

Ballston Spa Bancorp, Inc.

Amendment to Annual Report - Ballston Spa Bancorp Financial Statements
- 12.31.2024 for 12/31/2024 originally published through the OTC Disclosure & News Service on [04/25/2025](#)

Explanatory Note:

Restated December 31, 2024 Financial Statements

***This coversheet was automatically generated by OTC Markets Group based on the information provided by the Company. OTC Markets Group has not reviewed the contents of this amendment and disclaims all responsibility for the information contained herein.*

BALLSTON SPA BANCORP, INC.
Ballston Spa, New York

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

BALLSTON SPA BANCORP, INC.
Ballston Spa, New York

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ballston Spa Bancorp, Inc.
Ballston Spa, New York

Opinion

We have audited the consolidated financial statements of Ballston Spa Bancorp, Inc., which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Ballston Spa Bancorp, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ballston Spa Bancorp, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 16 to the consolidated financial statements, the 2024 and 2023 consolidated financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ballston Spa Bancorp, Inc.'s ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ballston Spa Bancorp, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ballston Spa Bancorp, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

Livingston, New Jersey

April 25, 2025, except for Notes 16 and 17, as to which the date is November 26, 2025

BALLSTON SPA BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2024 and 2023
(In thousands, except share and per share amounts)

	<u>Restated</u> <u>2024</u>	<u>Restated</u> <u>2023</u>
ASSETS		
Cash and due from banks	\$ 7,061	\$ 6,379
Short-term investments	<u>18,682</u>	<u>17,356</u>
Cash and cash equivalents	25,743	23,735
Securities available for sale, at fair value (amortized cost \$78,458 and \$65,161)	76,954	64,625
Federal Home Loan Bank of New York ("FHLB") and Federal Reserve Bank ("FRB") stock, at cost	9,504	6,795
Loans	763,981	708,869
Allowance for credit losses	<u>(8,545)</u>	<u>(8,076)</u>
Net loans	<u>755,436</u>	<u>700,793</u>
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	<u>8,334</u>	<u>7,871</u>
Total assets	<u>\$ 896,321</u>	<u>\$ 823,533</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Demand deposits	\$ 144,302	\$ 149,292
Savings accounts	93,385	101,522
NOW and money market	336,294	343,026
Time deposits	<u>121,927</u>	<u>95,398</u>
Total deposits	<u>695,908</u>	<u>689,238</u>
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	<u>9,932</u>	<u>9,824</u>
Total liabilities	<u>830,090</u>	<u>761,862</u>
Shareholders' equity		
Common stock, \$12.50 par value. Authorized 10,000,000 shares; issued 768,000 shares	9,600	9,600
Preferred stock, \$12.50 par value. Authorized 2,000,000 shares; none issued at December 31, 2024 & 2023	-	-
Additional paid in capital	42	42
Treasury stock, at cost; 25,337 shares	(991)	(991)
Retained earnings	58,315	54,165
Accumulated other comprehensive loss	<u>(735)</u>	<u>(1,145)</u>
Total shareholders' equity	<u>66,231</u>	<u>61,671</u>
Total liabilities and shareholders' equity	<u>\$ 896,321</u>	<u>\$ 823,533</u>

See accompanying notes to consolidated financial statements.

BALLSTON SPA BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2024 and 2023

(In thousands, except share amounts)

	<u>Restated</u> <u>2024</u>	<u>Restated</u> <u>2023</u>
INTEREST AND FEE INCOME		
Loans, including fees	\$ 35,476	\$ 29,651
Securities available for sale	3,584	2,776
FHLB and FRB stock	616	504
Short-term investments	<u>222</u>	<u>1,305</u>
Total interest and fee income	<u>39,898</u>	<u>34,236</u>
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	<u>446</u>	<u>648</u>
Total interest expense	<u>16,161</u>	<u>10,852</u>
NET INTEREST INCOME	23,737	23,384
Provision for credit losses	<u>600</u>	<u>480</u>
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	<u>23,137</u>	<u>22,904</u>
NON-INTEREST INCOME		
Service charges on deposit accounts	672	612
Trust and investment services income	1,477	1,239
Net loss on securities transactions	-	(1,358)
Gain on sale/servicing of loans	33	-
Debit card interchange income	821	845
Earnings on bank-owned life insurance	151	141
Other	<u>850</u>	<u>431</u>
Total non-interest income	<u>4,004</u>	<u>1,910</u>
NON-INTEREST EXPENSE		
Compensation and benefits	12,792	11,943
Occupancy and equipment	2,007	1,904
Federal Deposit Insurance Corporation ("FDIC") and OCC assessment	791	733
Advertising and public relations	292	441
Legal and professional fees	1,138	836
Data processing	1,113	1,042
Debit card processing	482	453
Other	<u>2,204</u>	<u>2,217</u>
Total non-interest expenses	<u>20,819</u>	<u>19,569</u>
INCOME BEFORE INCOME TAX EXPENSE	6,322	5,245
Income tax expense	<u>1,192</u>	<u>840</u>
NET INCOME	<u>\$ 5,130</u>	<u>\$ 4,405</u>
Basic earnings per share	\$ 6.91	\$ 5.93
Weighted average number of common shares outstanding	742,663	742,663

See accompanying notes to consolidated financial statements.

BALLSTON SPA BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2024 and 2023
(In thousands, except share amounts)

	Restated <u>2024</u>	Restated <u>2023</u>
NET INCOME	\$ 5,130	\$ 4,405
Available-for sale Securities:		
Unrealized holding (loss)/gain on securities arising during period	(968)	1,519
Reclassification adjustment for realized loss on sale of securities	<u>-</u>	<u>1,358</u>
Gross change in unrealized(loss)/gain during period	(968)	2,877
Tax effect	<u>(254)</u>	<u>752</u>
Net-of-tax amount	<u>(714)</u>	<u>2,125</u>
Defined benefit pension plans:		
Net gain arising during the period	1,535	935
Reclassification adjustment for amortization of prior service cost and net loss included in compensation and benefits	<u>-</u>	<u>11</u>
Net gain	<u>1,535</u>	<u>946</u>
Tax effect	<u>411</u>	<u>277</u>
Net-of-tax amount	<u>1,124</u>	<u>669</u>
Other comprehensive income net of tax	<u>410</u>	<u>2,794</u>
COMPREHENSIVE INCOME	<u>\$ 5,540</u>	<u>\$ 7,199</u>

See accompanying notes to consolidated financial statements.

BALLSTON SPA BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended December 31, 2024 and 2023
(In thousands, except share amounts)

	Common Stock	Additional paid in capital	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2022	\$ 9,600	\$ 42	\$ (991)	\$ 48,018	\$ (3,939)	\$ 52,730
Cumulative effect of change in accounting principle - Topic 326				504		504
Correction of prior period error (See Note 16)				2,218		2,218
Balance at January 1, 2023, adjusted for change in accounting principle, as restated	\$ 9,600	\$ 42	\$ (991)	\$ 50,740	\$ (3,939)	\$ 55,452
Comprehensive income:						
Net income				4,405		4,405
Other comprehensive income, net of tax:					2,794	2,794
Cash dividends declared (\$1.32 per share)				(980)		(980)
Balance December 31, 2023, as restated	\$ 9,600	\$ 42	\$ (991)	\$ 54,165	\$ (1,145)	\$ 61,671
Comprehensive income:						
Net income				5,130		5,130
Other comprehensive income, net of tax:					410	410
Cash dividends declared (\$1.32 per share)				(980)		(980)
Balance at December 31, 2024, as restated	\$ 9,600	\$ 42	\$ (991)	\$ 58,315	\$ (735)	\$ 66,231

See accompanying notes to consolidated financial statements.

BALLSTON SPA BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2024 and 2023
(In thousands)

	<u>Restated</u> <u>2024</u>	<u>Restated</u> <u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 5,130	\$ 4,405
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	591	582
Provision for credit losses	600	480
Net premium (accretion) amortization on securities	(747)	(544)
Deferred tax benefit	(555)	(404)
Net loss on sale and call of securities	-	1,358
Earnings on bank owned life insurance	(151)	(141)
Net increase in accrued interest receivable	(403)	(395)
Net decrease in other assets	1,469	92
Net increase in other liabilities	108	1,451
Net cash provided by operating activities	6,042	6,884
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities, calls and pay downs of securities available for sale	15,953	24,440
Proceeds from sale of securities available for sale	-	44,225
Purchases of securities available for sale	(28,503)	(49,258)
Net (purchases) of FHLB stock	(2,709)	(1,323)
Net loans made to customers	(55,243)	(81,290)
Purchase 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	6,670	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	67,140	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
Supplemental information		
Interest paid	\$ 16,253	\$ 10,190
Taxes paid	\$ 661	\$ 918

See accompanying notes to consolidated financial statements.

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023
(In thousands)

NOTE 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 financial holding 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. is a wholly owned subsidiary which insures against certain risks for which insurance may not be currently available or economically feasible in today’s insurance marketplace. Ballston Spa Risk Management, Inc. pools 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, Inc. effective December 31, 2024.

Basis of Presentation: The consolidated financial statements include the accounts of the Parent Company and the Bank and its subsidiary, BSNB Real Estate Company, Inc. 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.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, and federal funds purchased and repurchase agreements.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through November 25, 2025, which is the date the financial statements were available to be issued.

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.

Cash and Cash Equivalents: For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, due from banks and short term investments which include federal funds sold and amounts left on deposit at Federal Reserve Bank of New York (“FRB”) and Certificate of Deposits with other Banks. Net cash flows are reported for customer’s loan and deposit transactions, Federal Home Loan Bank stock and for short term Federal Home Loan Bank of New York (“FHLB”) advances.

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 other comprehensive income or loss. 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, and are recorded on trade date.

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BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023
(In thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amortized cost of securities is adjusted for amortization of premium and accretion of discount, which is calculated using the effective interest method and included in interest income. Premiums on callable debt securities are amortized to their earliest call date.

A security is placed on non-accrual status at the time principal and interest become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income. At December 31, 2024 and 2023 all securities were current on principal and interest payments.

