



PUBLIC DISCLOSURE

March 2, 2020

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Ballston Spa National Bank
Charter Number 1253

87 Front Street
Ballston Spa, New York 12020

Office of the Comptroller of the Currency

5000 Brittonfield Parkway
Suite 102B
East Syracuse, New York 13057

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**.

The Lending Test is rated: Satisfactory

The Community Development test is rated: Satisfactory

The major factors that support this rating include:

- The Lending Test rating is based on performance in the state of New York, which demonstrated an overall reasonable geographic distribution of loans based upon a reasonable distribution of home mortgage and a poor distribution of small business loans, reasonable distribution of loans to borrowers of different incomes and businesses of different size, a more than reasonable loan-to-deposit ratio, and a majority of lending within the assessment area.
- The Community Development (CD) Test rating is based on performance in the state of New York with demonstrated adequate responsiveness to CD needs through CD loans, qualified investments, and CD services.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the assessment area (AA), the bank's loan-to-deposit ratio is more than reasonable.

The date of Ballston Spa National Bank's (BSNB) last evaluation was January 3, 2017. The loan-to-deposit ratio was calculated using the average quarterly loan-to-deposit ratios beginning the quarter following the date of the last evaluation, through the end of the current evaluation period, or March 31, 2017, through December 31, 2019. During this period the BSNB average loan-to-deposit ratio was 94.9 percent. In comparison, the ratio for four similarly situated financial institutions located in the AA ranged from 71.9 percent to 94.4 percent, with an average of 88.1 percent during the evaluation period for all five institutions.

Lending in Assessment Area

A majority of the bank's loans are inside its AA.

BSNB originated and purchased 73.8 percent (by number) and 81.1 percent (by dollar) of its total loans inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria. This performance factored positively into the overall analysis of the geographic distribution of lending by census tract income level.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	642	68.4	297	31.6	939	139,249	78.1	39,112	21.9	178,360
Small Business	267	91.1	26	8.9	293	42,602	92.6	3,411	7.4	46,013
Total	909	73.8	323	26.2	1,232	181,851	81.1	42,523	18.9	224,373

*Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data
Due to rounding, totals may not equal 100.0*

Description of Institution

BSNB is an intrastate community bank headquartered in Ballston Spa, New York (N.Y.). BSNB is a wholly-owned subsidiary of Ballston Spa Bancorp, Inc., a one bank holding company also headquartered in Ballston Spa, N.Y. Ballston Spa Bancorp, Inc. has two other subsidiaries, Ballston Statutory Trust I, a statutory trust incorporated in Connecticut; and Ballston Spa Risk Management, Inc., a captive insurance company incorporated in Nevada. BSNB has one subsidiary, Ballston Spa National Bank Real Estate Company, Inc., a real estate investment trust formed to hold one- to four-family residential mortgages and home equity loans in exchange for its common stock via an assignment from the bank. This Performance Evaluation does not include or consider any activities performed or conducted by bank affiliates or subsidiaries.

BSNB offers traditional banking, fiduciary, and insurance products and services to corporate, municipal, and individual customers throughout its branch network. Lending activities primarily focus on home mortgage lending and commercial real estate lending. As of December 31, 2019, BSNB's assets totaled \$585 million with \$479 million in total loans, \$446 million in deposits, and \$54 million in tier 1 equity capital. Total loans consist of \$201 million or 42 percent home mortgage loans, \$119 million or 25 percent commercial real estate loans, \$39 million or 8 percent commercial and industrial loans, \$39 million or 8 percent multifamily loans, \$29 million or 6 percent construction and land development loans, \$28 million or 6 percent consumer loans, \$15 million or 3 percent home equity lines of credit, and \$9 million or 2 percent in other loan types.

