BSNB

Ballston Spa Bancorp, Inc.

2024 Annual Report

Ballston Spa Bancorp, Inc.

OUR MISSION

At BSNB, we seek to be recognized as a high performing community bank by adding value to and building strong relationships with our shareholders, customers, employees and community.

To achieve our goal, we are committed to the following objectives:

- To consistently exceed expectations and treat every customer as if we've known them our entire lives;
- To give back and strengthen the communities where we work and live;
- To continually improve and enhance the value we deliver to our customers, staff and community;
- To constantly surprise people with what a bank can be and the impact it can have on customers and the community;
- To a belief that actions and not just words define who we are as a company.

THE YEAR IN REVIEW

(Dollars in thousands, except per share data)	December 31,	**2024**		2023
FOR THE YEAR ENDED				
Net income	**$**	**5,234**	$	4,783
Basic earnings per share		**7.05**		6.44
Dividends declared per share		**1.32**		1.32
AT YEAR-END				
Total assets	**$**	**898,117**	$	823,533
Loans		**763,981**		708,869
Deposits		**696,051**		689,238
Shareholders' equity		**64,495**		59,831
Book value per share		**86.84**		80.56
Tangible book value per share		**84.61**		78.23
ASSET QUALITY RATIOS				
Nonperforming loans to total loans		**0.15%**		0.18%
Nonperforming assets to total assets		**0.13**		0.15
Allowance for credit losses to:				
Total loans		**1.12**		1.14
Nonperforming loans		**726.59**		642.49

REGULATORY CAPITAL RATIOS

			Required Ratios	
	December 31, 2024 Actual	December 31, 2023 Actual	Minimum capital adequacy	Classified as well capitalized
Tier 1 leverage ratio	**7.18%**	7.23%	4.00%	5.00%
Tier 1 risk-based capital ratio	**9.17**	9.07	6.00	8.00
Common equity tier 1 capital	**9.17**	9.07	4.50	6.50
Total risk-based capital ratio	**11.55**	11.54	8.00	10.00

"...we are continuing to invest in the development of our team, technology infrastructure and product offerings to enhance the customer experience and drive long-term growth."

Christopher R. Dowd
President and Chief Executive Officer

To Our Shareholders,

I am pleased to report another year of solid financial performance and growth at Ballston Spa Bancorp, Inc., parent company of Ballston Spa National Bank. Consistent with our long term plan, we took steps during the year to strengthen our leadership team while also investing in technology infrastructure and digital solutions to enhance operational efficiency and service to customers. Furthermore, management bolstered liquidity sources considering growth expectations and continuing economic uncertainty. As such, the Company is well positioned to pursue additional growth opportunities and long term strategies to enhance shareholder value.

Financial Performance and Balance Sheet Strength

Net income totaled $5.2 million or $7.05 per share for the twelve months ending December 31, 2024, up 9.4% from the $4.8 million or $6.44 per share reported in 2023. Income was positively impacted by loan portfolio growth over recent periods, offset by tightening interest margins and increased operating costs. In view of market headwinds we are pleased with our performance.

As indicated, loan growth remained strong across all segments in 2024. Our commercial and commercial real estate loan portfolios expanded by $25.5 million or 7.33% from December 31, 2023. Similarly, our residential mortgage portfolio, despite the elevated rate environment and limited housing supply, increased $14.8 million or 4.88% from prior year end. Consumer lending also demonstrated strong momentum, increasing by $11.8 million or 27.11%, driven primarily by an increase in mobile home loan originations.

Asset growth was funded through a combination of sources. Core deposits increased modestly during the year and were impacted by increasing levels of competition and further adjustments in short-term interest rates. To bolster our liquidity position and help fund asset growth, the Company expanded the use of wholesale funding sources including the Federal Home Loan Bank, NY and brokered deposits.

