



A Closer Look

BSNB Trust and Financial Services

To achieve your financial objectives, you need a partner you can trust. Our Trust and Financial Services officers deliver peace of mind, superior service and 75 years of combined experience.



Thomas White, VP



Tammy Zaiko, CFP, SVP



John Chandler, Esq., VP

With more than \$100 million under management, our trust professionals are here to help with all of your financial planning needs. Contact us today for a private consultation or to learn more about our services, including: investment management, trust administration, estate settlement, financial planning, retirement planning and estate planning.

Trust and Financial Services
87 Front Street, Ballston Spa
518-363-8698

Not insured by the FDIC. Not a deposit or other obligation of, or guaranteed by, the depository institution. Subject to investment risks, including possible loss of the principal amount invested.

SUMMIT Employee of the Year

Ballston Spa National Bank announced that Kathleen Fialkowski, business development officer, has received the 2016 SUMMIT Employee of the Year award. At a recent employee meeting, BSNB President and CEO Christopher R. Dowd recognized Kathleen Fialkowski for her exceptional dedication to customer service and the bank's core values of teamwork, respect, accountability, integrity and leadership.



Kathleen Fialkowski, right, stands with BSNB President and CEO Christopher R. Dowd after being named SUMMIT Employee of the Year.



A Closer Look

Mobile Check Deposit

As part of our continued focus on convenience and value, BSNB now offers mobile check deposit as well as mobile pay options!

Available for all Apple® and Android® phones, Mobile Check Deposit allows you to deposit a check by simply snapping a picture of it. It's quick, easy, and secure.

In addition, BSNB currently offers Apple Pay™ and Samsung Pay™. These mobile wallet services provide access to your BSNB debit card directly from your compatible smart phone - making purchases on the go easier than ever!



BSNB LOCATIONS

Ballston Spa
87 Front Street

Burnt Hills
770 Saratoga Road

Clifton Park
256 Ushers Road

Corporate Branch
990 State Route 67

Galway
5091 Sacandaga Road

Greenfield Center
3060 Route 9N

Latham
1207 Troy Schenectady Road

Malta
124 Dunning Street

Milton Crest
344 Rowland Street

Stillwater
428 Hudson Avenue

Wilton
625 Maple Avenue

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Member FDIC

Consolidated Interim Financial Information

March 31, 2016



Ballston Spa Bancorp, Inc.



PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, reported strong financial results in the first quarter of 2016. Net income for the three-month period ending March 31, 2016 totaled \$579 thousand, or \$0.78 per share, up 19.1% from the \$486 thousand, or \$0.65 per share, reported for the same period in 2015. The improved earnings performance is attributable to growth in the company's loan portfolios, improved net interest margins, and effective cost management efforts.

Our focus on the commercial banking market segment continued to yield positive results in the first quarter of 2016 as loan balances in these portfolios increased 2.6% from December 31, 2015 and are up 27% from March 31, 2015. The residential loan portfolio was also a positive contributor, increasing \$2.6 million, or 1.8% during the quarter. Investments in staffing resources and recent expansion efforts into the Capital Region have contributed to the loan growth over the past several quarters.

Similarly, net interest income totaled \$3.4 million for the first quarter of 2016, improving by 10.7% over March 2015 results. The growth in earning assets coupled with a 24 basis point increase in our net interest margin led to an increase in net interest income for the quarter. Conversely, noninterest income declined modestly during the period due to lower trust and investment income and gains on the sale of residential mortgages. As a result of investments in our new sales office in Latham, NY in August 2015 and increases in compensation and benefit costs, noninterest expense increased compared to the first quarter of 2015 by 3.4%. Expense increases were anticipated and came in under plan. We do expect the existing regulatory environment and health insurance costs to present further challenges to our cost structure in future periods.

While we are experiencing solid loan growth, I am pleased to report that our balance sheet remains strong and reflects the success of our long-term strategic efforts. Nonperforming loans as a percentage of total loans remain at manageable levels and in fact decreased from 2.22% at March 31, 2015 to 1.75% as of the end of the first quarter in 2016. Capital levels are well above the regulatory minimum as our Tier 1 capital ratio totaled 13.08% at March 31, 2016. In addition to the positive impact on earnings performance, the growth in commercial loans has also served to further diversify our balance sheet and better position the company for rising rates.

Our financial strength provides the company with the resources to make further investments in our staff and infrastructure. During 2016 and into 2017, we anticipate developing and implementing comprehensive training programs to further enhance the capabilities of our staff. Furthermore,

PRESIDENT'S MESSAGE CONTINUED

we have several projects underway to enhance service to our customers and our operational efficiency. During the second quarter of 2016, we will be wrapping up an effort to improve the residential mortgage origination process while also kicking off a website redesign initiative. These and other efforts planned for the coming quarters are designed to assist the company in achieving our growth goals.

Supported by a strong and capable team of banking professionals, we remain focused on building long-term relationships and enhancing value for our shareholders, customers and community.

On behalf of the Board, staff and management, we thank you for your continued support.

Christopher R. Dowd
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS

<i>(In thousands)</i>	March 31, 2016	December 31, 2015
Assets		
Cash and due from banks	\$ 1,251	\$ 1,128
Short-term investments	38,476	45,065
Securities available for sale, at fair value	80,153	81,731
FHLB of NY & FRB stock, at cost	2,629	2,662
Loans	298,157	293,037
Allowance for loan losses	(4,082)	(4,188)
Net loans	294,075	288,849
Premises and equipment, net	10,210	10,319
Other assets	12,766	12,681
Total Assets	\$ 439,560	\$ 442,435
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 388,668	\$ 391,810
Long-term FHLB borrowings	10,500	10,500
Junior subordinated debentures	5,155	5,155
Other liabilities	4,479	4,797
Total liabilities	\$ 408,802	\$ 412,262
Shareholders' Equity		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	24,098	23,748
Accumulated other comprehensive loss	(1,991)	(2,226)
Total shareholders' equity	\$ 30,758	\$ 30,173
Total Liabilities & Shareholders' Equity	\$ 439,560	\$ 442,435

CONSOLIDATED INCOME STATEMENTS

<i>(In thousands, except per share data)</i>	For the three months ended March 31,	
	2016	2015
Interest and fee income		
Loans, including fees	\$ 3,079	\$ 2,862
Securities available for sale	455	458
FHLB of NY & FRB stock	33	29
Short-term investments	51	34
Total interest and fee income	\$ 3,618	\$ 3,383
Interest expense		
Deposits	\$ 123	\$ 130
Long-term FHLB borrowings	96	183
Junior subordinated debentures	48	43
Total interest expense	\$ 267	\$ 356
Net interest income	3,351	3,027
Provision for loan losses	30	30
Net interest income after provision for loan losses	\$ 3,321	\$ 2,997
Noninterest income		
Service charges on deposit accounts	\$ 102	\$ 102
Trust and investment income	232	273
Gain on sale of loans	-	31
Other	232	220
Total noninterest income	\$ 566	\$ 626
Noninterest expense		
Compensation and benefits	\$ 1,952	\$ 1,840
Occupancy and equipment	330	353
FDIC and OCC assessment	110	112
Advertising and public relations	69	69
Legal and professional fees	110	89
Debit Card processing	81	79
Data processing	161	153
Other	302	318
Total noninterest expense	\$ 3,115	\$ 3,013
Income before income tax expense	\$ 772	\$ 610
Income tax expense	193	124
Net income	\$ 579	\$ 486
Basic earnings per share	\$ 0.78	\$ 0.65