BSNB designated one AA within the Albany-Schenectady-Troy, N.Y. Metropolitan Statistical Area (MSA), MSA #10580. The AA consists of Saratoga, Albany, and Schenectady Counties in their entirety. The AA does not include any portions of Schoharie or Rensselaer Counties, which are also part of the Albany-Schenectady-Troy, N.Y. MSA. BSNB has 10 branch locations within Saratoga County, three branch locations within Albany County, and no branch locations within Schenectady County. An automated teller machine (ATM) is available at each of the bank's 13 branch locations. The AA does not arbitrarily exclude any low- or moderate-income geographies.

BSNB operates in a competitive financial services market. Competitors include large banks, community banks, credit card companies, online mortgage lenders, and credit unions. BSNB does not have any legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its AA during the evaluation period.

BSNB's prior Performance Evaluation dated January 3, 2017, resulted in a satisfactory rating based on a satisfactory Lending Test rating and a satisfactory Community Development Test rating.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The evaluation period covered January 1, 2017, through December 31, 2019, for home mortgage and small business loans. Home mortgage loans include home purchase, home improvement, home mortgage refinance, and multi-family loans as reported on the Loan Application Register (LAR) required by the Home Mortgage Disclosure Act (HMDA). The evaluation period for CD loans, investments and services is January 4, 2017, through December 31, 2019.

The market share and peer comparisons are based on the information contained in the aggregate HMDA information and Small Business/Farm Registers, which are available for public review. The aggregate HMDA and Small Business/Farm Registers for 2017 are used for the 2017 evaluation period comparison, and the 2018 registers are used for the 2018 evaluation period comparison. The 2019 aggregate data was not available at the time of the evaluation. The peer comparisons in this evaluation include only lenders required to file HMDA data and a Small Business/Farm Register in 2017, 2018, and 2019.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same MSA, multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is a blend of the state ratings, and where applicable, multistate ratings.

BSNB's rating is based on its performance within the state of New York, which consists of one AA, the Albany-Schenectady-Troy MSA AA. The bank does not have any other designated AAs. Home mortgage lending received the heaviest weighting in the performance assessment as home mortgage loans represented more than 76 percent of originations and purchases throughout the evaluation period.

The MMSA rating and state ratings are based on performance in all bank AAs. Refer to the "Scope" section under each state and MMSA Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of New York

CRA rating for the State of New York: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- A reasonable geographic distribution of loans based upon a reasonable distribution of home mortgage loans and a poor distribution of small business loans.
- A reasonable distribution of loans to individuals of different income levels and businesses of different sizes.
- An adequate responsiveness to CD needs in the state of New York through CD loans, qualified investments, and CD services.

Description of Institution's Operations in New York

BSNB has one AA within the state of New York, the Albany-Schenectady-Troy, N.Y. MSA (MSA #10580) AA. The AA consists of Saratoga, Albany, and Schenectady Counties in their entirety. BSNB expanded its AA from Saratoga County in its entirety, a majority of Schenectady County, and a small portion of Albany County from the prior period evaluation as a result of its branching activity in 2017. BSNB opened two new branch offices, Guilderland and Voorheesville on May 1, 2017, and July 17, 2017, respectively. The addition of these two locations increased the bank's branch presence to 13 total offices, with 10 located within Saratoga County and three located within Albany County. BSNB does not operate any branches in Schenectady County, but given the Burnt Hills and Latham branches' proximity to the county, the bank includes it within the AA. The AA does not include any portion of Schoharie or Rensselaer Counties, which are also part of the Albany-Schenectady-Troy, NY MSA. The AA does not arbitrarily exclude any low- or moderate-income geographies.

The AA consists of 168 census tracts designated as follows: 17 low-income, 30 moderate-income, 77 middle-income, 41 upper-income, and three not applicable representing Skidmore College, Union College, and SUNY Albany. The branching activities and AA changes noted above added an additional nine low-income and 19 moderate-income census tracts to the AA since the prior evaluation. Seven of the low-income tracts and 10 of moderate-income tracts are located in Schenectady County, and 10 of low-income tracts and 13 of moderate-income tracts are located in Albany County. Saratoga County does not have any low-income tracts but does have seven moderate-income tracts. BSNB's 13 branch offices are located in middle- or upper-income census tracts.

