

PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, reported strong financial results in the first quarter of 2019. Net income for the three-month period ending March 31, 2019 totaled \$1.15 million, or \$1.55 per share, down modestly from the \$1.22 million, or \$1.65 per share, reported for the same period in 2018. Absent two one-time income recognition items in early 2018, results for the first quarter of 2019 demonstrate solid gains in income performance. Growth in the Company's loan and deposit portfolios was again the primary driver of the improved earnings.

Following two consecutive years of strong loan growth, the Company is again seeing market opportunity for additional growth in 2019. More specifically, commercial and commercial real estate loans increased \$9.98 million, or 4.94% and residential loans increased \$3.48 million, or 1.76% between December 31, 2018 and March 31, 2019. Loan growth was supported by an increase in total deposits of \$22.94 million, or 5.47%, during the same period. While seasonal fluctuations in municipal deposits were the primary source of deposit growth, our retail deposit base continues to develop, increasing by \$4.70 million during the first three months of the year.

Credit quality indicators across all lending portfolios remain at historic low levels. In fact, nonperforming loans as a percentage of total loans declined from 0.90% as of December 31, 2018 to 0.43% as of March 31, 2019. We believe the low levels of problem loans to be a reflection of the strength of the regional economy and conservative underwriting practices. 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 13.26% as of the end of the quarter.

In light of the Company's solid financial position, the pace of technological change in the financial sector and opportunities we see in the market, the Company has embarked on a number of initiatives in 2019 to enhance future long-term performance.

- Recent staffing additions in our Wealth Management group, Credit Administration, and Treasury Management better enable the Company to deliver enhanced service and support of our customers;

- Additional investments in our Treasury Management platform of services, and our broad-based technology infrastructure are planned for 2019;

- In a new initiative to assist customers in developing financial plans and resources, the Company recently introduced BSNB's Better U. The wide array of adult education resources available at bsnb.com provides families with easy to use educational tools to assist them in achieving their financial goals;

PRESIDENT'S MESSAGE CONTINUED

- During the first quarter, the Company also completed a renovation of a long-standing branch office located in Milton, NY. The new layout and interior design is consistent with our newest branch offices and will provide customers with greater convenience and comfort.

Through these initiatives and others planned for the coming months, management expects to deliver enhanced value to customers, shareholders and the communities we serve. 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

(In thousands)

| | March 31, 2019 | December 31, 2018 |
|---|-------------------|----------------------|
| Assets | | |
| Cash and due from banks | \$ 8,262 | \$ 7,485 |
| Short-term investments | 2,059 | 3,643 |
| Securities available for sale, at fair value | 70,131 | 71,992 |
| FHLB of NY & FRB stock, at cost | 4,668 | 5,236 |
| Loans | 443,436 | 430,614 |
| Allowance for loan losses | (5,772) | (5,652) |
| Net loans | 437,664 | 424,962 |
| Premises and equipment, net | 10,211 | 10,180 |
| Other assets | 10,980 | 10,957 |
| Total Assets | \$ 543,975 | \$ 534,455 |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Deposits | \$ 442,510 | \$ 419,567 |
| FHLB borrowings, short-term | 40,750 | 54,850 |
| FHLB borrowings, long-term | 5,880 | 5,880 |
| Junior subordinated debentures | 12,905 | 12,905 |
| Other liabilities | 4,335 | 5,210 |
| Total liabilities | \$ 506,380 | \$ 498,412 |
| Shareholders' Equity | | |
| Common stock | \$ 9,642 | \$ 9,642 |
| Treasury stock, at cost | (991) | (991) |
| Retained earnings | 32,704 | 31,797 |
| Accumulated other comprehensive loss | (3,760) | (4,405) |
| Total shareholders' equity | \$ 37,595 | \$ 36,043 |
| Total Liabilities & Shareholders' Equity | \$ 543,975 | \$ 534,455 |

CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

For the three months ended
March 31,

| | 2019 | 2018 |
|---|-----------------|-----------------|
| Interest and fee income | | |
| Loans, including fees | \$ 4,921 | \$ 4,488 |
| Securities available for sale | 447 | 413 |
| FHLB of NY & FRB stock | 68 | 59 |
| Short-term investments | 16 | 8 |
| Total interest and fee income | \$ 5,452 | \$ 4,968 |
| Interest expense | | |
| Deposits | \$ 328 | \$ 151 |
| FHLB borrowings, short-term | 296 | 181 |
| FHLB borrowings, long-term | 43 | - |
| Junior subordinated debentures | 168 | 57 |
| Total interest expense | \$ 835 | \$ 389 |
| Net interest income | 4,617 | 4,579 |
| Provision for loan losses | 180 | 156 |
| Net interest income after provision for loan losses | \$ 4,437 | \$ 4,423 |
| Noninterest income | | |
| Service charges on deposit accounts | \$ 187 | \$ 167 |
| Trust and investment services income | 259 | 261 |
| Other | 348 | 469 |
| Total noninterest income | \$ 794 | \$ 897 |
| Noninterest expense | | |
| Compensation and benefits | \$ 2,477 | \$ 2,395 |
| Occupancy and equipment | 390 | 422 |
| FDIC and OCC assessment | 95 | 122 |
| Advertising and public relations | 72 | 78 |
| Legal and professional fees | 119 | 142 |
| Debit Card processing | 86 | 89 |
| Data processing | 231 | 198 |
| Other | 380 | 387 |
| Total noninterest expense | \$ 3,850 | \$ 3,833 |
| Income before income tax expense | \$ 1,381 | \$ 1,487 |
| Income tax expense | 228 | 263 |
| Net income | \$ 1,153 | \$ 1,224 |
| Basic earnings per share | \$ 1.55 | \$ 1.65 |



A Closer Look

BSNB Launches Better U Financial Education Program



BSNB recently launched Better U, an online financial education initiative through EVERFI, Inc.. Better U is available as a complimentary resource at <https://bsnb.everfi-next.net/>. Customers will have access to critical financial topics including building emergency savings, mortgage education and retirement planning. Each topic is 5-15 minutes and encourages participants to build financial confidence via interactive activities that are mobile and tablet-friendly.

Ann M. Sharpe named VP, Wealth Management



Ann M. Sharpe, Esq. has been named vice president of Wealth Management Solutions. Ann joins our established team of trust and investment professionals after nearly 25 years of practicing law in the capital region. With her extensive experience in estate planning, estate and trust administration and retirement asset protection, Ann and our team are well positioned to work collaboratively with other lines of business to achieve strategic growth and customer service goals.

SUMMIT Employee of the Year



BSNB announced that Damian Antonelli, End Point Administrator - Information Technology, has received the 2018 SUMMIT Employee of the Year award. CEO Chris Dowd recognized Antonelli at an employee meeting, applauding his dedication to helping others. The SUMMIT award is given annually to an employee that demonstrates the bank's core values of teamwork, respect, accountability, integrity and leadership.

Damian Antonelli, right, with BSNB President and CEO Chris Dowd (left)

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, 2019



Better Options. Better Banking.
Better Service.