For available for sale debt securities in an unrealized loss position, management first assesses whether the Company intends to sell, or if it is likely that the Company will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through a provision for credit losses charged to earnings. For debt securities available for sale that do not meet either of these criteria, management evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers both quantitative and qualitative factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss), net of tax. The Company elected the practical expedient of zero loss estimates for securities issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major agencies and have a long history of no credit losses. Under ASC 326, changes in allowance for credit losses are recorded as provision for, or reversal of, credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2024 and 2023, accrued interest receivable on available-for-sale securities totaled \$385 thousand and \$306 thousand, respectively, and is excluded from the estimate of credit losses.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans: Loans are carried at the principal amount outstanding, net of unearned discount, net 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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The allowance for credit losses is a valuation account that is deducted from 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.

The Company estimates expected credit losses using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The Company's historical credit loss experience provides the basis for the estimation of expected credit losses. The historical loss experience is determined by portfolio segment and the Company uses the weighted average remaining maturity (WARM) methodology to estimate credit losses over the expected life of the loan. This actual loss experience is adjusted by other qualitative factors based on the risks present for each portfolio segment. These qualitative factors include consideration of the following: changes in economic forecasts, levels of and trends in delinquencies and changes in collateral values; changes in lending policies, procedures and practices; experience, ability and depth of lending management and other relevant staffing and experience; changes in the quality of loan review system; current national and local economic trends and conditions; effect of legal and regulatory factors; and effects of changes in credit concentrations.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The following portfolio classes have been identified: Residential real estate, Home equity line of credit ("HELOC"), Commercial real estate, Commercial and industrial, and Consumer.

The risk characteristics of each of the identified portfolio classes are as follows:

Residential Real Estate: Residential real estate loans are generally made on the basis of the borrower's ability to make repayment from his or her employment income or other income, and which are secured by real property whose value tends to be more easily ascertainable. Repayment of residential real estate loans is subject to adverse employment conditions in the local economy leading to increased default rate and decreased market values from oversupply in a geographic area. In general, residential real estate loans depend on the borrower's continuing financial stability and, therefore, are likely to be adversely affected by various factors, including job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Home Equity Lines of Credit ("HELOCs"): HELOCs have as collateral a borrower's primary residence, second home or investment property. The risk of loss on these loans would be due to collateral deficiencies due to market deterioration or location and condition of the property. The foreclosure process of a primary residence is usually the final course of action on these types of loans. Given our underwriting criteria and the volume and balance of the loans as compared to collateral, the risk in this

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

portfolio segment is less than that of the other classes.

Commercial Real Estate: Commercial real estate loans are secured by multi-family and nonresidential real estate and generally have larger balances and involve a greater degree of risk than residential real

estate loans. Commercial real estate loans depend on the global cash flow analysis of the borrower and the net operating income of the property, the borrower's expertise, credit history and profitability, and the value of the underlying property. Of primary concern in commercial real estate lending is the borrower's creditworthiness and the cash flow from the property. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject, to a greater extent than residential real estate loans, to adverse conditions in the real estate market or the economy. Commercial Real Estate is also subject to adverse market conditions that cause a decrease in market value or lease rates, obsolescence in location or function and market conditions associated with oversupply of units in a specific region.

Commercial and Industrial: Commercial and industrial loans are generally of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial and industrial loans may depend substantially on the success of the business itself. Furthermore, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value.

Consumer: Consumer loans generally have shorter terms and higher interest rates than residential real estate loans. In addition, consumer loans expand the products and services offered the Bank to better meet the financial services needs of the Bank's customers. Consumer loans generally involve greater credit risk than residential real estate loans because of the difference in the underlying collateral. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance because of the greater likelihood of damage to, loss of, or depreciation in the underlying collateral. The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections depend on the borrower's personal financial stability. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. For loans that are individually analyzed, the ACL is measured using a discounted cash flow (DCF) method based upon the loan's contractual effective interest rate, or at the loan's observable market price, or, if the loan is collateral dependent, at the fair value of the collateral. Factors management considers when measuring the extent of expected credit loss include payment status, collateral value, borrower financial condition, guarantor support and the probability of collecting scheduled principal and interest payments when due. When management determines foreclosure is probable expected credit losses are based on the fair value of the collateral. For collateral dependent loans for which repayment is to be provided substantially through the sale of the collateral, management adjusts the fair value for estimated costs to sell. For collateral dependent loans for which repayment is to be provided substantially through the operation of the collateral, estimated costs to sell are not incorporated into the measurement. Management may also adjust appraised values to reflect estimated market value declines or apply other discounts to appraised values for unobservable factors resulting from its knowledge of circumstances associated with the collateral.

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BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023
(In thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company has made an accounting policy election to exclude accrued interest from the amortized cost basis of loans and the Company also excludes accrued interest from the estimate of credit losses on loans. At December 31, 2024 and 2023, the Company's accrued interest receivable on loans totaled \$2.8 million and \$2.4 million, respectively.

Allowance for Credit Losses on Unfunded Commitments:

ACL on unfunded commitments is management's estimate of expected credit losses over the expected contractual term (or life) in which the Company is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Company. Unfunded commitments for home equity lines of credit and commercial demand loans are considered unconditionally cancellable for regulatory capital purposes and, therefore, are excluded from the calculation to estimate the ACL on unfunded commitments. For each portfolio, estimated loss rates and funding factors are applied to the corresponding balance of unfunded commitments. For each portfolio, the estimated loss rates applied to unfunded commitments are the same quantitative and qualitative loss rates applied to the corresponding on-balance sheet amounts in determining the ACL on loans. The estimated funding factor applied to unfunded commitments represents the likelihood that the funding will occur and is based upon the Company's average historical utilization rate for each portfolio.

The ACL on unfunded commitments is included in other liabilities in the Consolidated Balance Sheets. The ACL on unfunded commitments is adjusted through a provision for credit losses recognized in the Consolidated Statements of Income.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales, when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment: Land is carried at cost. Premises, software, and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the terms of the related leases or the useful lives of the assets.

Federal Home Loan Bank ("FHLB") Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Federal Reserve Bank ("FRB") Stock: The Bank is a member of its regional FRB. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

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. A valuation allowance, if needed, reduces deferred tax assets to the amounts expected to be realized.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(In thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Loan Commitments and Related Financial Instruments: In the normal course of business, the Company is a party to certain financial instruments with off-balance-sheet risk such as commitments to extend credit, unused lines of credit, and standby letters of credit. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. The Company’s policy is to record such instruments when funded.

Wealth Management 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 maintains a tax qualified noncontributory, defined benefit pension plan that provides benefits to substantially all its employees. Participants receive an annual cash balance benefit based on current annual compensation. Participants also receive an annual interest credit on the balance of their account. 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 cost of this plan, which is the net of prior service and interest cost, return on plan assets and amortization of gains and losses, is based upon the actuarial computation of current and future benefits to employees, and is charged to current operating expenses.

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 401(k) plan expense is the amount of matching contributions. Employee deferrals and employer matching contributions are invested among a variety of investment alternatives at the discretion of the participant. In addition, the Company has salary continuation agreements with select employees that provide defined benefits for a period of years after their separation from service from the Company.

Earnings Per Share: Since there are no stock options or other potential dilutive securities outstanding, basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the year.

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 derivatives, and changes in the funded status of the pension plan. Comprehensive income and its components are included in the consolidated statement of comprehensive income. 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 derivatives, and the funded status of the Company’s defined benefit pension plan.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(In thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are any such matters that will have a material effect on the financial statements.

Segment Reporting: The Company has a single segment for financial reporting purposes. The Company's reportable segment is determined by the Chief Financial Officer, who is designated as the chief operating decision maker, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses this information to review performance of various components, such as branches and wealth management component which are then aggregated. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used to assess performance and to establish compensation. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provision for credit losses, and salaries and employee benefits provide the significant expense in the banking operation. All of the Company's operations are domestic.

Goodwill: The excess of the purchase price over the fair value of identifiable tangible and intangible assets acquired, less liabilities assumed, is recorded as goodwill. Goodwill is not amortized, but is reviewed for impairment annually. The Company has selected December 31 as the date to perform the annual impairment test. The Company completed goodwill impairment assessments at December 31, 2024 and 2023, and determined that no impairment charges were required.

Other Real Estate Owned: Other real estate owned which consists of properties acquired through foreclosure or by acceptance of a deed in lieu of foreclosure. These assets are initially recorded at the fair value of the property, less any estimated costs of disposal. Credit losses arising from the acquisition of such assets are charged to the allowance for credit losses and subsequent valuation write-downs are charged

to non-interest expense and a valuation allowance is established. Operating costs associated with the properties are charged to expense as incurred. Gains and losses on the sale of other real estate owned are included in income when title has passed and the sale has met the minimum down payment requirements prescribed by generally accepted accounting principles.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the Parent Company or by the Parent Company to shareholders.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matter of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Bank-Owned Life Insurance ("BOLI"): The Bank purchased life insurance policies on certain key executives.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BOLI is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Derivatives: The Company utilizes derivative instruments in the form of interest rate swaps to hedge its exposure to interest rate risk in conjunction with its overall asset/liability management process. In accordance with accounting requirements, the Company formally designates all of its hedging relationships as either fair value hedges, intended to offset the changes in the value of certain financial instruments due to movements in interest rates, or cash flow hedges, intended to offset changes in the cash flows of certain financial instruments due to movement in interest rates, and documents the strategy for undertaking the hedge transactions, and its method of assessing ongoing effectiveness. The Company does not use derivative instruments for speculative purposes.

All derivatives are recognized as either assets or liabilities in the Consolidated Financial Statements at their fair values. For a derivative designated as a cash flow hedge, the gain or loss on the derivative is recorded in other comprehensive income and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings. For a derivative designated as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings.

The company formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking cash flow or fair value hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in the hedged items.

The Company discontinues hedge accounting when (a) it determines that a derivative is no longer effective in offsetting changes in cash flows of a hedged item; (b) the derivative expires or is sold, terminated or exercised; (c) probability exists that the forecasted transaction will no longer occur; or (d) management determines that designating the derivative as a hedging instrument is no longer appropriate. In all cases in which hedge accounting is discontinued and a derivative remains outstanding, the Company will carry the derivative at fair value in the Consolidated Financial Statements, recognizing changes in fair value in current period income in the Consolidated Statements of Income.