Furthermore, I am especially pleased to report that loan quality remains solid as credit quality indicators are at historic lows. More specifically, nonperforming loan balances represented just 0.15% of total loans as of December 31, 2024, down from the 0.18% recorded at year-end 2023. Balance sheet strength is further evidenced by our Tier 1 capital ratio which stood at 10.26 % as of December 31, 2024, a level well above regulatory minimums.

Investing in the Future

Recognizing our solid financial position and growth opportunities in the market, the Company pursued strategies and initiatives during the year designed to strengthen our technology infrastructure, bolster senior leadership and enhance service and support to customers.

During the second quarter of 2024, the Company contracted with Verafin to provide a system to strengthen fraud monitoring and management, BSA/AML Compliance and high risk customer management. This cloud-based system is now fully functional and leading to improved operational efficiency and oversight.

Also during the second quarter, the Company initiated a project to install new ATM's at all our branch locations. The new machines are highly functional, providing an enhanced customer experience.

In light of our growth and to better position the Company for future success, we took several steps during the year to strengthen our senior leadership team, including:

- In February of 2024, we promoted Thomas Ratsep to Senior Vice President, Credit Administration and Risk Management Officer. In this expanded role, Tom will now assume oversight responsibilities for the Company's enterprise risk management program including compliance management, internal audit and information security while retaining oversight of credit administration.

- In May of 2024, we appointed Pamela Montpelier as the Company's new Senior Vice President, Growth and Experience Officer. In this capacity, she will oversee Retail Banking, Marketing and Wealth Management. Pam brings more than three decades of industry experience and sales leadership.

- In November of 2024, we appointed James Conroy, III as the Company's new Executive Vice President, Chief Banking Officer. Jim joined the organization in November of 2024 to assume the role following the retirement of Peggy de Koning at the end of 2024. He brings an extensive background in regional business lending, lending solution innovation and executive leadership.

- And finally in December of 2024, we promoted James Dodd to Executive Vice President, Corporate Secretary and Chief Financial Officer. In this expanded role, James will oversee Information Technology, Finance, Customer Support and Facilities. He will also assume a leadership role in long-term strategic planning, capital planning, budgeting and contract negotiations.

The recruitment and retention of such an experienced and capable team of banking professionals remains paramount to the execution of our plans and long term success.

Community Support

Throughout 2024, BSNB continued its efforts of providing strong community support. The Company and BSNB Charitable Foundation funded scholarships at area high schools as well as the highly successful Ballston Spa Central School District Robotics program. Additional targeted support was provided to dozens of employee-nominated charitable and civic organizations delivering critical community support in health and human services, education, youth development, veterans, community development and other worthy causes.

BSNB's Annual Community Support Day took place in May of 2024. BSNB locations across the capital region closed early enabling all 130 employees to volunteer their time planting vegetables, weeding and working in the green houses at Patroon Land Farm in Voorheesville, NY benefiting the Regional Food Bank of NENY.

BSNB also launched the inaugural Community Cares Donation Drive in December of 2024 to benefit local food pantries. All BSNB branches served as collection points for monetary donations during the month of December and raised over $25,000.00 for those in need.

Moving Forward

While we will be seeking to build on our momentum in the periods ahead, we do anticipate the elevated interest rate environment and heightened competition for deposits will continue to impact funding costs and interest margins in the near term thereby limiting income growth potential. That said, given the strength of our balance sheet and staff, we are continuing to invest in the development of our team, technology infrastructure and product offerings to enhance the customer experience and drive long-term growth. Digital innovation is at the forefront of plans for the coming year with additional enhancements to our online and mobile banking platforms anticipated in the coming periods.

On behalf of our Board of Directors and staff, we thank you for your support.

