

## PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, reported strong financial results through the third quarter of 2019. Net income for the nine-month period ending September 30, 2019 totaled \$3.1 million, or \$4.19 per share, down from the \$3.9 million, or \$5.26 per share, reported for the same period in 2018. It is important to note that a number of one-time income recognition items in 2018 impact the year to year comparison. Absent these items, net income performance in the first nine months of 2019 is tracking slightly ahead of where we were in the prior year.

Income performance was again positively impacted by solid growth in our loan and deposit portfolios during the period. Highlights for the nine-month period ending September 30, 2019 include:

- Residential real estate loans increased \$14.5 million, or 7.4%;
- Commercial and commercial real estate loans increased \$13.5 million, or 6.7%;
- Commercial and consumer deposits increased \$34.7 million, or 10.9%.

Building on recent achievements, we have made investments in automated delivery solutions, staffing resources, and branch office expansion to enhance our capabilities and further improve performance.

While loan and deposit growth has out-paced our peers in recent years, the Company's balance sheet remains strong and capable of continued growth. Loan quality measures are at historic lows, continuing to improve during the current year. In fact, nonperforming loans as a percentage of total loans declined from 0.67% as of year-end 2018 to 0.29% as of September 30, 2019. Furthermore, capital is at a healthy level as reflected in the Bank's Tier 1 risk-based capital ratio of 12.36% as of September 30, 2019.

In addition to the positive financial results, I am also pleased to welcome the newest member of our board of directors, Paul DiCaprio. Paul is the president of Specialty Silicone Products, Inc., a manufacturer of silicone rubber based products located in the Town of Ballston. Given his sales and leadership experience, visibility in the region, and commitment to the community, we are confident Paul will provide thoughtful oversight and contribute greatly to the ongoing success of the Company.

## PRESIDENT'S MESSAGE CONTINUED

As we prepare to enter the next decade, the Company is financially sound and maintains a very talented team of dedicated professionals to serve and support a growing customer base. Although we anticipate further economic uncertainty and the possibility of tightening net interest margins, 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

## CONSOLIDATED BALANCE SHEETS

<i>(In thousands)</i>	September 30, 2019	December 31, 2018
<b>Assets</b>		
Cash and due from banks	\$ 12,616	\$ 7,485
Short-term investments	14,381	3,643
Securities available for sale, at fair value	73,382	71,992
FHLB of NY & FRB stock, at cost	3,467	5,236
Loans	459,731	430,614
Allowance for loan losses	(6,028)	(5,652)
Net loans	453,703	424,962
Premises and equipment, net	10,458	10,180
Other assets	11,196	10,957
<b>Total Assets</b>	<b>\$ 579,203</b>	<b>\$ 534,455</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
Deposits	\$ 504,750	\$ 419,567
FHLB borrowings, short-term	10,000	54,850
FHLB borrowings, long-term	5,880	5,880
Junior subordinated debentures	12,905	12,905
Other liabilities	6,163	5,210
Total liabilities	<b>\$ 539,698</b>	<b>\$ 498,412</b>
<b>Shareholders' Equity</b>		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	34,171	31,797
Accumulated other comprehensive loss	(3,317)	(4,405)
Total shareholders' equity	<b>\$ 39,505</b>	<b>\$ 36,043</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 579,203</b>	<b>\$ 534,455</b>

## CONSOLIDATED INCOME STATEMENTS

<i>(In thousands, except per share data)</i>	For the nine months ended September 30,	
	2019	2018
<b>Interest and fee income</b>		
Loans, including fees	\$ 15,173	\$ 13,656
Securities available for sale	1,297	1,203
FHLB of NY & FRB stock	203	176
Short-term investments	55	33
Total interest and fee income	<b>\$ 16,728</b>	<b>\$ 15,068</b>
<b>Interest expense</b>		
Deposits	\$ 1,455	\$ 502
FHLB borrowings, short-term	832	596
FHLB borrowings, long-term	129	67
Junior subordinated debentures	506	193
Total interest expense	<b>\$ 2,922</b>	<b>\$ 1,358</b>
Net interest income	13,806	13,710
Provision for loan losses	540	483
Net interest income after provision for loan losses	<b>\$ 13,266</b>	<b>\$ 13,227</b>
<b>Noninterest income</b>		
Service charges on deposit accounts	\$ 573	\$ 535
Trust and investment services income	753	847
Other	1,056	1,502
Total noninterest income	<b>\$ 2,382</b>	<b>\$ 2,884</b>
<b>Noninterest expense</b>		
Compensation and benefits	\$ 7,698	\$ 7,055
Occupancy and equipment	1,121	1,159
FDIC and OCC assessment	231	381
Advertising and public relations	220	254
Legal and professional fees	394	367
Debit Card processing	257	264
Data processing	683	602
Other	1,252	1,220
Total noninterest expense	<b>\$ 11,856</b>	<b>\$ 11,302</b>
Income before income tax expense	\$ 3,792	\$ 4,809
Income tax expense	683	902
<b>Net income</b>	<b>\$ 3,109</b>	<b>\$ 3,907</b>
<b>Basic earnings per share</b>	<b>\$ 4.19</b>	<b>\$ 5.26</b>



## A Closer Look



Ann Sharpe



Thomas White



Thomas McGrath

### BSNB Enhances and Expands Wealth Management Team

Earlier this year Ann M. Sharpe was chosen to lead the BSNB Wealth Management Solutions team. Ann, a highly regarded estate and trust attorney, is supported in the department by an experienced team of investment and financial planning professionals. VP/Senior Investment Officer Thomas White crafts investment portfolios that are individually managed, balanced and diversified to meet each client's unique needs and goals. And the department's newest member, VP/Trust Officer Thomas McGrath, brings over fifteen years of financial planning knowledge for the benefit of the Wealth Management Solutions clients. The range of services include:

- Coordinating your financial planning goals including tax and estate planning, charitable giving, insurance, retirement planning, and generational wealth transfers;
- Developing strategies that help protect and grow your investments over the long term;
- Providing personal banking and investment solutions specifically designed for experienced investors.

At BSNB, we deliver banking the way it should be with highly capable professionals who take a hands-on client-focused approach in developing solutions to achieve your financial goals.

To learn more, contact 518-363-8698, or visit the Wealth Management section of [bsnb.com](http://bsnb.com).

### VA, USDA and FHA Mortgages\*

BSNB has expanded our residential mortgage product set to support the communities that we serve. The new products are designed to assist veterans, rural homebuyers and borrowers seeking low down payment options.

For guidance on selecting a mortgage that best suits your needs, please contact a BSNB mortgage originator at 518-363-8107.

\*VA, USDA and FHA mortgages are arranged through third party providers.

### 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](http://www.bsnb.com)  
(518) 885-6781



# CONSOLIDATED INTERIM FINANCIAL INFORMATION

SEPTEMBER 30, 2019



Better Service. Better Options.

Better Banking.