Competition from other financial institutions operating in the area is strong. BSNB reported \$450 million in deposits within the Albany-Schenectady-Troy MSA AA as of June 30, 2019. In Saratoga County, BSNB competes against 15 other institutions with 68 offices and \$4.6 billion in deposits. BSNB ranked fifth in deposits with 8.3 percent market share behind The Adirondack Trust Company with 20.0 percent, Bank of America with 14.5 percent, KeyBank with 13.6 percent, and Trustco Bank with 10.8 percent. In Albany County, BSNB competes against 19 other institutions with 108 offices and

\$19.6 billion in deposits. BSNB ranked seventeenth in deposits with 0.2 percent market share. The top five institutions in Albany County hold greater than 87.0 percent deposit market share including KeyBank with 46.5 percent, Citizens Bank with 21.3 percent, Manufacturers and Traders Trust Company with 7.2 percent, Bank of America with 7.0 percent, and Trustco Bank with 5.1 percent. BSNB does not have a branch presence in Schenectady County; however, 12 institutions compete for market share, with Trustco Bank and KeyBank capturing approximately 50.0 percent of the \$2.9 billion market share.

The economic climate in the Albany-Schenectady-Troy MSA has steadily improved since the Great Recession, regaining most of the jobs lost in the aftermath of the economic decline. Unemployment (not seasonally adjusted) within the MSA is low at 4.0 percent as of January 2020, although it is slightly above the state unemployment rate of 3.8 percent. The largest industries in the MSA are government, healthcare, education, and technology. The MSA includes the city of Albany, the New York State capital, with significant employers centered in national and state government agencies. Major private sector employers in the region include health care providers, Albany Medical Center and St. Peter's Health Partners; supermarket chains, Golub Corporation and Hannaford Supermarkets; and General Electric.

During the evaluation period, the OCC and other financial regulators met with three organizations that provide homeownership services, managerial assistance, and promote economic development within the bank's AA and surrounding areas. Contacts from these organizations identified a need for affordable housing; flexible small business lending, particularly start-up capital; general economic development for entrepreneurs; and funding to support the transition of small businesses to new ownership. Contacts noted that financial institutions in the area are generally responsive to the community's needs.

Albany-Schenectady-Troy MSA AA

Table A – Demographic Information of the Assessment Area						
Assessment Area: Albany-Schenectady-Troy (AST) MSA AA 2015 Census						
Demographic Characteristics (2017-2019)	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	168	10.1	17.9	45.8	24.4	1.8
Population by Geography	686,033	7.5	16.0	47.9	27.4	1.2
Housing Units by Geography	307,205	8.8	17.7	48.1	25.3	0.2
Owner-Occupied Units by Geography	174,170	2.9	12.7	52.4	32.0	0.0
Occupied Rental Units by Geography	95,962	15.5	23.2	42.8	18.1	0.3
Vacant Units by Geography	37,073	19.0	26.6	41.4	12.2	0.8
Businesses by Geography	42,679	11.3	11.4	47.0	29.8	0.5
Farms by Geography	1,169	1.5	8.1	63.6	26.6	0.1
Family Distribution by Income Level	161,356	19.5	17.5	22.0	41.1	0.0
Household Distribution by Income Level	270,132	23.8	15.2	18.8	42.2	0.0
Median Family Income MSA - 10580 Albany-Schenectady-Troy, NY MSA		\$81,103	Median Housing Value			\$203,689
			Median Gross Rent			\$922
			Families Below Poverty Level			6.9%
<i>Source: 2015 ACS Census and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in New York

The Albany-Schenectady-Troy MSA AA received a full-scope review, as it remains the bank's only AA.