Christopher R. Dowd
President and Chief Executive Officer

At or for the years ended December 31, (In thousands, except per share amounts)	**2024**	2023	2022	2021	2020
EARNINGS					
Interest income	**$ 39,986**	$ 34,247	$ 25,611	$ 22,908	$ 23,089
Interest expense	**16,161**	10,852	2,708	1,918	2,968
Net interest income	**23,825**	23,395	22,903	20,990	20,121
Provision for credit losses	**600**	480	360	756	1,167
Non-interest income	**4,004**	1,910	2,672	4,471	4,282
Non-interest expense	**20,767**	19,208	18,014	18,037	17,252
Income before tax expense	**6,462**	5,617	7,201	6,668	5,984
Tax expense	**1,228**	834	1,108	1,514	995
Net income	**5,234**	4,783	6,093	5,154	4,989
PER SHARE DATA					
Basic earnings	**$ 7.05**	$ 6.44	$ 8.20	$ 6.94	$ 6.72
Cash dividends declared	**1.32**	1.32	1.32	1.32	1.32
Book value at year-end	**86.84**	80.56	71.00	67.16	60.88
Tangible book value at year-end	**84.61**	78.23	68.54	64.53	58.20
Closing market price	**58.16**	52.00	60.00	48.00	45.00
AVERAGE BALANCES					
Total assets	**$ 846,447**	$ 797,408	$ 763,813	$ 726,750	$ 646,346
Earning assets	**821,800**	771,652	740,680	704,313	623,646
Loans	**738,489**	666,914	570,249	524,022	497,512
Securities available for sale	**72,254**	74,467	77,448	70,623	70,660
Deposits	**701,674**	677,711	680,470	643,532	564,722
Borrowings	**71,894**	53,435	22,982	25,862	29,211
Shareholders' equity	**62,031**	55,959	51,015	47,616	43,159

UNAUDITED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts) December 31,	2024	2023
ASSETS		
Cash and due from banks	$ 7,061	$ 6,379
Short-term investments	18,682	17,356
Securities available for sale, at fair value	76,954	64,625
FHLB of NY & FRB stock, at cost	9,504	6,795
Loans	763,981	708,869
Allowance for credit losses	(8,545)	(8,076)
Net loans	755,436	700,793
Premises and equipment, net	10,107	10,026
Accrued interest receivable	3,170	2,767
Goodwill	1,595	1,595
Bank owned life insurance	5,478	5,326
Other assets	10,130	7,871
Total assets	$ 898,117	$ 823,533
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Demand Deposits	$ 144,302	$ 149,292
Savings	93,385	101,522
NOW and money markets	336,294	343,026
Time Deposits	122,070	95,398
Total Deposits	696,051	689,238
FHLB borrowings, short-term	86,500	25,050
FHLB borrowings, long-term	30,000	30,000
Junior subordinated debentures	7,750	7,750
Other liabilities	13,321	11,664
Total liabilities	833,622	763,702
Shareholders' Equity:		
Common stock $12.50 par value. Authorized 10,000,000 shares; issued 768,000 shares at December 31, 2024 and 2023	9,600	9,600
Preferred stock $12.50 par value. Authorized 2,000,000 shares; none issued at December 31, 2024 and 2023	-	-
Additional paid-in-capital	42	42
Treasury stock, at cost (25,337 shares at December 31, 2024 and 2023)	(991)	(991)
Retained earnings	56,579	52,325
Accumulated other comprehensive loss	(735)	(1,145)
Total shareholders' equity	64,495	59,831
Total liabilities and shareholders' equity	$ 898,117	$ 823,533