Adoption of New Accounting Standards: In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, Segment Reporting - Improvements to Reportable Segment Disclosures (Topic 280), to improve reportable segment disclosures by requiring entities to disclose significant expense categories and amounts for each reportable segment, where significant expense categories are defined as those that are regularly reported to an entity's chief operating decision-maker and included in a segment's reported measures of profit or loss. The Company adopted this ASU as of December 31, 2024. As the Company has only one reportable segment, adoption of this ASU did not have material effect on the Company's consolidated financial statements.

Reclassifications: Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023
(In thousands)

NOTE 2 – RESTRICTIONS ON CASH AND DUE FROM BANKS

The Bank is required to maintain reserve and clearing balances in cash with the FRB. The total of those reserve and clearing balances was \$0 as of December 31, 2024 and 2023. In March 2020, the Federal Reserve Board reduced reserve requirement ratios to zero percent to free up liquidity in the banking industry to support lending to households and businesses.

NOTE 3 – SECURITIES

The amortized cost and fair value of securities available for sale at December 31 are as follows (in thousands):

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>2024</u>				
U.S. Treasury Securities	\$ 5,971	\$ 16	\$ -	\$ 5,987
State and political subdivisions	13,506	-	(659)	12,847
Mortgage-backed securities ("MBSs") – residential	51,914	257	(1,079)	51,092
Collateralized mortgage obligations ("CMOs")	97	1	(39)	59
Corporate securities	<u>6,970</u>	<u>-</u>	<u>(1)</u>	<u>6,969</u>
Total securities available for sale	<u>\$ 78,458</u>	<u>\$ 274</u>	<u>\$ (1,778)</u>	<u>\$ 76,954</u>

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>2023</u>				
U.S. Treasury Securities	\$ 10,665	\$ 35	\$ (1)	\$ 10,699
State and political subdivisions	9,787	-	(484)	9,303
Mortgage-backed securities ("MBSs") – residential	37,652	692	(672)	37,672
Collateralized mortgage obligations ("CMOs")	101	1	(37)	65
Corporate securities	<u>6,956</u>	<u>-</u>	<u>(70)</u>	<u>6,886</u>
Total securities available for sale	<u>\$ 65,161</u>	<u>\$ 728</u>	<u>\$ (1,264)</u>	<u>\$ 64,625</u>

The Company did not sell any securities during the year ended December 31, 2024. The Company sold securities available for sale at a gross loss of (\$1.4 million) during the year ended December 31, 2023. There were no securities called during the year ended December 31, 2024. There was one security called for a loss of (\$12 thousand) during the year ended December 31, 2023.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(In thousands)

NOTE 3 – SECURITIES (Continued)

As of December 31, 2024, the contractual maturity of debt securities available for sale (MBSs and CMOs are shown separately) at amortized cost and fair value is as follows (in thousands):

	Amortized <u>Cost</u>	<u>Fair Value</u>
Within one year	\$ 7,352	\$ 7,367
After one year to five years	4,151	4,057
After five years to ten years	13,669	13,171
Over ten years	<u>1,275</u>	<u>1,208</u>
Total debt securities	26,447	25,803
 MBSs and CMOs	 <u>52,011</u>	 <u>51,151</u>
Total	<u>\$ 78,458</u>	<u>\$ 76,954</u>

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

The carrying value of securities available for sale pledged to secure borrowings, deposits, and for other purposes was \$69.9 million and \$56.8 million at December 31, 2024 and 2023, respectively. At year-end 2024 and 2023, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 – SECURITIES (Continued)

Information on securities in an unrealized loss position at December 31, 2024 and 2023, segregated according to the length of time such securities have been in a continuous unrealized loss position, is summarized as follows (in thousands):

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>2024</u>						
Treasury	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State and political subdivisions	3,968	(135)	8,879	(524)	12,847	(659)
MBS - residential	24,928	(411)	11,074	(688)	36,002	(1,079)
CMO	-	-	58	(39)	58	(39)
Corporate securities	-	-	2,469	(1)	2,469	(1)
Total securities available for sale	<u>\$ 28,896</u>	<u>\$ (546)</u>	<u>\$ 22,480</u>	<u>\$ (1,252)</u>	<u>\$ 51,376</u>	<u>\$ (1,778)</u>

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>2023</u>						
Treasury	\$ -	\$ -	\$ 891	\$ (1)	\$ 891	\$ (1)
State and political subdivisions	-	-	9,303	(484)	9,303	(484)
MBS - residential	401	(1)	13,787	(671)	14,188	(672)
CMO	-	-	63	(37)	63	(37)
Corporate securities	-	-	6,886	(70)	6,886	(70)
Total securities available for sale	<u>\$ 401</u>	<u>\$ (1)</u>	<u>\$ 30,930</u>	<u>\$ (1,263)</u>	<u>\$ 31,331</u>	<u>\$ (1,264)</u>

Management has assessed the securities available for sale that were in an unrealized loss position at December 31, 2024, and determined that the decline in fair value is driven by changes in market interest rates and credit spreads, not changes in credit quality. There were no defaults on principal or interest payments, and no interest payments were deferred. Based on management's analysis of each individual security, the issues appear to have the ability to meet debt service requirements over the life of the security. The Company had no allowance for credit losses on securities available for sale at December 31, 2024 and 2023. At December 31, 2024 the Company had no intent to sell securities in an unrealized loss position and has the ability to hold them until recovery.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023
(In thousands)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (RESTATED)

A summary of loans at December 31 is as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Residential real estate	\$ 303,156	\$ 289,067
HELOCs	15,526	14,411
Commercial real estate	349,369	326,077
Commercial and industrial ⁽¹⁾	39,596	34,500
Consumer	<u>55,592</u>	<u>43,733</u>
Total gross loans	763,239	707,788
Unearned discount and net deferred fees and costs	<u>742</u>	<u>1,081</u>
Total loans	763,981	708,869
Allowance for credit losses	<u>(8,545)</u>	<u>(8,076)</u>
Net loans	<u>\$ 755,436</u>	<u>\$ 700,793</u>

(1) Includes Paycheck Protection Program (“PPP”) loans of \$6 thousand and \$19 thousand at December 31, 2024 and 2023, respectively.

The allowance for credit loss (“ACL”) represents management’s best estimate of future lifetime expected losses on its held for investment loan portfolio. The Company calculates its ACL by estimating expected credit losses on a collective basis for loans that share similar risk characteristics. Loans that do not share similar risk characteristics with other loans are evaluated for credit losses on an individual basis. The increase in ACL for the year ended December 31, 2024 compared with the December 31, 2023, primarily consisted of an increase in ACL for collectively evaluated loans. The year-over-year increase in ACL for collectively evaluated loans was primarily due to growth experienced in the residential real estate and commercial real estate loan segments.

The following table presents the activity in the allowance for credit losses by portfolio class for the year ended December 31, 2024 and 2023 (in thousands):

	Residential Real Estate	HELOCs	Commercial Real Estate	Commercial and Industrial	Consumer	Total
<u>December 31, 2024</u>						
Allowance for credit losses:						
Beginning balance	\$ 2,466	\$ 91	\$ 5,091	\$ 275	\$ 153	\$ 8,076
Provision for credit losses	167	13	305	39	76	600
Loans charged-off	(69)	-	-	(1)	(83)	(153)
Recoveries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>22</u>
Total ending allowance balance	<u>\$ 2,564</u>	<u>\$ 104</u>	<u>\$ 5,396</u>	<u>\$ 313</u>	<u>\$ 168</u>	<u>\$ 8,545</u>

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023
(In thousands)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

	Residential Real Estate	HELOCs	Commercial Real Estate	Commercial and Industrial	Consumer	Total
<u>December 31, 2023</u>						
Allowance for credit losses:						
Beginning balance	\$ 2,573	\$ 104	\$ 5,094	\$ 433	\$ 142	\$ 8,346
CECL Conversion Adjustment	(209)	(8)	(430)	(23)	(13)	(683)
Provision for credit losses	84	(5)	427	(121)	95	480
Loans charged-off	-	-	-	(14)	(109)	(123)
Recoveries	18	-	-	-	38	56
	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38</u>	<u>56</u>
Total ending allowance balance	<u>\$ 2,466</u>	<u>\$ 91</u>	<u>\$ 5,091</u>	<u>\$ 275</u>	<u>\$ 153</u>	<u>\$ 8,076</u>

The following tables present the amortized cost in nonaccrual and loans past due over 89 days still on accrual by class of loans as of December 31, 2024 and 2023 (in thousands):

	Nonaccrual		Loans Past Due Over 89 Days Still Accruing	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Residential real estate	\$ 598	\$ 460	\$ 333	\$ 606
HELOCs	-	-	-	-
Commercial real estate	-	-	-	-
Commercial and industrial	29	100	146	-
Consumer	-	-	69	91
	<u>-</u>	<u>-</u>	<u>69</u>	<u>91</u>
Total	<u>\$ 627</u>	<u>\$ 560</u>	<u>\$ 548</u>	<u>\$ 697</u>

Nonaccrual loans and loans past due 89 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually evaluated loans. At December 31, 2024 and 2023 the Company allocated zero allowance to nonaccrual loans. At December 31, 2024, the Company had \$598 thousand residential real estate loans and \$29 thousand of commercial industrial loans that were collateral dependent. At December 31, 2023, the Company had \$460 thousand residential real estate loans and \$100 thousand of commercial industrial loans that were collateral dependent. The residential real estate loans were collateralized by residential real estate properties and commercial and industrial loans were collateralized by other assets.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023
(In thousands)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following table presents the aging of the amortized cost in past due loans by class of loans as of December 31, 2024 and 2023 (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
<u>December 31, 2024</u>						
Residential real estate	\$ -	\$ 564	\$ 923	\$ 1,487	\$ 301,669	\$ 303,156
HELOCs	149	-	8	157	15,369	15,526
Commercial real estate	-	114	175	289	349,080	349,369
Commercial and industrial	-	-	-	-	39,596	39,596
Consumer	91	93	69	253	55,339	55,592
Total	<u>\$ 240</u>	<u>\$ 771</u>	<u>\$ 1,175</u>	<u>\$ 2,186</u>	<u>\$ 761,053</u>	<u>\$ 763,239</u>
<u>December 31, 2023</u>						
Residential real estate	\$ 10	\$ 703	1,066	\$ 1,779	\$ 287,288	\$ 289,067
HELOCs	297	8	-	305	14,106	14,411
Commercial real estate	-	283	-	283	325,794	326,077
Commercial and industrial	-	-	101	101	34,399	34,500
Consumer	163	98	91	352	43,381	43,733
Total	<u>\$ 470</u>	<u>\$ 1,092</u>	<u>\$ 1,258</u>	<u>\$ 2,820</u>	<u>\$ 704,968</u>	<u>\$ 707,788</u>