Home mortgage lending received a heavier weighting over small business lending in the performance assessment, given its proportion of originations and purchases throughout the evaluation period. Home mortgage loans represented 76.2 percent (by number) and 79.5 percent (by dollar) of total originations and purchases in the evaluation period. During the evaluation period, BSNB originated one small farm loans, which is an insufficient number of loans to conduct a meaningful analysis.

In 2017, the bank expanded its branch presence with the addition of two new branch locations, both of which are located within Albany County, expanding the bank's AA to include an additional 26 low- and moderate-income census tracts (two additional census tracts were the result of changes in the tracts' classification). Examiners considered the time it takes to increase customer awareness of bank provided products and services and achieve market share in newly established locations.

The 2019 small business peer lending data was unavailable. Therefore, examiners used 2018 peer data results as a proxy to assess bank performance against aggregate peer data. Similarly, the 2019 HMDA peer lending data was also unavailable. Therefore, examiners used 2018 peer data results as a proxy to assess bank performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK

LENDING TEST

The bank's performance under the Lending Test in New York is rated Satisfactory.

Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank's lending performance in New York is reasonable.

Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the state.

Home Mortgage Loans

Refer to Table O in the state of New York section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of home mortgage loans in the Albany-Schenectady-Troy MSA AA was reasonable.

In 2017 and 2018, the portion of home mortgage loans made in low-income census tracts was reasonable in comparison to owner-occupied housing and the average for peer lenders. In 2019, the portion of home mortgage loans made in low-income census tracts exceeded the portion of owner-occupied housing and the average for peer lenders.

In 2017 and 2019, the portion of home mortgage loans made in moderate-income census tracts was reasonable in comparison to owner-occupied housing and the average for peer lenders. In 2018, the portion of home mortgage loans made in a moderate-income census tract exceeded both owner-occupied housing and the average for peer lenders.

Small Loans to Businesses

Refer to Table Q in the state of New York section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

The geographic distribution of small loans to businesses in the Albany-Schenectady-Troy MSA AA was poor.

In 2017 and 2018, the percentage of small loans to businesses made in low-income census tracts and moderate-income census tracts was very poor when compared to the percentage of businesses located in the census tracts and the average for peer lenders.

In 2019, the percentage of small loans to businesses made in low-income census tracts was poor in comparison to the percentage of businesses located in the census tracts and reasonable when compared to the average for peer lenders. The percentage of small loans to businesses made in moderate-income

census tracts was very poor when compared to the percentage of business located in the census tract and the average for peer lenders.

Poor performance in the bank's geographic distribution of small loans to businesses in the AA is attributable to branching activities that occurred during the evaluation period. The Guilderland and Voorheesville branch openings expanded the AA to include all census tracts located in Albany and Schenectady counties which more than doubled the number of low- and moderate-income census tracts. Specifically, the number of low-income census tracts increased from eight to 17 and the number of moderate-income census tracts increased from 11 to 30. Albany County accounts for 10 low-income tracts and 13 moderate-income tracts within the AA, and Schenectady County accounts for seven low-income tracts and 10 moderate-income tracts. BSNB has three branch locations in Albany County, two of which opened during the evaluation period, and no branch locations in Schenectady County. It is expected with a recent branch expansion that expands an AA, that it will take time to increase customer awareness of bank provided products and services and build market share in the respective areas. Performance has shown improvement in 2019, supported by the increase in percentage of loans in low-income tracts from 2.0 percent in 2017 to 7.3 percent in 2019, and the increase in percentage of loans in moderate-income tracts from 3.1 percent in 2017 to 3.7 percent in 2019.

Lending Gap Analysis

OCC examiners reviewed summary reports and AA maps detailing BSNB's lending activity over the evaluation period for both home mortgage loans and small loans to businesses to identify any gaps in the geographic distribution of loans. No unexplained conspicuous gaps were identified.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels and businesses of different sizes, given the product lines the bank offers.