See accompanying notes to unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share and per share amounts) Years ended December 31,	2024	2023
INTEREST AND FEE INCOME		
Loans, including fees	$ 35,476	$ 29,651
Securities available for sale	3,584	2,776
FHLB of NY & FRB stock	704	515
Short-term investments	222	1,305
Total interest and fee income	39,986	34,247
INTEREST EXPENSE		
Deposits	12,592	8,189
FHLB borrowings, short-term	1,865	1,195
FHLB borrowings, long-term	1,258	820
Junior subordinated debentures	446	648
Total interest expense	16,161	10,852
Net interest income	23,825	23,395
Provision for credit losses	600	480
Net interest income after provision for credit losses	23,225	22,915
NON-INTEREST INCOME		
Service charges on deposit accounts	672	612
Trust and investment services income	1,477	1,239
Net loss on sale and call of securities	-	(1,358)
Gain on sale/servicing of loans	33	-
Net gain on sale of fixed assets	9	19
Debit card interchange income	821	845
Earnings on bank owned life insurance	152	141
Other	840	412
Total non-interest income	4,004	1,910
NON-INTEREST EXPENSE		
Compensation and benefits	12,592	11,639
Occupancy and equipment	2,007	1,904
FDIC and OCC assessment	867	676
Advertising and public relations	292	441
Legal and professional fees	1,210	836
Data processing	1,113	1,042
Debit card processing	482	453
Other	2,204	2,217
Total non-interest expense	20,767	19,208
INCOME BEFORE INCOME TAX EXPENSE	6,462	5,617
Income tax expense	1,228	834
NET INCOME	$ 5,234	$ 4,783
Basic earnings per share	$ 7.05	$ 6.44
Weighted average common shares outstanding	742,663	742,663

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands) Years ended December 31,	2024	2023
NET INCOME	**$ 5,234**	$ 4,783
Other comprehensive income (loss), net of tax:		
Unrealized holding losses on other-than-temporary impaired securities arising during period, net of tax	**(1)**	(4)
Unrealized holding (loss) gain on securities arising during period, net of tax	**(713)**	2,129
Unrealized holding (loss) on cash flow hedges, net of tax	**(10)**	(30)
Changes in funded status of pension plan, net of tax	**1,134**	699
Total other comprehensive income, net of tax	**410**	2,794
TOTAL COMPREHENSIVE INCOME	**$ 5,644**	$ 7,577

See accompanying notes to unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2024 and 2023 (In thousands, except per share amounts)	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Accumulated other comprehensive income	Total share-holders' equity
Balance at January 1, 2023	$ 9,600	$ 42	$ (991)	$ 48,522	$ (3,939)	$ 53,234
Comprehensive income:						
Net income				4,783		4,783
Other comprehensive income, net of tax:					2,794	2,794
Cash dividends declared ($1.32 per share)				(980)		(980)
Balance at December 31, 2023	$ 9,600	$ 42	$ (991)	$ 52,325	$ (1,145)	$ 59,831
Comprehensive income:						
Net income				**5,234**		**5,234**
Other comprehensive income, net of tax:					**410**	**410**
Cash dividends declared ($1.32 per share)				**(980)**		**(980)**
Balance at December 31, 2024	**$ 9,600**	**$ 42**	**$ (991)**	**$ 56,579**	**$ (735)**	**$ 64,495**

See accompanying notes to unaudited consolidated financial statements.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) Years ended December 31,	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,234	$ 4,783
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	591	582
Provision for credit losses	600	480
Net premium (accretion) on securities	(747)	(544)
Deferred tax benefit	(336)	(404)
Net loss on sale and call of securities	-	1,358
Earnings on bank-owned life insurance	(152)	(141)
Net increase in accrued interest receivable	(403)	(395)
Net (increase) decrease in other assets	(480)	114
Net increase in other liabilities	1,592	1,051
Net cash provided by operating activities	5,899	6,884
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities, calls and paydowns of securities available for sale	15,953	24,440
Proceeds from sale of securites available for sale	2,875	44,225
Purchases of securities available for sale	(31,378)	(49,258)
Net purchases of FHLB stock	(2,709)	(1,323)
Net loans made to customers	(55,243)	(81,290)
Purchases of premises and equipment	(672)	(427)
Net cash used in investing activities	(71,174)	(63,633)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	6,813	31,681
Net increase in short-term FHLB borrowings	61,450	3,050
Issuance of long-term FHLB borrowings	-	30,000
Redemption of Trust Preferred Security	-	(5,155)
Dividends paid	(980)	(980)
Net cash provided by financing activities	67,283	58,596
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,008	1,847
Cash and cash equivalents at beginning of year	23,735	21,888
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 25,743	$ 23,735

See accompanying notes to unaudited consolidated financial statements.