Loan Modification Made to Borrowers Experiencing Financial Difficulty

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. The following tables present (in thousands) the amortized cost basis of loans at December 31, 2024 and 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2024 and 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the book value of each class of financing receivable is also presented below:

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(In thousands)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

December 31, 2024

	<u>Payment</u> <u>Delay</u>	<u>Term</u> <u>Extension</u>	<u>Total</u>	<u>Total Class of</u> <u>Financing</u> <u>Receivable</u>
Commercial	\$ -	\$ 400	\$ 400	0%
Residential	-	-	-	0%
Consumer	-	184	184	0.33%
Total	\$ -	\$ 584	\$ 584	0.33%

December 31, 2023

	<u>Payment</u> <u>Delay</u>	<u>Term</u> <u>Extension</u>	<u>Total</u>	<u>Total Class of</u> <u>Financing</u> <u>Receivable</u>
Commercial	\$ -	\$ -	\$ -	0%
Residential	-	-	-	0%
Consumer	-	92	92	0.25%
Total	\$ -	\$ 92	\$ 92	0.25%

There were no commitments to lend additional funds to borrowers experiencing financial difficulty whose terms have been restructured at December 31, 2024 or 2023.

All loans to borrowers experiencing financial difficulty that have been modified during the year ended December 31, 2024 were current to their contractual payments as of December 31, 2024 with the exception of \$184 thousand in consumer loans that were in the 30 to 89 days past due category. All loans to borrowers experiencing financial difficulty that have been modified during the year ended December 31, 2023 were current to their contractual payments as of December 31, 2023 with the exception of \$25 thousand in consumer loans that were in the 30 to 89 days past due category.

For restructured loans, a subsequent payment default is defined in terms of delinquency, when a principal or interest payment is 90 days past due or classified into non-accrual status during the reporting period. Of the loans restructured during the year ended December 31, 2024 and 2023, there were no subsequent defaults as of December 31, 2024 and 2023, respectively.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(In thousands)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The Company uses the following definitions for risk ratings:

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in

deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The Bank analyzes commercial loans individually by classifying the loans as to credit risk using standard industry classifications. Commercial loans not classified are considered to be pass-rated loans. The Bank considers the performance of the loan portfolio and its impact on the allowance for credit losses. For residential real estate, HELOC and consumer loans, the Bank evaluates credit quality based on the aging status of the loan and by payment activity. The following table presents the risk category of loans and current period gross charge-offs as of December 31, 2024 by loan segment and vintage year (in thousands):

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

<u>As of December 31, 2024</u>	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
Commercial & Industrial:								
Risk rating								
Pass	\$ 10,218	\$ 9,526	\$ 7,123	\$ 2,849	\$ 4,851	\$ 3,252	\$ 1,323	\$ 39,142
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	114	-	99	241	-	454
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 10,218</u>	<u>\$ 9,526</u>	<u>\$ 7,237</u>	<u>\$ 2,849</u>	<u>\$ 4,950</u>	<u>\$ 3,493</u>	<u>\$ 1,323</u>	<u>\$ 39,596</u>
Commercial & Industrial:								
Current period gross write off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1
Commercial real estate								
Risk rating								
Pass	\$ 38,844	\$ 50,679	\$ 82,151	\$ 57,936	\$ 35,595	\$ 83,531	\$ -	\$ 348,736
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	633	-	633
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 38,844</u>	<u>\$ 50,679</u>	<u>\$ 82,151</u>	<u>\$ 57,936</u>	<u>\$ 35,595</u>	<u>\$ 84,164</u>	<u>\$ -</u>	<u>\$ 349,369</u>
Commercial real estate								
Current period gross write off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential real estate								
Payment Performance								
Performing	\$ 41,108	\$ 54,289	\$ 49,648	\$ 60,945	\$ 29,934	\$ 66,077	\$ -	\$ 302,001
Non Performing	-	-	332	-	-	823	-	1,155
Total	<u>\$ 41,108</u>	<u>\$ 54,289</u>	<u>\$ 49,980</u>	<u>\$ 60,945</u>	<u>\$ 29,934</u>	<u>\$ 66,900</u>	<u>\$ -</u>	<u>\$ 303,156</u>
Residential real estate								
Current period gross write off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69	\$ -	\$ 69
HELOC								
Payment Performance								
Performing	\$ 2,893	\$ 3,902	\$ 3,291	\$ 1,133	\$ 693	\$ 3,614	\$ -	\$ 15,526
Non Performing	-	-	-	-	-	-	-	-
Total	<u>\$ 2,893</u>	<u>\$ 3,902</u>	<u>\$ 3,291</u>	<u>\$ 1,133</u>	<u>\$ 693</u>	<u>\$ 3,614</u>	<u>\$ -</u>	<u>\$ 15,526</u>
HELOC								
Current period gross write off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer								
Payment Performance								
Performing	\$ 19,236	\$ 10,248	\$ 7,110	\$ 2,964	\$ 3,167	\$ 12,867	\$ -	\$ 55,592
Non Performing	-	-	-	-	-	-	-	-
Total	<u>\$ 19,236</u>	<u>\$ 10,248</u>	<u>\$ 7,110</u>	<u>\$ 2,964</u>	<u>\$ 3,167</u>	<u>\$ 12,867</u>	<u>\$ -</u>	<u>\$ 55,592</u>
Consumer								
Current period gross write off	\$ 19	\$ 14	\$ 39	\$ 2	\$ 5	\$ 4	\$ -	\$ 83

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

<u>As of December 31, 2023</u>	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Commercial & Industrial:								
Risk rating								
Pass	\$ 9,526	\$ 7,123	\$ 2,849	\$ 4,851	\$ 846	\$ 2,534	\$ 6,431	\$ 34,160
Special mention	-	-	-	-	-	240	-	240
Substandard	-	-	-	-	100	-	-	100
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 9,526</u>	<u>\$ 7,123</u>	<u>\$ 2,849</u>	<u>\$ 4,851</u>	<u>\$ 946</u>	<u>\$ 2,774</u>	<u>\$ 6,431</u>	<u>\$ 34,500</u>
Commercial & Industrial:								
Current period gross write off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial real estate								
Risk rating								
Pass	\$ 50,679	\$ 82,151	\$ 57,936	\$ 35,595	\$ 30,340	\$ 68,722	\$ -	\$ 325,423
Special mention	-	-	-	-	-	414	-	414
Substandard	-	-	-	-	-	240	-	240
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 50,679</u>	<u>\$ 82,151</u>	<u>\$ 57,936</u>	<u>\$ 35,595</u>	<u>\$ 30,340</u>	<u>\$ 69,376</u>	<u>\$ -</u>	<u>\$ 326,077</u>
Commercial real estate								
Current period gross write off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential real estate								
Payment Performance								
Performing	\$ 54,289	\$ 49,648	\$ 60,945	\$ 29,934	\$ 22,804	\$ 70,987	\$ -	\$ 288,607
Non Performing	-	-	145	-	-	315	-	460
Total	<u>\$ 54,289</u>	<u>\$ 49,648</u>	<u>\$ 61,090</u>	<u>\$ 29,934</u>	<u>\$ 22,804</u>	<u>\$ 71,302</u>	<u>\$ -</u>	<u>\$ 289,067</u>
Residential real estate								
Current period gross write off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
HELOC								
Payment Performance								
Performing	\$ 3,783	\$ 3,268	\$ 1,261	\$ 1,053	\$ 1,123	\$ 2,742	\$ 1,181	\$ 14,411
Non Performing	-	-	-	-	-	-	-	-
Total	<u>\$ 3,783</u>	<u>\$ 3,268</u>	<u>\$ 1,261</u>	<u>\$ 1,053</u>	<u>\$ 1,123</u>	<u>\$ 2,742</u>	<u>\$ 1,181</u>	<u>\$ 14,411</u>
HELOC								
Current period gross write off	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer								
Payment Performance								
Performing	\$ 38,710	\$ 3,096	\$ 910	\$ 488	\$ 141	\$ 388	\$ -	\$ 43,733
Non Performing	-	-	-	-	-	-	-	-
Total	<u>\$ 38,710</u>	<u>\$ 3,096</u>	<u>\$ 910</u>	<u>\$ 488</u>	<u>\$ 141</u>	<u>\$ 388</u>	<u>\$ -</u>	<u>\$ 43,733</u>
Consumer								
Current period gross write off	\$ 2	\$ 86	\$ 18	\$ -	\$ -	\$ 3	\$ -	\$ 109

(Continued)

NOTE 4 – LOANS AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The Bank retains the servicing rights on certain mortgage loans sold. Total loans serviced by the Company for unrelated third parties were approximately \$60.2 million and \$63.8 million at December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, the unamortized balance of mortgage servicing rights on loans sold with servicing retained was approximately \$60 thousand and \$139 thousand, respectively. The estimated fair value of these mortgage servicing rights was in excess of their carrying value at December 31, 2024 and 2023, and therefore no impairment reserve was necessary. Fees earned for servicing loans totaled \$157 thousand and \$166 thousand for the years ended December 31, 2024 and 2023, respectively.

In the ordinary course of business, the Company enters into loan transactions with certain of its directors and executive officers (“Related Parties”). All loans to Related Parties were made at substantially the same terms and conditions at the time of origination as other originated loans to borrowers that were not affiliated with the Company. The aggregate amount outstanding of such loans totaled \$6.4 million at December 31, 2024, and \$7.6 million at December 31, 2023. During 2024, there were no new loans made and \$1.2 million of repayment on these loans.