Home Mortgage Loans

Refer to Table P in the state of New York section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The borrower distribution of home mortgage loans was reasonable in the Albany-Schenectady-Troy MSA AA.

In 2017, the portion of home mortgage loans made to low-income borrowers was poor when compared to the percentage of low-income families; however, it exceeded the average for peer lenders. In 2018 and 2019, the portion of home mortgage loans made to low-income borrowers was poor when compared to the percentage of low-income families but was reasonable when compared to the average for peer lenders.

While the bank's percentage of lending of home mortgage loans to low-income borrowers did not meet the percentage of low-income borrowers in the Albany-Schenectady-Troy MSA AA, the peer lending data is a better indicator of actual loan demand from low-income borrowers. In 2017, BSNB's market share for home mortgage loans to low-income borrowers exceeded the overall market share. BSNB ranked 19th for home mortgage lending to all borrowers in the bank's AA with 1.2 percent of the market

share and 19th for home mortgage lending to low-income borrowers in the assessment area with 1.3 percent market share. In 2018, BSNB's market share for loans to low-income borrowers did not exceed the overall market share but ranked 21st for home mortgage lending to all borrowers in the bank's AA with 1.0 percent of the market share and ranked 25th for home mortgage lending to low-income borrowers with 0.9 percent market share. Given the median housing value of \$203,689 in the AA between 2017 and 2019, it would be difficult for a low-income borrower earning less than \$41,550 in 2017, \$43,200 in 2018, and \$44,950 in 2019, to qualify for a home mortgage loan. The cities of Albany and Schenectady, which include the majority of the low- and moderate-income tracts in the AA, also have high tax rates. These high monthly property tax payments and insurance premiums further increase the challenges for low-income families to afford purchasing a home. BSNB began offering VA, FHA, and Rural Housing mortgage programs through a third-party in 2019 to help serve the needs of more people in the community and provide greater opportunities for home ownership.

In 2017 and 2019, the portion of home mortgage loans made to moderate-income borrowers exceeded the percentage of moderate-income families and was reasonable in 2018. In 2017, 2018, and 2019, the portion of home mortgage loans made to moderate-income borrowers is reasonable when compared to the average for peer lenders.

Small Loans to Businesses

Refer to Table R in the state of New York section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

The borrower distribution of small loans to businesses was reasonable in the Albany-Schenectady-Troy MSA AA.

In 2017, 2018, and 2019, the portion of loans to businesses with revenues of \$1 million or less was reasonable compared to the percentage of businesses in the AA and exceeded the average for peer lenders.

Responses to Complaints

The bank did not receive any CRA-related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the state of New York is rated Satisfactory.

Based on a full-scope review, the bank exhibits adequate responsiveness to community development needs in the state of New York through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

Number and Amount of Community Development Loans

Community Development Loans				
<i>Assessment Area</i>	#	%	<i>\$ (000's)</i>	%
Albany-Schenectady-Troy MSA AA	17	94.44	\$16,926	75.65
Outside AA	1	5.56	\$5,448	24.35

The Community Development Loans Table, shown above, sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

BSNB demonstrated excellent responsiveness to community development needs through community development loans. Community development lending includes seven loans totaling \$1.9 million for affordable housing for low- or moderate-income individuals, one loan totaling \$4.3 million to an organization providing community services targeting low- or moderate-income individuals, seven loans totaling \$9.1 million to revitalize and stabilize low- or moderate-income geographies, and three loans totaling \$7.0 million for economic development.

Number and Amount of Qualified Investments

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
AST MSA AA	0	\$0	84	\$79	84	98.82	\$79	47.02	0	\$0
New York State	1	\$89	0	\$0	1	1.18	\$89	52.98	0	\$0

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The Qualified Investment Table, shown above, sets forth the information and data used to evaluate the bank's level of qualified CD investments. These tables include all CD investment, including prior period investments that remain outstanding as of the examination date.