BALLSTON SPA BANCORP, INC. AND SUBSIDIARIES

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Ballston Spa Bancorp, Inc. (the Parent Company) and its subsidiaries (collectively referred to as the Company) conform to accounting principles generally accepted in the United States of America and reporting practices followed by the banking industry. A summary of the more significant policies is described below.

Organization

The Company is a bank-based financial services company. The Parent Company's banking subsidiary, Ballston Spa National Bank (the Bank), is a community-based commercial bank and provides a wide range of banking, financing, fiduciary, brokerage and other financial services to corporate, municipal and individual customers through its thirteen branch offices.

The Company established a Nevada-based captive insurance subsidiary, Ballston Spa Risk Management, Inc. in 2016. Ballston Spa Risk Management, Inc. was a wholly owned subsidiary which insured against certain risks for which insurance may not be currently available or economically feasible in today's insurance marketplace. Ballston Spa Risk Management, Inc. would pool resources with several other similar insurance company subsidiaries of financial institutions to spread a limited amount of risk among the participants. In January of 2024, Management made the decision to dissolve Ballston Spa Risk Management effective December 31, 2024.

Basis of Presentation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. All material intercompany accounts and transactions have been eliminated. The Company utilizes the accrual method of accounting for financial reporting purposes. Amounts in the prior year's consolidated financial statements have been reclassified whenever necessary to conform with the current year's presentation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Securities

All securities are classified as securities available for sale and are reported at fair value, with net unrealized gains or losses reported, net of taxes, in accumulated other comprehensive income or loss (a separate component of shareholders' equity). Unrealized losses on securities which reflect a decline in value which is other than temporary, if any, are charged to income. Realized gains or losses on the disposition of securities are based on the net proceeds and the amortized cost of the securities sold, using the specific identification method. The amortized cost of securities is adjusted for amortization of premium and accretion of discount, which is calculated using the effective interest method.

Loans

Loans are carried at the principal amount outstanding, net of unearned discount, net of deferred loan origination fees and costs and the allowance for credit losses. Unearned discounts and net deferred loan origination fees and costs are accreted to income using the effective interest method. Loans considered doubtful of collection by management are placed on a nonaccrual status for the recording of interest. Generally, loans past due 90 days or more as to principal or interest are placed on nonaccrual status except for (1) those loans which, in management's judgment, are adequately secured and in the process of collection and (2) certain consumer and open-end credit loans which are usually charged-off when they become 120 days past due. Past due status is based on the contractual terms of the loan. When a loan is placed on nonaccrual status, all previously accrued income that has not been collected is reversed. Subsequent cash receipts are generally applied to reduce the unpaid principal balance; however, interest on loans can also be recognized as cash is received. Amortization of the related unearned discount and net deferred loan fees and costs is suspended when a loan is placed on nonaccrual status. Loans are removed from nonaccrual status when they become current as to principal and interest and when, in the opinion of management, the loans are expected to be fully collectible as to principal and interest.

Allowance for Credit Losses - Loans

Effective January 1, 2023, the Company adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology.

The allowance for credit losses is a valuation account that is deducted from, or added to, the loans' amortized cost basis to present the net amount expected to be collected on the loans. Additions are made to the allowance through provisions, which are charged to expense. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance on a quarterly basis using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level or term as well as for changes in environmental conditions such as changes in unemployment rates, property values or other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation.

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the periods in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expense.

Trust Assets and Service Fees

Assets held by the Company in a fiduciary or agency capacity for its customers are not included in the consolidated balance sheets since these assets are not assets of the Company. Fee income is recognized on the accrual method based on the fair value of assets administered.