NOTE 5 – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Securities: The fair values of securities available for sale is determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted securities (Level 2 inputs). For securities where prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). Discounted cash flows are calculated using loss severity inputs based upon expected cash flows from the underlying assets.

Derivatives: The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2). Our derivatives are traded in an over-the-counter market where quoted market prices are not always available. Therefore, the fair values of derivatives are determined using

quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions and third party pricing services.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 5 – FAIR VALUE (Continued)

Individually Evaluated Loans: The fair value of individually evaluated loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Because the Bank has a small amount of individually evaluated loans measured at fair value, the impact of unobservable inputs on the Bank’s consolidated financial statements is not material.

Assets and Liabilities Measured on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below (in thousands):

	Fair Value Measurements At December 31 Using		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>2024</u>			
Assets:			
Available-for-sale securities:			
U.S. Treasury securities	\$ -	\$ 5,987	\$ -
State and political subdivisions	-	12,847	-
MBSs – residential	-	51,092	-
CMOs	-	-	59
Corporate securities	-	6,969	-
Total investment securities available-for-sale	\$ -	\$ 76,895	\$ 59
 Derivatives	 \$ -	 \$ 34	 \$ -
 <u>2023</u>			
Assets:			
Available-for-sale securities:			
U.S. Treasury securities	\$ -	\$ 10,699	\$ -
State and political subdivisions	-	9,303	-
MBSs – residential	-	37,672	-
CMOs	-	-	65
Corporate securities	-	6,886	-
Total investment securities available-for-sale	\$ -	\$ 64,560	\$ 65
 Derivatives	 \$ -	 \$ 46	 \$ -

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 5 – FAIR VALUE (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis

There were no assets or liabilities measured at fair value on a non-recurring basis as of December 31, 2024 or December 31, 2023.

The carrying values and estimated fair values of financial assets and liabilities as of December 31 were as follows (in thousands):

<u>Restated</u>	<u>Amount</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2024</u>					
Financial assets					
Cash and cash equivalents	\$ 25,743	\$ 25,743	\$ 25,743	\$ -	\$ -
Securities available for sale	76,954	76,954	-	76,895	59
FHLB and FRB stock	9,504	N/A	N/A	N/A	N/A
Loans, net of allowance for credit losses	755,436	740,750	-	-	740,750
Accrued interest receivable	3,170	3,170	-	386	2,784
Financial liabilities					
Deposits	\$ 695,908	\$ 606,079	\$ 484,958	\$ 121,121	\$ -
FHLB borrowings	116,500	116,605	-	116,605	-
Junior subordinated debentures	7,750	8,146	-	8,146	-
Accrued interest payable	726	726	726	-	-
 <u>December 31, 2023</u>					
Financial assets					
Cash and cash equivalents	\$ 23,735	\$ 23,735	\$ 23,735	\$ -	\$ -
Securities available for sale	64,625	64,625	-	64,560	65
FHLB and FRB stock	6,795	N/A	N/A	N/A	N/A
Loans, net of allowance for credit losses	700,793	654,168	-	-	654,168
Accrued interest receivable	2,767	2,767	-	324	2,443
Financial liabilities					
Deposits	\$ 689,238	\$ 688,498	\$ 593,840	\$ 94,658	\$ -
FHLB borrowings	55,050	54,518	-	54,518	-
Junior subordinated debentures	7,750	8,104	-	8,104	-
Accrued interest payable	818	818	818	-	-

(Continued)

NOTE 5 – FAIR VALUE (Continued)

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

Cash and Cash Equivalents: The carrying amounts of cash and short-term investments approximate fair values.

FHLB and FRB Stock: It is not practical to determine the fair value of FHLB and FRB stock due to restrictions placed on their transferability.

Loans: The fair value of portfolio loans, net of allowance for credit losses is determined using an exit price methodology. The exit price methodology continues to be based on a discounted cash flow analysis, in which projected cash flows are based on contractual cash flows adjusted for prepayments for certain loan types and the use of a discount rate based on expected relative risk of the cash flows.

The discount rate selected considers loan type, maturity date, a liquidity premium, cost to service, and cost of capital, which is a Level 3 for fair value estimate.

Deposits: The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount). Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

FHLB Borrowings: The fair values of the Company's FHLB borrowings with a maturity greater than one year are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements. The fair value of FHLB borrowing with a maturity less than one year approximate their carrying value.

Junior Subordinated Debentures: The fair value is based on current rates for similar financing, and approximates book value.

Accrued Interest Receivable/Payable: The fair values of accrued interest receivable and payable approximate their carrying amounts because of the short-term nature of these financial instruments.

Off-Balance Sheet Instruments: Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is not material.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 6 – PREMISES AND EQUIPMENT

The major classes of premises and equipment at December 31 and the total accumulated depreciation are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Land	\$ 1,010	\$ 1,010
Buildings and improvements	13,381	13,356
Furniture, fixtures, and equipment	<u>6,002</u>	<u>5,797</u>
	20,393	20,163
Less accumulated depreciation	<u>(10,286)</u>	<u>(10,137)</u>
	<u>\$ 10,107</u>	<u>\$ 10,026</u>

Depreciation expense was \$591 thousand and \$582 thousand for the years ended December 31, 2024 and 2023, respectively.

The Company leases certain premises and equipment under operating leases. Right-of-use (“ROU”) assets and lease liabilities are recognized based on the present value of the remaining lease payments using a discount rate that represents the Company’s incremental borrowing rate at the lease commencement date. ROU assets and operating lease liabilities are included in other assets and other liabilities, respectively, on the consolidated balance sheets.

Operating lease ROU assets represent the Company’s right to use an underlying asset during the lease term and operating lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term, and is recorded in occupancy expense in the consolidated statements of income. As there are no lease incentives present in the Company’s current leases, the ROU assets are equal to the lease liabilities.

At December 31, 2024, the Company had lease liabilities and ROU assets totaling \$231 thousand. At December 31, 2023 the company had lease liabilities and ROU assets totaling and \$371 thousand. The weighted average discount rate used in the measurement of operating lease liabilities was 3.5% as of December 31, 2024 and 3.2% at December 31, 2023. As of December 31, 2024 and December 31, 2023, the weighted average remaining lease term for operating leases was 5.6 years and 5.9 years, respectively. The total lease costs were \$175 thousand for the year ended December 31, 2024, and \$186 thousand for the year ended December 31, 2023.

A maturity analysis of operating lease liabilities is as follows:

	<u>December 31, 2024</u> (dollars in thousands)	
Lease payments due:		
Less than 1 year	\$	153
1 year through less than 2 years		115
2 years through less than 3 years		120
3 years through less than 4 years		62
4 years through less than 5 years		62
After 5 years		<u>254</u>
Total undiscounted cash flows		766
Impact of discounting		<u>(535)</u>
Total lease liability	<u>\$</u>	<u>231</u>

(Continued)

NOTE 7 – DEPOSITS

The contractual maturities of time deposits for the periods subsequent to December 31, 2024 are as follows (in thousands):

Years ending December 31,	Restated
2025	\$ 114,478
2026	6,832
2027	503
2028	99
2029 and thereafter	<u>15</u>
	<u>\$ 121,927</u>

Time deposits that meet or exceed the FDIC Insurance limit of \$250,000 at December 31, 2024 and 2023 were \$85.8 million and \$12.8 million, respectively. As of December 31, 2024 the Company had brokered CD deposits totaling \$60.2 million. At December 31, 2023 the Company had no brokered CD deposits.

NOTE 8 – BORROWINGS

The Bank has a borrowing capacity with the Federal Home Loan Bank of New York (FHLB) of up to 30% of total assets. The Bank may utilize this capacity for either short or long-term borrowings. At December 31, 2024, this equated to a borrowing capacity of \$250.0 million. All borrowings with the FHLB are collateralized by the Bank’s holdings of FHLB stock, as well as a blanket lien on all residential and certain qualified commercial real estate loans not otherwise pledged.

Short-Term FHLB Borrowings: The short-term borrowing program is based upon either an overnight or thirty-day borrowing period with interest based generally upon a spread above the current Federal funds rate. In addition, short-term borrowings 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 December 31, 2023, short-term FHLB borrowings amounted to \$86.5 million and \$25 million, respectively. During the years that ended, short-term borrowings averaged \$34.1 million and \$23.5 million with a weighted average rate of 5.44% and 5.07%, respectively.

Municipal Letter of Credit: The Company utilizes a Municipal Letter of Credit (“MULOC”) from FHLB to collateralize certain municipal deposits at the Company. The balance of this MULOC at December 31, 2024 and 2023 was \$18.6 million and \$39.1 million, respectively.

Long-Term FHLB Borrowings: Long-term borrowings at December 31, 2024 and 2023 amounted to \$30 million. Of the \$30 million of borrowings outstanding at December 31, 2024, \$10 million with a rate of 4.44% matures in 2025, \$10 million with a rate of 4.13% matures in 2026, and \$10 million with a rate of 4.01% matures in 2027.

(Continued)

NOTE 9 – JUNIOR SUBORDINATED DEBENTURES (RESTATED)

The Company issued \$7.75 million in subordinated debt during 2018. The proceeds were contributed to the Bank as additional paid in capital, and qualifies as Tier 1 Capital at the Bank Level. The subordinated debt may be included in Tier II Capital (with certain limitations applicable) at the parent Company under current regulatory guidelines and interpretations. The subordinated notes have a fixed interest rate of 5.75%, payable quarterly to the note holders. The subordinated debt matures on September 10, 2028. At December 31, 2024 and 2023, \$1.20 million was owned by certain directors of the Company.

NOTE 10 – EMPLOYEE BENEFIT PLANS

The Company maintains a tax qualified noncontributory, defined benefit pension plan that provides benefits to substantially all its employees. Participants receive an annual cash balance benefit based on current annual compensation. Participants also receive an annual interest credit on the balance of their account.

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 Bank uses a December 31 measurement date.