BSNB demonstrated adequate responsiveness to community development needs through qualified investments, donations, and grants. In 2017, 2018, and 2019, BSNB's qualified investments include 84

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

donations with an aggregate amount of \$79.9 thousand to various community development eligible charitable and non-profit organizations within the bank's AA. The activities supported affordable housing for low- or moderate-income individuals, provided community services to low-or moderate-income individuals, supported economic development, and contributed to the revitalization or stabilization of low- or moderate-income geographies. Prior period investments include \$89.2 thousand in outstanding stock balances to an economic development organization providing financing to small businesses throughout New York State, including the bank's AA.

Extent to Which the Bank Provides Community Development Services

BSNB demonstrated adequate responsiveness to community development needs through community development services. In 2017, 2018, and 2019, one director, five vice presidents, and one assistant vice president participated in approximately 395 hours of qualified community development services by serving as a director or a member of a financial oversight committee to six community development organizations in the Albany-Schenectady-Troy MSA AA and one organization in a county adjacent to the AA. Organizations benefiting from employee expertise included three affordable housing organizations, two organizations providing community services targeting low- or moderate-income individuals, and two economic development organizations. In addition, BSNB introduced Better U in 2019, an online education portal offering interactive modules covering a wide range of financial concepts. The portal is available free of charge to the general public via BSNB's website.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	Lending Test: 01/01/2017 to 12/31/2019 Community Development Test: 01/04/2017 to 12/31/2019	
Bank Products Reviewed:	Home mortgage and small business Community development loans, qualified investments, community development services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None		
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
New York		
Albany-Schenectady-Troy (AST) MSA AA	Full-scope	Saratoga, Albany, and Schenectady Counties

Appendix B: Summary of MMSA and State Ratings

RATINGS Ballston Spa National Bank			
Overall Bank:	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
Ballston Spa NB	Satisfactory	Satisfactory	Satisfactory
MMSA or State:			
New York	Satisfactory	Satisfactory	Satisfactory

(*) The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rating Area: A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography 2017

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
AST MSA AA	193	38,863	100.0	16,014	2.9	2.1	2.6	12.7	9.3	13.6	52.4	63.2	53.2	32.0	25.4	30.5	0.0	0.0	0.1
Total	193	38,863	100.0	16,014	2.9	2.1	2.6	12.7	9.3	13.6	52.4	63.2	53.2	32.0	25.4	30.5	0.0	0.0	0.1

Source: 2015 ACS Census; 01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2017

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
AST MSA AA	193	38,863	100.0	16,014	19.5	8.3	7.7	17.5	18.1	21.6	22.0	20.7	24.3	41.1	49.2	33.7	0.0	3.6	12.7
Total	193	38,863	100.0	16,014	19.5	8.3	7.7	17.5	18.1	21.6	22.0	20.7	24.3	41.1	49.2	33.7	0.0	3.6	12.7

Source: 2015 ACS Census ;01/01/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2017
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
AST MRA AA	98	14,561	100.0	10,883	11.2	2.0	7.9	11.6	3.1	11.0	47.1	69.4	47.1	29.6	25.5	33.6	0.5	0.0	0.4
Total	98	14,561	100.0	10,883	11.2	2.0	7.9	11.6	3.1	11.0	47.1	69.4	47.1	29.6	25.5	33.6	0.5	0.0	0.4

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0*

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues												2017
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
AST MSA AA	98	14,561	100.0	10,883	79.0	52.0	48.6	6.9	46.9	14.2	1.0	
Total	98	14,561	100.0	10,883	79.0	52.0	48.6	6.9	46.9	14.2	1.0	

*Source: 2017 D&B Data; 01/01/2017 - 12/31/2017 Bank Data; 2017 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0*