Employee Benefit Costs

The Company has a tax qualified noncontributory defined benefit pension plan that provides benefits to substantially all its employees. Participants receive annual cash balance pay credits based on eligible pay multiplied by a percentage determined by their age and years of service. Participants also receive an annual interest credit. Employees become vested upon completing three years of vesting service. For employees hired prior to 2010, an additional pension benefit is provided to eligible employees based on years of service, multiplied by a percentage of their final average pay. The Company also maintains a 401(k) Retirement Plan for the benefit of those employees who meet certain eligibility requirements and have elected to participate in the Plan. Employee deferrals and employer matching contributions are invested among a variety of investment alternatives at the discretion of the participant.

Comprehensive Income

Comprehensive income represents the sum of net income and items of other comprehensive income or loss, which are reported directly in shareholders' equity, net of tax, such as the change in the net unrealized gain or loss on securities available for sale, net unrealized gain or loss on cash flow hedges and net minimum pension liabilities. Comprehensive income and its components are included in the consolidated statement of changes in shareholders' equity. Accumulated other comprehensive income or loss, which is a component of shareholders' equity, represents the net unrealized gain or loss on securities available for sale and cash flow hedges and net minimum pension liabilities, net of tax.

Fair Value Hedging

The Company is exposed to changes in the fair value of certain fixed-rate assets due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreement without the exchange of the underlying notional amount. Such derivatives are used to hedge the changes in fair value of certain of its pools of fixed rate assets.

As of December 31, 2024, the Company had two interest rate swaps, each with a notional amount of $10 million (total of $20 million) hedging fixed-rate residential mortgage loans. The first swap matures in May 2025, and the second swap matures in May 2026. Collectively, the interest rate swaps had an estimated market value of $34 thousand.

2. Securities

The amortized cost and approximate fair value of securities available for sale at December 31 are as follows:

	2024			
(In thousands)	Gross Amortized cost	Gross unrealized gains	Gross unrealized losses	Approx. fair value
U.S. treasury securities	**$ 5,971**	**$ 16**	**$ -**	**$ 5,987**
State and political subdivisions	**13,506**	**-**	**(659)**	**12,847**
Mortgage-backed securities - residential	**51,914**	**257**	**(1,079)**	**51,092**
Collateralized mortgage obligations	**97**	**1**	**(39)**	**59**
Corporate securities	**6,970**	**-**	**(1)**	**6,969**
Total securities available for sale	**$ 78,458**	**$ 274**	**$ (1,778)**	**$ 76,954**

	2023			
(In thousands)	Gross Amortized cost	Gross unrealized gains	Gross unrealized losses	Approx. fair value
U.S. treasury securities	$ 10,665	$ 35	$ (1)	$ 10,699
State and political subdivisions	9,787	-	(484)	9,303
Mortgage-backed securities - residential	37,652	692	(672)	37,672
Collateralized mortgage obligations	101	1	(37)	65
Corporate securities	6,956	-	(70)	6,886
Total securities available for sale	$ 65,161	$ 728	$ (1,264)	$ 64,625

3. Loans

The components of loans as of December 31, are as follows:

(In thousands)		2024		2023
Residential real estate	$	319,733	$	304,836
Commercial real estate		349,368		323,382
Commercial & industrial		39,288		36,918
Consumer		55,592		43,733
Loans		763,981		708,869
Allowance for credit losses		(8,545)		(8,076)
Net loans	$	755,436	$	700,793

Changes in the allowance for credit losses for the years ended December 31, were as follows:

(In thousands)		2024		2023
Allowance for credit losses at beginning of year	$	8,076	$	8,346
Loan charge-offs:				
Residential real estate		69		-
Commercial real estate		-		-
Commercial & industrial		1		14
Consumer		83		109
Total charge-offs		153		123
Loan recoveries:				
Residential real estate		-		18
Commercial real estate		-		-
Commercial & industrial		-		-
Consumer		22		38
Total recoveries		22		56
Loan charge-offs, net of recoveries		131		67
Provision charged to operations		600		480
ASC 326 adoption		-		(683)
Allowance for credit losses at end of year	$	8,545	$	8,076

