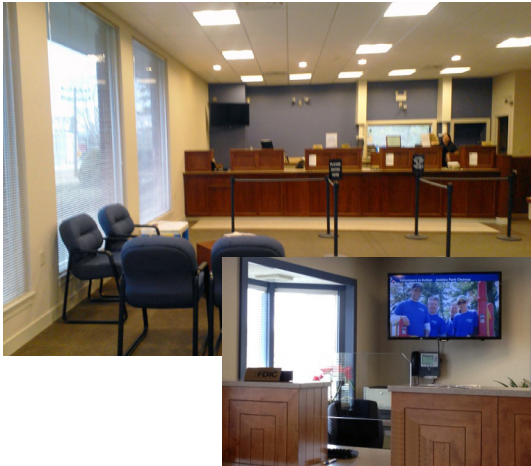




A Closer Look

Branch Renovations

BSNB is enhancing the banking experience at our Malta, Galway, Stillwater, Milton Crest and Greenfield Center offices. Renovations are underway that include updated furnishings, a consistent color scheme, and new ceilings, wall coverings and flooring. Digital signage will be installed at each office to communicate news and information to customers.



24/7 Mobile Checking

BSNB's new GoChecking account is designed specifically for people who prefer to bank electronically. With online convenience and expanded ATM choices, GoChecking makes it easy to do your banking no matter where you are, 24 hours a day, 7 days a week.



A billboard promoting GoChecking in Wilton.

OUR MISSION

At BSNB, we seek to be recognized as a high performing community bank by adding value to and building strong relationships with our shareholders, customers, employees, and community.

To achieve our goal, we are committed to the following objectives:

- ❖ To consistently exceed expectations and treat every customer as if we've known them our entire life;
- ❖ To give back and strengthen the communities where we work and live;
- ❖ To continually improve and enhance the value we deliver to our customers, staff, and community;
- ❖ To constantly surprise people with what a bank can be and the impact it can have on customers and the community;
- ❖ To a belief that actions and not just words define who we are as a company.

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

Malta
124 Dunning Street

Milton Crest
344 Rowland Street

Stillwater
428 Hudson Avenue

Wilton
625 Maple Avenue

www.bsnb.com | facebook.com/YourBSNB | twitter.com/BSNB



Member FDIC

Consolidated Interim Financial Information

March 31, 2013

STRENGTHENING OUR COMMUNITIES



Ballston Spa Bancorp, Inc.

PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, continues to deliver solid financial results in 2013. Net income for the three-month period ending March 31, 2013 totaled \$995 thousand or \$1.34 per share, up 88% from the \$529 thousand or \$0.71 per share reported for the same period in 2012. The improved earnings performance is attributable to several factors including an increase in retail brokerage income, growth in the commercial and residential lending portfolios, and a sizeable gain on the sale of the Company's former operations center.

We are encouraged by the sustained growth in our loan and deposit portfolios. For example, commercial and commercial real estate loans increased \$7.9 million, or 10.7% as of March 31, 2013 up from \$73.6 million at March 31, 2012. Similarly, residential mortgage loans increased by \$8.5 million, or 6.7%, over the same period. Residential loan growth was tempered by the decision to sell low-rate, long-term loans on the secondary market. This strategy continues to mitigate interest rate risk over the long term. Moreover, growth in our loan portfolios, combined with an increase in total deposits of \$19 million, or 6%, helped offset further tightening of net interest margins during the period.

We firmly believe that our disciplined growth strategy has benefited the Company during this challenging economic period, keeping us well positioned to pursue future growth opportunities. More specifically, problem loan levels have been significantly reduced during the recent year. Capital levels remain well in excess of regulatory minimums and provide an ample cushion to support our strategic initiatives. Furthermore, the Company maintains a healthy level of liquidity sufficient to fund anticipated loan demand.

In addition to our notable financial achievements, the Company continues to make prudent investments in our building and technology infrastructure. For example, we recently undertook a renovation project that encompasses five branch offices and is scheduled to be completed during the second quarter of 2013. The project is designed to provide for an enhanced customer experience while maintaining a professional work environment. Consistent with our long-term plan, we anticipate further investment and enhancements to our business model in the coming months.

With a strong staff, solid financial footing, and a clear and thoughtful long-term plan, we are confident that we will continue to enhance the value we provide to 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

FINANCIAL HIGHLIGHTS

- Loan balances increased \$13.7M or 5.7% from March 2012;
- Net interest margin was 3.11% for the period ending March 31, 2013, down from 3.16% for the same period in 2012;
- Nonperforming loans to total loans of 2.39%, nonperforming assets to total assets of 1.59%, and the allowance for loans losses representing 73.96% of nonperforming loans, all showed marked improvement from the same period last year;
- Noninterest income increased 72% from the same period in 2012 due to a one-time gain on sale of fixed assets;
- The banks Tier 1 Capital ratio is 12.46% at March 31, 2013.

CONSOLIDATED BALANCE SHEETS

<i>(In thousands)</i>	March 31, 2013	December 31, 2012
Assets		
Cash and due from banks	\$ 1,187	\$ 950
Short-term investments	48,886	59,504
Securities available for sale, at fair value	78,856	81,373
FHLB of NY & FRB stock, at cost	3,967	4,392
Loans	254,393	257,802
Allowance for loan losses	(4,497)	(4,294)
Net loans	249,896	253,508
Premises and equipment, net	10,452	10,587
Other assets	12,919	11,038
Total Assets	\$ 406,163	\$ 421,352
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 334,696	\$ 340,624
Long-term FHLB borrowings	35,500	45,500
Junior subordinated debentures	5,155	5,155
Other liabilities	3,631	3,525
Total liabilities	\$ 378,982	\$ 394,804
Shareholders' Equity		
Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	42	42
Treasury stock, at cost	(991)	(991)
Retained earnings	20,108	19,344
Accumulated other comprehensive loss	(1,578)	(1,447)
Total shareholders' equity	\$ 27,181	\$ 26,548
Total Liabilities & Shareholders' Equity	\$ 406,163	\$ 421,352

CONSOLIDATED INCOME STATEMENTS

<i>(In thousands, except per share data)</i>	For the three months ended March 31,	
	2013	2012
Interest and fee income		
Loans, including fees	\$ 3,036	\$ 3,001
Securities available for sale	481	542
FHLB of NY & FRB stock	41	50
Short term investments	34	32
Total interest and fee income	\$ 3,592	\$ 3,625
Interest expense		
Deposits	\$ 154	\$ 249
Long-term FHLB borrowings	368	401
Junior subordinated debentures	44	48
Total interest expense	\$ 566	\$ 698
Net interest income	3,026	2,927
Provision for loan losses	30	150
Net interest income after provision for loan losses	\$ 2,996	\$ 2,777
Noninterest income		
Service charges on deposit accounts	\$ 120	\$ 119
Trust and investment income	245	192
Gain on sale of loans	157	151
Other	703	250
Total noninterest income	\$ 1,225	\$ 712
Noninterest expense		
Compensation and benefits	\$ 1,681	\$ 1,682
Occupancy and equipment	412	332
FDIC and OCC assessment	105	108
Advertising and public relations	74	62
Legal and professional fees	84	118
Debit Card processing	62	62
Data processing	167	170
Other	302	290
Total noninterest expense	\$ 2,887	\$ 2,824
Income before income tax expense	\$ 1,334	\$ 665
Income tax expense	339	136
Net income	\$ 995	\$ 529
Basic earnings per share	\$ 1.34	\$ 0.71