

Consolidated Interim Financial Information

September 30, 2023



To our shareholders -

Ballston Spa Bancorp, Inc., parent company of Ballston Spa National Bank (BSNB), generated strong loan and deposit production in the third quarter of 2023, contributing to overall solid financial results for the first nine months of 2023. Net income for the nine-month period ending September 30, 2023 totaled \$4.1 million, or \$5.52 per share, down from the \$4.7 million, or \$6.26 per share reported for the same period in 2022. Strong growth achieved in loan and deposit portfolios during the nine-month period was more than offset by increases in labor and overhead expense, coupled with the effects of increased deposit competition in today's higher rate environment.

Highlights for the nine months ending September 30, 2023 include:

- The Company's focus on the commercial banking market segment continues to yield positive results. Balances in the commercial and commercial real estate loan portfolios increased a healthy \$22.6 million, or 7.31%, from December 31, 2022;
- Likewise, residential mortgage production has exceeded expectations in the current period. Balances in the residential lending portfolio increased \$28.8 million, or 10.73%, compared to year-end 2022;
- Growth in loans was supported by a sizeable increase in total deposits of \$140.9 million during the nine-month period ending September 30, 2023. The increase is primarily attributed to a large and unexpected influx of higher cost retail deposits, coupled with the acquisition of a large certificate of deposit as part of a short-term funding strategy. The large increase in retail deposits is concentrated in a small number of customers and is anticipated to dissipate over the next 12 to 24 months.

In addition to the substantial gains in deposits and loan balances, the Company's balance sheet remains strong and well positioned to pursue additional growth opportunities. Loan quality measures remain at historically low levels as reflected in nonperforming loans as a percentage of total loans, increasing marginally to 0.24% as of September 30, 2023. Balance sheet strength is further demonstrated in our capital levels as the Bank's Tier 1 risk-based capital ratio remains well above the regulatory minimum, standing at 10.52% as of the end of the third quarter.

Beyond our financial success, a core focus of the Company is on the development and retention of highly qualified and capable staff. We believe this objective key to achieving our customer service and long-term financial goals. As such, the Company was especially pleased to have again been recognized as a "Best Places to Work" in the Capital Region by the Albany Business Review.

Looking ahead, we do anticipate the increases in short-term interest rates that have occurred over the last several months to further impact income growth potential. That said, the Company's balance sheet remains strong and well positioned to weather the current rate environment and we see ample opportunity for additional growth in the market.

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

Retirement Planning - Social Security

Social Security is one of many important retirement decisions; it's critical to understand the basics and how these will affect your benefits. Eligibility and claiming rules are generally the same for everyone but circumstances, retirement goals, financial needs, and lifestyle expenses are as unique as you are. Ann Sharpe, VP, Senior Trust Officer, and Thomas McGrath, VP, Trust Officer, recently hosted a Social Security webinar where they discussed important topics such as when to claim and how to increase your benefits. If you would like to meet with an advisor to explore your retirement options, please contact Wealth Management Solutions at 518-363-8698.

Protect your BSNB Debit Card

SecurLOCK Equip is an app that allows you to control how your debit card is used. Left a store without your card? Turn your card off until you retrieve it. Shopping around the neighborhood? Control where your card can be used. SecurLOCK allows you to monitor your spending and receive alerts about your debit card usage. Download SecurLOCK Equip from your app store or visit bsnb.com to learn more.

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)

	September 30, 2023	December 31,
Assets		
Cash and due from banks	\$ 22,331	\$ 5,827
Short-term investments	105,076	16,061
Securities available for sale, at fair value	67,638	81,970
FHLB of NY & FRB stock, at cost	5,746	5,472
Loans	684,040	627,646
Allowance for loan losses	(7,953)	(8,346)
Net loans	676,087	619,300
Premises and equipment, net	10,050	10,181
Other assets	16,943	16,972
Total Assets	\$ 903,871	\$ 755,783

Liabilities and Shareholders' Equity

Liabilities

Deposits	\$ 798,447	\$ 657,557
FHLB borrowings, short-term	-	22,000
FHLB borrowings, long-term	30,000	-
Junior subordinated debentures	7,750	12,905
Other liabilities	11,195	10,591
Total liabilities	\$ 847,392	\$ 703,053

Shareholders' Equity

Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	51,730	48,018
Accumulated other comprehensive income	(3,902)	(3,939)
Total shareholders' equity	\$ 56,479	\$ 52,730

Total Liabilities & Shareholders' Equity

	\$ 903,871	\$ 755,783
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CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

For the nine months ended September 30,

	2023	2022
Interest and fee income		
Loans, including fees	\$ 21,556	\$ 16,238
Securities available for sale	2,041	1,187
FHLB of NY & FRB stock	364	195
Short-term investments	404	522
Total interest and fee income	\$ 24,365	\$ 18,142
Interest expense		
Deposits	\$ 4,810	\$ 680
FHLB borrowings, short-term	1,171	238
FHLB borrowings, long term	503	-
Junior subordinated debentures	537	501
Total interest expense	\$ 7,021	\$ 1,419
Net interest income	17,344	16,723
Provision for loan losses	360	360
Net interest income after provision for loan losses	\$ 16,984	\$ 16,363

Noninterest income

Service charges on deposit accounts	\$ 454	\$ 516
Trust and investment services income	910	839
Other	968	941
Total noninterest income	\$ 2,332	\$ 2,296

Noninterest expense

Compensation and benefits	\$ 8,832	\$ 8,022
Occupancy and equipment	1,391	1,348
FDIC and OCC assessment	461	399
Advertising and public relations	333	279
Legal and professional fees	523	570
Debit Card processing	351	330
Data processing	786	725
Other	1,581	1,298
Total noninterest expense	\$ 14,258	\$ 12,971
Income before income tax expense	\$ 5,058	\$ 5,688
Income tax expense	961	1,038
Net income	\$ 4,097	\$ 4,650
Basic earnings per share	\$ 5.52	\$ 6.26