Nonperforming loans as of December 31, were as follows:

(In thousands)		2024		2023
Nonaccrual loans				
Residential real estate	$	598	$	459
Commercial real estate		-		-
Commercial & industrial		29		101
Consumer		-		-
Total nonaccruing loans		627		560
Loans past due 90 days or more and still accruing interest				
Residential real estate		333		606
Commercial real estate		-		-
Commercial & industrial		146		-
Consumer		69		91
Total loans past due 90 days or more and still accruing interest		548		697
Total nonperforming loans	$	1,175	$	1,257

4. Borrowings

Short-Term FHLB Advances

The bank has a line of credit with the Federal Home Loan Bank of NY (FHLB). This short-term borrowing program is based upon an overnight period with interest based generally upon a spread above the current Federal funds rate. In addition, short-term advances with an original maturity of less than one year are classified in this category. The rates on these borrowings can be either fixed or floating. As of December 31, 2024 and 2023, short-term FHLB advances amounted to $86.5 million and $25 million, respectively, with a weighted average rate of 5.44% and 5.05%, respectively. Short-term FHLB advances are collateralized by FHLB stock and a blanket lien on all residential real estate loans and certain commercial real estate loans not otherwise pledged.

Long-Term FHLB Borrowings

As of December 31, 2024 and December 31, 2023, long-term borrowings amounted to $30 million in each year. Long-term borrowings averaged $30 million during the year ended December 31, 2024 and $19.5 million during the year ended December 31, 2023. Both years carried the same weighted average rate of 4.19%. Long-term FHLB borrowings are collateralized by FHLB stock and a blanket lien on all residential real estate loans and certain commercial real estate loans not otherwise pledged.

5. Income Taxes

The components of income tax expense for the years ended December 31 were as follows:

(Dollars in thousands)	2024	2023
Current tax expense:		
Federal	$ 1,504	$ 1,104
State	60	134
Deferred tax benefit	(336)	(404)
Total income tax expense	$ 1,228	$ 834

The actual tax expense for the years ended December 31, 2024 and 2023 differs from the statutory Federal tax rate due principally to New York State taxes and tax-exempt investment income.

DIRECTORS AND OFFICERS

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Stephen J. Obermayer, CPA	*Chief Financial Officer, BBL Construction Services, LLC*
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DIRECTORS EMERITI

J. Peter Hansen, DVM
Ronald G. Harrington
Leroy N. Hodsoll
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Robert E. VanVranken, Esq.

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James F. Dodd, CPA	*Executive Vice President, Corporate Secretary and Chief Financial Officer*

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Ann M. Sharpe, Esq.	*Wealth Management Solutions*
Thomas M. White	*Wealth Management Solutions*

Thank you, Peggy de Koning for 21 Years of Dedicated Service

In December 2024, Peggy de Koning, Executive Vice President and Chief Credit Officer retired from Ballston Spa National Bank after a successful career with the bank. Ms. de Koning's leadership and dedication was instrumental in growing the bank's assets, commercial lending portfolio and our branch network, which added four new locations during her tenure. Her strategic foresight led to the successful launch of the bank's Treasury Management Division, which continues to bring a robust suite of online cash management and treasury management services to the bank's growing commercial client base.

During Ms. de Koning's career, the bank experienced significant asset growth totaling $614 million, reaching a new milestone of $898 million in assets as of December 31, 2024. Her strong connections with our customers and business community fostered a culture of excellence and community-focused service which will continue to influence the bank for years to come.

We appreciate Ms. de Koning's significant contributions and wish her well in retirement.

General Information
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Corporate Branch
990 State Route 67
(518) 363-8199

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(518) 882-1225

Greenfield Center
3060 Route 9N
(518) 893-2265

Guilderland
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(518) 213-0922

Latham
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(518) 640-2800

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(518) 899-2912

Milton Crest
344 Rowland Street
(518) 885-4346

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Ballston Spa Bancorp, Inc.