Information about plan assets, obligations, pension costs, benefits paid and contributions follows (in thousands):

	<u>2024</u>	<u>2023</u>
Projected benefit obligation	\$ (17,791)	\$ (18,164)
Fair value of plan assets	<u>22,171</u>	<u>21,225</u>
Funded status of plan	<u>\$ 4,380</u>	<u>\$ 3,061</u>
Accumulated benefit obligation	<u>\$ 17,416</u>	<u>\$ 17,670</u>
Net periodic pension cost	\$ 216	\$ 340
Employer contributions	\$ -	\$ -
Benefits paid	\$ 1,160	\$ 1,149
Change in accumulated actuarial gains included in other comprehensive income (net of tax)	\$ 1,124	\$ 669

Amounts recognized in accumulated other comprehensive loss at December 31, 2024 and 2023, before applicable tax effects consist of (in thousands):

	<u>2024</u>	<u>2023</u>
Net gain (loss)	\$ 418	\$ (1,117)
Prior service credit	<u>-</u>	<u>-</u>
	<u>\$ 418</u>	<u>\$ (1,117)</u>

(Continued)

BALLSTON SPA BANCORP, INC.
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Years ended December 31, 2024 and 2023

NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

Other changes in plan assets and benefit obligations recognized in other comprehensive income (in thousands):

	<u>2024</u>	<u>2023</u>
Net gain	\$ (1,535)	\$ (935)
Amortization of prior service credit	-	-
Amortization of net loss	<u>-</u>	<u>(11)</u>
 Total amount recognized in other comprehensive income	 <u>\$ (1,535)</u>	 <u>\$ (946)</u>
 Total amount recognized in net periodic pension income and other comprehensive income	 <u>\$ (1,318)</u>	 <u>\$ (606)</u>

Contributions

The Bank does expect to make a contribution to the pension plan in 2025.

Estimated Future Payments

The following benefit payments, which reflect expected future service, are expected (in thousands):

2025	\$ 1,368
2026	1,276
2027	1,329
2028	1,399
2029	1,491
 Following five years	 \$ 7,321

Assumptions

Weighted-average assumptions used to determine pension benefit obligations at year-end:

	<u>2024</u>	<u>2023</u>
Discount rate	5.69%	5.18%
Rate of compensation increase	3.50	3.50

Weighted-average assumptions used to determine net periodic pension cost:

	<u>2024</u>	<u>2023</u>
Discount rate	5.18%	5.44%
Expected return on plan assets	5.50	5.50
Rate of compensation increase	3.50	3.50

(Continued)

BALLSTON SPA BANCORP, INC.
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NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

Investment Policies

Prior to September 14, 2021, the BSNB Pension plan assets were maintained as a part of the New York State Bankers Retirement System (the “System”). Effective September 15, 2021, the BSNB Pension plan assets were transferred out of the System and in to the BSNB Wealth Management department. The BSNB Wealth Management department now maintains custody of the assets, and maintains the investment direction and strategy of the assets. Under the BSNB Wealth Management department, the primary objective of the plan investments will be to maximize total return while managing risk within an acceptable range. In all cases, the assets in the Plan should provide for sufficient liquidity to allow for a timely and uninterrupted payment of pension benefits to Plan participants and beneficiaries.

The following tables represents the target asset allocation and actual asset allocation, respectively, as of December 31, 2024 and 2023.

December 31, 2024

	Target Allocation		Actual Allocation	
Total Global Equity	-	%	-	%
Large cap equity	10-40	%	20.8	%
Small cap equity	0-20	%	4.7	%
Developed Markets	0-20	%	3.3	%
Emerging Markets	0-10	%	2.2	%
Total	10-50	%	31.0	%
Treasury/Agency	0-50	%	24.8	%
Mortgage Backed	0-30	%	14.8	%
Corporate	0-30	%	12.4	%
International	0-15	%	1.7	%
High Yield	0-15	%	4.4	%
Total Equity	50-80	%	59.1	%
Total Cash	0-15	%	10.9	%
Total Portfolio	100.00	%	100.00	%

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

December 31, 2023

	Target		Actual	
	Allocation		Allocation	
Total Global Equity	-	%	-	%
Large cap equity	10-40	%	24.8	%
Small cap equity	0-20	%	4.7	%
Developed Markets	0-20	%	3.3	%
Emerging Markets	0-10	%	2.2	%
Total	10-50	%	31.0	%
Treasury/Agency	0-50	%	24.8	%
Mortgage Backed	0-30	%	14.8	%
Corporate	0-30	%	12.4	%
High Yield	0-15	%	4.4	%
International	0-15	%	1.7	%
Total Equity	50-80	%	58.1	%
Total Cash	0-15	%	10.8	%
Total Portfolio	100.00	%	100.00	%

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

In accordance with ASC 820, the following tables (rounded to the nearest thousands) represent the Plan's fair value hierarchy for its financial assets (instruments) measured at fair value on a recurring basis (in thousands):

Restated	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2024:</u>				
Cash equivalents:				
Short-term investments	\$ 1,366	\$ -	\$ -	\$ 1,366
Total cash equivalents	<u>\$ 1,366</u>	<u>-</u>	<u>-</u>	<u>\$ 1,366</u>
Equities:				
Common Stock	\$ 3,150	\$ -	\$ -	\$ 3,150
Exchange Traded Funds	-	3,673	-	3,673
Foreign Equity	-	85	-	85
Exchange Trade Funds-Foreign	<u>-</u>	<u>1,419</u>	<u>-</u>	<u>1,419</u>
Total fixed income securities	<u>3,150</u>	<u>5,177</u>	<u>-</u>	<u>8,327</u>
Fixed income securities:				
US Government Agencies	\$ -	\$ 741	\$ -	\$ 741
UST Bonds & Notes	-	4,879	-	4,879
Corporate Bonds	-	3,428	-	3,428
GNMA	-	2,062	-	2,062
Mutual Funds	-	351	-	351
Bank Certificates of Deposit	<u>-</u>	<u>1,017</u>	<u>-</u>	<u>1,017</u>
Total fixed income securities	<u>-</u>	<u>12,478</u>	<u>-</u>	<u>12,478</u>
Total plan investments	<u>\$ 4,516</u>	<u>\$ 17,655</u>	<u>\$ -</u>	<u>\$ 22,171</u>

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2023:</u>				
Cash equivalents:				
Short-term Investments	\$ 596	\$ -	\$ -	\$ 596
Total cash equivalents	<u>596</u>	<u>-</u>	<u>-</u>	<u>596</u>
Equities:				
Common Stock	\$ 5,176	\$ -	\$ -	\$ 5,176
Exchange Traded Funds	-	-	-	-
Foreign Equity	-	-	-	-
Exchange Traded Funds – Foreign	-	-	-	-
Total equities	<u>5,176</u>	<u>-</u>	<u>-</u>	<u>5,176</u>
Fixed income securities:				
US Government Agencies	\$ -	\$ 7,082	\$ -	\$ 7,082
Corporate Bonds	-	4,150	-	4,150
Mutual Funds	-	4,221	-	4,221
Bank Certificates of Deposit	-	-	-	-
Total fixed income securities	<u>-</u>	<u>15,453</u>	<u>-</u>	<u>15,453</u>
Total plan investments	<u>\$ 5,772</u>	<u>\$ 15,453</u>	<u>\$ -</u>	<u>\$ 21,225</u>

The Bank also maintains a 401(k) Retirement Plan. All full-time employees who have at least 1,000 hours of credited service within each calendar year and have reached age 21 are eligible to participate in the plan by making contributions up to the maximum amount allowed by law. The Bank matches 50% of the employee contribution up to 7% of an employee's salary. The Bank recorded an expense related to this plan of approximately \$501 thousand and \$564 thousand for the years ended December 31, 2024 and 2023 respectively.

NOTE 11 – INCOME TAXES

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

	<u>Restated 2024</u>	<u>Restated 2023</u>
Current tax expense		
Federal	\$ 1,693	\$ 1,110
State	54	134
Deferred tax benefit	<u>(555)</u>	<u>(404)</u>
	<u>\$ 1,192</u>	<u>\$ 840</u>

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.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 11 – INCOME TAXES (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 are presented below (in thousands):

	<u>2024</u>	<u>2023</u>
Deferred tax assets		
Allowance for credit losses	\$ 2,180	\$ 2,057
Funded status of pension plan	-	292
Unrealized losses on securities available for sale	384	128
Benefit plans	154	181
Accrued compensation	241	232
Other	253	132
Total deferred tax assets	<u>3,212</u>	<u>3,022</u>
Deferred tax liabilities		
Postretirement benefits	\$ (1,010)	\$ (1,064)
Depreciation	(330)	(332)
Goodwill	(407)	(407)
Funded status of pension plan	(109)	-
Other	(309)	(582)
Total deferred tax liabilities	<u>(2,165)</u>	<u>(2,385)</u>
Net deferred tax asset	<u>\$ 1,047</u>	<u>\$ 637</u>

The Company is subject to U.S. federal income tax as well as New York State income tax. The Company is no longer subject to examination by taxing authorities for tax years before 2021 for both federal and New York State taxes.

The Company did not have any uncertain tax positions as of December 31, 2024 and 2023, and does not anticipate any significant accrual of uncertain tax benefits in the next twelve months.

No valuation allowance for deferred taxes was recorded at December 31, 2024 or 2023, as management believes it is more likely than not that all of the deferred tax assets will be realized.

NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES

Off-Balance-Sheet Financing and Concentrations of Credit: The Company is a party to certain financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include the Company's commitments to extend credit and unused lines of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the consolidated financial statements. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit and unused lines of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments. Unless otherwise noted, the Company does not require collateral or other security to support financial instruments with credit risk.

(Continued)

NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Contract amounts of financial instruments that represent credit risk as of December 31 are as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Commitments to extend credit	\$ 25,497	\$ 17,732
Unused lines of credit	45,896	48,308
Standby letters of credit	<u>2,246</u>	<u>1,385</u>
Total	<u>\$ 73,639</u>	<u>\$ 67,425</u>

Commitments to extend credit and unused lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain commitments are expected to expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral, if any, required by the Company upon the extension of credit is based on management's credit evaluation of the customer. Mortgage and construction loan commitments are secured by a first lien on real estate.

Commitments to extend credit and unused lines of credit may be written on a fixed-rate basis thus exposing the Company to interest rate risk, given the possibility that market rates may change between commitment and actual extension of credit.

