Banking and Marketing.

With the addition of the new Chief Customer Officer position, Peggy de Koning, who has served as the Company's Executive Vice President and Chief Banking Officer since 2005, will assume the new role of Executive Vice President and Chief Credit Officer. In this capacity Peggy will retain responsibility for the oversight of Commercial Banking, Retail/Residential Lending and Treasury Management. In addition, Peggy will now be responsible for the oversight of Credit Administration. We believe that these changes will properly position the Company to pursue growth opportunities in the Commercial Banking and Residential and Retail markets.

As we embark on the second half of the year, the Company is financially sound and maintains a very talented team of dedicated professionals to serve and support our growing customer base. Although additional challenges may result from the rising interest rate environment and uncertainties in the economy, the Company is properly positioned to pursue our long-term growth strategy. 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

Mobile Banking Enhancements for Commercial Customers

Customers using a commercial access ID and passcode now have the ability to deposit checks via BSNB's mobile banking app. Using a mobile device, simply snap a picture of the check to make a deposit to your business account.

In addition, cash management customers with approval authority for ACH or wires may now use their commercial access ID and passcode to approve batches via BSNB's mobile banking app. Process approvals from wherever your day takes you – all from your mobile device.

For more information, please contact Deborah O'Connor, VP Treasury Management Advisor at (518) 363-8119.

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, 2022	December 31, 2021
Assets		
Cash and due from banks	\$ 4,979	\$ 5,881
Short-term investments	57,670	137,884
Securities available for sale, at fair value	72,143	70,889
FHLB of NY & FRB stock, at cost	5,080	5,206
Loans	580,667	533,021
Allowance for loan losses	(8,285)	(8,081)
Net loans	572,382	524,940
Premises and equipment, net	9,000	9,125
Other assets	14,638	14,446
Total Assets	\$ 735,892	\$ 768,371
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	\$ 652,612	\$ 684,545
FHLB borrowings, short-term	10,000	10,000
Junior subordinated debentures	12,905	12,905
Other liabilities	9,687	11,047
Total liabilities	\$ 685,204	\$ 718,497
Shareholders' Equity		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	45,301	42,905
Accumulated other comprehensive income	(3,264)	(1,682)
Total shareholders' equity	\$ 50,688	\$ 49,874
Total Liabilities & Shareholders' Equity	\$ 735,892	\$ 768,371

CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

For the six months ended June 30,

	2022	2021
Interest and fee income		
Loans, including fees	\$ 10,584	\$ 10,617
Securities available for sale	690	675
FHLB of NY & FRB stock	109	147
Short-term investments	277	40
Total interest and fee income	\$ 11,660	\$ 11,479
Interest expense		
Deposits	\$ 383	\$ 428
FHLB borrowings, short-term	159	161
FHLB borrowings, long-term	-	83
Junior subordinated debentures	320	335
Total interest expense	\$ 862	\$ 1,007
Net interest income	10,798	10,472
Provision for loan losses	240	426
Net interest income after provision for loan losses	\$ 10,558	\$ 10,046
Noninterest income		
Service charges on deposit accounts	\$ 351	\$ 298
Trust and investment services income	569	580
Other	616	854
Total noninterest income	\$ 1,536	\$ 1,732
Noninterest expense		
Compensation and benefits	\$ 5,301	\$ 5,656
Occupancy and equipment	920	825
FDIC and OCC assessment	259	276
Advertising and public relations	186	160
Legal and professional fees	311	267
Debit Card processing	214	210
Data processing	507	474
Other	859	880
Total noninterest expense	\$ 8,557	\$ 8,748
Income before income tax expense	\$ 3,537	\$ 3,030
Income tax expense	651	645
Net income	\$ 2,886	\$ 2,385
Basic earnings per share	\$ 3.89	\$ 3.21