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2018
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
AST MSA AA	201	38,118	100.0	19,310	2.9	2.0	2.5	12.7	13.4	12.3	52.4	58.7	52.8	32.0	25.9	32.3	0.0	0.0	0.1	
Total	201	38,118	100.0	19,310	2.9	2.0	2.5	12.7	13.4	12.3	52.4	58.7	52.8	32.0	25.9	32.3	0.0	0.0	0.1	

Source: 2015 ACS Census; 01/01/2018 - 12/31/2018 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																				2018
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers			
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
AST MSA AA	201	38,118	100.0	19,310	19.5	7.5	8.9	17.5	16.9	22.3	22.0	27.4	25.3	41.1	43.8	35.1	0.0	4.5	8.4	
Total	201	38,118	100.0	19,310	19.5	7.5	8.9	17.5	16.9	22.3	22.0	27.4	25.3	41.1	43.8	35.1	0.0	4.5	8.4	

Source: 2015 ACS Census; 01/01/2018 - 12/31/2018 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography **2018**

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
AST MSA AA	87	14,165	100.0	11,734	11.3	3.4	8.4	11.4	2.3	10.4	47.0	62.1	46.7	29.8	32.2	34.2	0.5	0.0	0.3
Total	87	14,165	100.0	11,734	11.3	3.4	8.4	11.4	2.3	10.4	47.0	62.1	46.7	29.8	32.2	34.2	0.5	0.0	0.3

Source: 2018 D&B Data; 01/01/2018 - 12/31/2018 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2018**

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
AST MSA AA	87	14,165	100.0	11,734	79.5	51.7	42.8	6.7	46.0	13.8	2.3
Total	87	14,165	100.0	11,734	79.5	51.7	42.8	6.7	46.0	13.8	2.3

Source: 2018 D&B Data; 01/01/2018 - 12/31/2018 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
 Due to rounding, totals may not equal 100.0

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography **2019**

Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
AST MSA AA	248	62,268	100.0	--	2.9	4.4	--	12.7	11.7	--	52.4	60.1	--	32.0	23.8	--	0.0	0.0	--
Total	248	62,268	100.0	--	2.9	4.4	--	12.7	11.7	--	52.4	60.1	--	32.0	23.8	--	0.0	0.0	--

Source: 2015 ACS Census; 01/01/2019 - 12/31/2019 Bank Data, "--" data not available.
 Due to rounding, totals may not equal 100.0

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower **2019**

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
AST MSA AA	248	62,268	100.0	--	19.5	8.1	--	17.5	19.8	--	22.0	28.6	--	41.1	39.1	--	0.0	4.4	--
Total	248	62,268	100.0	--	19.5	8.1	--	17.5	19.8	--	22.0	28.6	--	41.1	39.1	--	0.0	4.4	--

Source: 2015 ACS Census; 01/01/2019 - 12/31/2019 Bank Data, "--" data not available.
 Due to rounding, totals may not equal 100.0

Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography **2019**

Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
AST MSA AA	82	13,876	100.0	--	11.3	7.3	--	11.4	3.7	--	47.0	56.1	--	29.8	30.5	--	0.5	2.4	--
Total	82	13,876	100.0	--	11.3	7.3	--	11.4	3.7	--	47.0	56.1	--	29.8	30.5	--	0.5	2.4	--

Source: 2019 D&B Data; 01/01/2019 - 12/31/2019 Bank Data; "--" data not available.
 Due to rounding, totals may not equal 100.0
 Note: Examiners used 2018 aggregate data as a proxy for 2019 aggregate data

Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues **2019**

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
AST MSA AA	82	13,876	100.0	--	79.5	65.9	--	6.7	30.5	13.8	3.7
Total	82	13,876	100.0	--	79.5	65.9	--	6.7	30.5	13.8	3.7

Source: 2019 D&B Data; 01/01/2019 - 12/31/2019 Bank Data; "--" data not available.
 Due to rounding, totals may not equal 100.0
 Note: Examiners used 2018 aggregate data as a proxy for 2019 aggregate data