Standby letters of credit are conditional commitments issued by the Company to guarantee payment on behalf of a customer and guarantee the performance of a customer to a third party. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under the standby letters of credit represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of twelve months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit and on-balance-sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios will generally range from 80% for movable assets, such as inventory, to 100% for liquid assets, such as bank certificates of deposits. The fair value of the Company's standby letters of credit at December 31, 2024 was not significant.

The Company has no loan commitments with borrowers which are intended to be held for sale if closed. The Company generally makes its determination of whether or not to identify a loan as held for sale at the time that loan commitments are entered into. In order to reduce the interest rate risk associated with the portfolio of loans held for sale, as well as loan commitments with locked interest rates which are intended to be held for sale if closed, the Company enters into agreements to sell loans in the secondary market to unrelated investors. The Company did not have any commitments to sell loans at December 31, 2024.

Concentrations of Credit: The Company primarily grants residential, consumer and commercial-related loans to customers located in the New York State counties of Saratoga, Fulton, Montgomery, and northern sections of Albany and Schenectady counties. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent upon the economic conditions in these areas.

(Continued)

NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Data Processing: The Company has a data processing agreement with payments based on transaction volume. Total data processing expense related to this contract was approximately \$894 thousand and \$838 thousand for the years ended December 31, 2024 and 2023, respectively.

Dividend Restrictions: The Company's principal source of cash flow to pay dividends on its common shares, to service its debt and to finance its corporate operations is capital distributions from the Bank. Federal banking law limits the amount of capital distributions that national banks can make to their holding companies without prior regulatory approval. A national bank's dividend-paying capacity is affected by several factors, including net profits (as defined by statute) for the two previous calendar years and for the current year up to the date of dividend declaration. During 2024, the Bank paid the Company a total of \$1.1 million in dividends. As of the close of business on December 31, 2024, the Bank had an additional \$6.6 million available to pay dividends to the Company, without prior regulatory approval and without affecting its status as "well capitalized" under the FDIC-defined capital categories.

Contingent Liabilities: In the ordinary course of business there are various legal proceedings pending against the Company. Based on consultation with outside counsel, management believes that the aggregate exposure, if any, arising from such litigation would not have a material adverse effect on the Company's consolidated financial statements.

NOTE 13 – REGULATORY CAPITAL REQUIREMENTS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024, the Bank met all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The following is a summary of the actual capital amounts (dollars in thousands) and ratios as of December 31 for the Bank and the Company (on a consolidated basis):

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 13 – REGULATORY CAPITAL REQUIREMENTS (Continued)

	<u>Actual Capital</u>		<u>Required Ratios</u>	
			<u>Minimum Capital</u>	<u>Classification As Well</u>
<u>Restated 2024</u>	<u>Amount</u>	<u>Ratio</u>	<u>Adequacy</u>	<u>Capitalized</u>
Tier 1 capital:				
Bank	\$ 71,596	8.23%	4.00%	5.00%
Consolidated	64,310	7.63	N/A	N/A
Tier 1 risk-based capital:				
Bank	71,596	10.54	6.00	8.00
Consolidated	64,310	9.47	N/A	N/A
Common equity tier 1 capital:				
Bank	71,596	10.54	4.50	6.50
Consolidated	64,310	9.47	N/A	N/A
Total risk-based capital:				
Bank	80,108	11.80	8.00	10.00
Consolidated	80,552	11.86	N/A	N/A
<u>Restated 2023</u>				
Tier 1 capital:				
Bank	\$ 67,634	7.98%	4.00%	5.00%
Consolidated	59,339	7.46	N/A	N/A
Tier 1 risk-based capital:				
Bank	67,634	10.68	6.00	8.00
Consolidated	59,339	9.36	N/A	N/A
Common equity tier 1 capital:				
Bank	67,634	10.68	4.50	6.50
Consolidated	59,339	9.36	N/A	N/A
Total risk-based capital:				
Bank	75,552	11.93	8.00	10.00
Consolidated	75,005	11.84	N/A	N/A

(Continued)

NOTE 14 – DERIVATIVES

The Company utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent the amount exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Interest Rate Swaps Designated as Fair Value Hedges: The Company is exposed to changes in the fair value of certain of its 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 of 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 to the Company receiving variable-rate payments over the life of the agreements, 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 and 2023, the Company had two interest rate swaps designated as fair value hedges with a combined notional amount of \$20 million, hedging fixed-rate residential mortgage loans. At December 31, 2024 and 2023 the fair value of these two hedges totaled \$34 thousand and \$46 thousand, respectively, and was recorded in other assets on the consolidated balance sheet. The fair value hedging adjustment of the hedged fixed-rate residential loans totaled \$34 thousand at December 31, 2024 and \$46 thousand at December 31, 2023, and was recorded in loans on the consolidated balance sheet. Summary information about the interest rate swaps designated as fair value hedges as of year-end is as follows:

	<u>2024</u>	<u>2023</u>
Notional amount (in 000's)	\$20,000	\$20,000
Weighted average pay rates	4.10%	4.10%
Weighted average receive rates	5.35%	5.35%
Weighted average maturity	1.92 years	1.92 years
Fair value (in 000's)	\$34	\$46

For the year ended December 31, 2024 interest income recognized on the fair value hedges totaled \$228 thousand and was recorded in interest income on the consolidated statement of income. For the year ended December 31, 2023 interest income recognized on the fair value hedges totaled \$165 thousand and was recorded in interest income on the consolidated statement of income. The hedges were determined to be effective during all periods presented. The Company expects the hedges to remain effective during the remaining terms.

(Continued)

NOTE 15 – REVENUE RECOGNITION

All of the Company’s revenue from contracts with customers within the scope of ASC 606 is recognized within noninterest income. The following table presents the Company’s sources of noninterest income for the years ended December 31, 2024 and 2023 (dollars are in thousands). Items outside the scope of ASC 606 are noted as such.

	<u>12/31/2024</u>	<u>12/31/2023</u>
Service charges on deposit accounts	\$ 672	\$ 612
Trust and investment services income	1,477	1,239
Net loss on securities transactions ^(a)	-	(1,358)
Gains on Sale/Servicing of Loans	33	-
Debit card interchange income	821	845
Earnings on BOLI ^(a)	151	141
Other income	<u>850</u>	<u>431</u>
Total noninterest income	<u>\$ 4,004</u>	<u>\$ 1,910</u>

^(a) Not within scope of ASC 606.

A description of the Company’s revenue streams accounted for under ASC 606 is as follows:

Service charges on deposit accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which included services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer’s request. Account

maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer’s account balance.

Trust and investment services income: The Company wealth management (and investment brokerage) fees from its contracts with trust and brokerage customers to manage assets for investment, and/or to transact on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are generally assessed based on a tiered scale of the market value of assets under management at month-end. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed, i.e. the trade date. Other related services provided include financial planning services and personal trust service, and the fees the Company earns, which are based on a fixed fee schedule, are recognized when the services are rendered.

(Continued)

NOTE 15 – REVENUE RECOGNITION (Continued)

Gains/Losses on sales of OREO: The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of OREO to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether the collectability of the transaction price is probably. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

Debit card interchange income: The Company earns interchange fees from debit cardholder transactions conducted through the Mastercard and NYCE payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Other income: The Company earns other noninterest income through various sources, such as safe box rentals, wire transfer fees, security transfer fees and other miscellaneous revenue. Consistent with the ASC 606 framework, the Company recognizes revenue from these streams once the Company's performance obligation has been met.

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 16 – RESTATEMENT

The Company identified errors in its financial statements for the years ended December 31, 2024 and 2023, related to accrued expenses included within other liabilities. The error in accrued expenses resulted from multiple periods of over-accruals, primarily associated with employee medical benefits. Consequently, the Company restated financial statements as of December 31, 2024 and 2023 to reflect the correction of these errors. The cumulative effect on retained earnings as of January 1, 2023 was an increase of \$2,218,000.

The following tables present the effect of correcting this error on the Company's financial statements as of and for the years ended December 31, 2024 and 2023:

Consolidated Balance Sheets

As of December 31, 2024
(dollars in thousands)

	As previously reported	Adjustment	As restated
Other assets	\$ 10,130	\$ (1,796)	\$ 8,334
Total assets	\$ 898,117	\$ (1,796)	\$ 896,321
Time deposits	\$ 122,070	\$ (143)	\$ 121,927
Total deposits	\$ 696,051	\$ (143)	\$ 695,908
Other liabilities	\$ 13,321	\$ (3,389)	\$ 9,932
Total liabilities	\$ 833,622	\$ (3,532)	\$ 830,090
Retained earnings	\$ 56,579	\$ 1,736	\$ 58,315
Total shareholders' equity	\$ 64,495	\$ 1,736	\$ 66,231
Total liabilities and shareholders' equity	\$ 898,117	\$ (1,796)	\$ 896,321

As of December 31, 2023
(dollars in thousands)

	As previously reported	Adjustment	As restated
Other liabilities	\$ 11,664	\$ (1,840)	\$ 9,824
Total liabilities	\$ 763,702	\$ (1,840)	\$ 761,862
Retained earnings	\$ 52,325	\$ 1,840	\$ 54,165
Total shareholders' equity	\$ 59,831	\$ 1,840	\$ 61,671

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 16 – RESTATEMENT (Continued)

Consolidated Statements of Income

For the year ended December 31, 2024
(In thousands, except share amounts)

	As previously reported		Adjustment		As restated
FHLB and FRB stock	\$ 704	\$	(88)	\$	616
Total interest and fee income	\$ 39,986	\$	(88)	\$	39,898
Net interest income	\$ 23,825	\$	(88)	\$	23,737
Net interest income after provision	\$ 23,225	\$	(88)	\$	23,137
Compensation and benefits	\$ 12,592	\$	200	\$	12,792
FDIC and OCC assessment	\$ 867	\$	(76)	\$	791
Legal and professional fees	\$ 1,210	\$	(72)	\$	1,138
Total non-interest expense	\$ 20,767	\$	52	\$	20,819
Income before income tax expense	\$ 6,462	\$	(140)	\$	6,322
Income tax expense	\$ 1,228	\$	(36)	\$	1,192
Net Income	\$ 5,234	\$	(104)	\$	5,130
Basic earnings per share	\$ 7.05	\$	(0.14)	\$	6.91

For the year ended December 31, 2023
(In thousands, except share amounts)

	As previously reported		Adjustment		As restated
FHLB and FRB Stock	\$ 515	\$	(11)	\$	504
Total interest and fee income	\$ 34,247	\$	(11)	\$	34,236
Net interest income	\$ 23,395	\$	(11)	\$	23,384
Net interest income after provision	\$ 22,915	\$	(11)	\$	22,904
Compensation and benefits	\$ 11,639	\$	304	\$	11,943
FDIC and OCC assessment	\$ 676	\$	57	\$	733
Total non-interest expense	\$ 19,208	\$	361	\$	19,569
Income before income tax expense	\$ 5,617	\$	(372)	\$	5,245
Income tax expense	\$ 834	\$	6	\$	840
Net Income	\$ 4,783	\$	(378)	\$	4,405
Basic earnings per share	\$ 6.44	\$	(0.51)	\$	5.93

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 16 – RESTATEMENT (Continued)

Consolidated Statements of Comprehensive Income

Year ended December 31, 2024
(dollars in thousands)

	As previously reported		Adjustment		As restated
Net income	\$ 5,234	\$	(104)	\$	\$ 5,130
Comprehensive income	\$ 5,644	\$	(104)	\$	\$ 5,540

Year ended December 31, 2023
(dollars in thousands)

	As previously reported		Adjustment		As restated
Net income	\$ 4,783	\$	(378)	\$	\$ 4,405
Comprehensive income	\$ 7,577	\$	(378)	\$	\$ 7,199

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2024 and 2023
(In thousands, except share amounts)

	As previously reported Retained Earnings		Adjustment		As restated Retained Earnings
Balance at January 1, 2023	\$ 48,522	\$	2,218	\$	\$ 50,740
Balance at December 31, 2023	\$ 52,325	\$	1,840	\$	\$ 54,165
Balance at December 31, 2024	\$ 56,579	\$	1,736	\$	\$ 58,315

	As previously reported Net income		Adjustment		As restated Net income
Net income for year ended December 31, 2024	\$ 5,234	\$	(104)	\$	\$ 5,130
Net income for the year ended December 31, 2023	\$ 4,783	\$	(378)	\$	\$ 4,405

	As previous reported Total Shareholders' Equity		Adjustment		As restated Total Shareholders' Equity
Balance at January 1, 2023	\$ 53,234	\$	2,218	\$	\$ 55,452
Balance at December 31, 2023	\$ 59,831	\$	1,840	\$	\$ 61,671
Balance at December 31, 2024	\$ 64,495	\$	1,736	\$	\$ 66,231

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 16 – RESTATEMENT (Continued)

Consolidated Statements of Cash Flows

For the year ended December 31, 2024
(In thousands, except share amounts)

	As previously reported		Adjustment		As restated
Net income	\$ 5,234	\$	(104)	\$	\$ 5,130
Net decrease in other assets	\$ (523)	\$	1,992	\$	\$ 1,469
Net increase in other liabilities	\$ 1,591	\$	(1,483)	\$	\$ 108
Net cash provided by operating activities	\$ 5,899	\$	(143)	\$	\$ 6,042
Net increase in deposits	\$ 6,813	\$	(143)	\$	\$ 6,670
Net cash provided by financing activities	\$ 67,283	\$	(143)	\$	\$ 67,140

For the year ended December 31, 2023
(In thousands, except share amounts)

	As previously reported		Adjustment		As restated
Net income	\$ 4,783	\$	(378)	\$	\$ 4,405
Net decrease in other assets	\$ 114	\$	(22)	\$	\$ 92
Net increase in other liabilities	\$ 1,051	\$	400	\$	\$ 1,451

Corrected Fair Value, Note 5

As of December 31, 2024
(In thousands)

	As previously reported		Adjustment		As restated
Deposits - Amount	\$ 696,051	\$	(143)	\$	\$ 695,908
Deposits – Fair value	\$ 607,407	\$	(1,328)	\$	\$ 606,079
Deposits – Level 2	\$ 121,264	\$	(143)	\$	\$ 121,121

Corrected Deposits, Note 7

Contractual maturities of time deposits as of December 31, 2024
(In thousands)

	As previously reported		Adjustment		As restated
Year ending December 31, 2025	\$ 114,621	\$	(143)	\$	\$ 114,478
Total deposits	\$ 122,070	\$	(143)	\$	\$ 121,927

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 16 – RESTATEMENT (Continued)

Corrected Employee Benefit Plans, Note 10

As of December 31, 2024
(In thousands)

	As previously reported	Adjustment	As restated
Equities: Common Stock Level 2	\$ 3,150	\$ (3,150)	\$ -
Equities: Common Stock Level 1	\$ -	\$ 3,150	\$ 3,150

Corrected Income Taxes, Note 11

Current tax expense for the year ended December 31, 2024
(In thousands)

	As previously reported	Adjustment	As restated
Current tax expense – Federal	\$ 1,461	\$ 232	\$ 1,693
Current tax expense – State	\$ 60	\$ (6)	\$ 54
Deferred tax benefit	\$ (293)	\$ (262)	\$ (555)
Total income tax expense	\$ 1,228	\$ (36)	\$ 1,192

Deferred tax assets and deferred tax liabilities as of December 31, 2024
(In thousands)

	As previously reported	Adjustment	As restated
Deferred tax assets	\$ 2,748	\$ 80	\$ 2,828
Deferred tax liabilities	\$ (2,096)	\$ 40	\$ (2,056)
Net deferred tax asset	\$ 927	\$ 120	\$ 1,047

Deferred tax assets and deferred tax liabilities as of December 31, 2023
(In thousands)

	As previously reported	Adjustment	As restated
Deferred tax assets	\$ 2,516	\$ 86	\$ 2,602
Deferred tax liabilities	\$ (2,157)	\$ (228)	\$ (2,385)
Net deferred tax asset	\$ 779	\$ (142)	\$ 637

(Continued)

BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 16 – RESTATEMENT (Continued)

Corrected Regulatory Capital Requirements, Note 13

Actual capital amount as of December 31, 2024
(In thousands, except share amounts)

	As previously reported	Adjustment	As restated
Tier 1 capital – Bank	\$ 69,860	\$ 1,736	\$ 71,596
Tier 1 capital – Consolidated	\$ 62,574	\$ 1,736	\$ 64,310
Tier 1 risk-based capital – Bank	\$ 69,860	\$ 1,736	\$ 71,596
Tier 1 risk-based capital – Consolidated	\$ 62,574	\$ 1,736	\$ 64,310
Common equity tier 1 capital – Bank	\$ 69,860	\$ 1,736	\$ 71,596
Common equity tier 1 capital - Consolidated	\$ 62,574	\$ 1,736	\$ 64,310
Total risk-based capital – Bank	\$ 78,372	\$ 1,736	\$ 80,108
Total risk-based capital – Consolidated	\$ 78,816	\$ 1,736	\$ 80,552

Actual capital ratio as of ended December 31, 2024
(In thousands, except share amounts)

	As previously reported	Adjustment	As restated
Tier 1 capital – Bank	8.01%	0.22%	8.23%
Tier 1 capital – Consolidated	7.41%	0.22%	7.63%
Tier 1 risk-based capital – Bank	10.26%	0.28%	10.54%
Tier 1 risk-based capital – Consolidated	9.19%	0.28%	9.47%
Common equity tier 1 capital – Bank	10.26%	0.28%	10.54%
Common equity tier 1 capital - Consolidated	9.19%	0.28%	9.47%
Total risk-based capital – Bank	11.51%	0.29%	11.80%
Total risk-based capital – Consolidated	11.57%	0.29%	11.86%

Actual capital amount as of December 31, 2023
(In thousands, except share amounts)

	As previously reported	Adjustment	As restated
Tier 1 capital – Bank	\$ 65,794	\$ 1,840	\$ 67,634
Tier 1 capital – Consolidated	\$ 57,499	\$ 1,840	\$ 59,339
Tier 1 risk-based capital – Bank	\$ 65,794	\$ 1,840	\$ 67,634
Tier 1 risk-based capital – Consolidated	\$ 57,499	\$ 1,840	\$ 59,339
Common equity tier 1 capital – Bank	\$ 65,794	\$ 1,840	\$ 67,634
Common equity tier 1 capital - Consolidated	\$ 57,499	\$ 1,840	\$ 59,339
Total risk-based capital – Bank	\$ 73,712	\$ 1,840	\$ 75,552
Total risk-based capital – Consolidated	\$ 73,165	\$ 1,840	\$ 75,005

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BALLSTON SPA BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2024 and 2023

NOTE 16 – RESTATEMENT (Continued)

Actual capital ratio as of December 31, 2023
(In thousands, except share amounts)

	As previously reported	Adjustment	As restated
Tier 1 capital – Bank	7.76%	0.22%	7.98%
Tier 1 capital – Consolidated	7.23%	0.23%	7.46%
Tier 1 risk-based capital – Bank	10.39%	0.29%	10.68%
Tier 1 risk-based capital – Consolidated	9.07%	0.29%	9.36%
Common equity tier 1 capital – Bank	10.39%	0.29%	10.68%
Common equity tier 1 capital - Consolidated	9.07%	0.29%	9.36%
Total risk-based capital – Bank	11.64%	0.29%	11.93%
Total risk-based capital – Consolidated	11.54%	0.30%	11.84%

The Company has restated certain narrative disclosures related to the Company’s ACL methodology in Note 4, has added additional narrative disclosures about related party loans in Note 4, and related parties that own the Company’s subordinated debt in Note 9.

NOTE 17 – SUBSEQUENT EVENTS

On September 24, 2025 the Company announced a strategic merger of equals with NBC Bancorp, Inc., the holding company for The National Bank of Coxsackie (collectively “NBC”). At the effective time of the transaction, in a stock-for-stock exchange, NBC shareholders will received 0.8065 shares of the Company’s stock for each share of NBC stock.

Completion of the merger is subject to customary closing conditions, including approval of the banking agencies and shareholders of both companies.

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