



## A Closer Look

### New Loan Opportunities Available

Ballston Spa National Bank customers now have another option when considering a home loan. Starting in June, BSNB, in partnership with the United States Department of Agriculture, offers homeownership opportunities to rural Americans through the USDA Guaranteed Rural Housing Program.



The program provides income- and property-eligible applicants with 100% financing with no down payment or minimum borrower contribution requirements. First time homebuyers are welcomed.

### Dowd Honored by American Red Cross

In July, the Adirondack-Saratoga branch of the American Red Cross honored BSNB President and CEO Christopher R. Dowd with the 2015 Philly Dake Humanitarian Award.



The award, named for Phyllis "Philly"

Dake, matriarch of Stewart's Shops and longtime supporter of the Adirondack-Saratoga Red Cross, is awarded each year in recognition of outstanding contributions made to the American Red Cross in the Adirondack-Saratoga community. The award recipient is decided by the Red Cross' local board of directors, who unanimously selected Dowd to receive the honor this year.

Dowd is a past-chair and current member of the Adirondack-Saratoga branch board of directors, as well as a member of the regional board of directors for the American Red Cross Eastern New York Region. In 2014, he and his wife, Patricia Putman, served as honorary co-chairs for the Red Cross Fire + Ice Gala, which raised more than \$80,000.

## IN MEMORY

### Thomas K. Gallogly

(April 30, 1933 - Aug. 6, 2015)

Former longtime BSNB board member Thomas K. Gallogly passed away Thursday, August 6, 2015.



Thomas K. Gallogly, seen here in a BSNB Board of Directors photo from 1987, passed away August 6, 2015.

Mr. Gallogly, the grandson of the bank's fifth president Thomas Kerley, was appointed to the BSNB Board of Directors on March 24, 1970. He was a board member for 40 years and after his retirement from the board in 2010, Mr. Gallogly served as a director emeritus until his passing.

### BSNB LOCATIONS

**Ballston Spa**  
87 Front Street

**Greenfield Center**  
3060 Route 9N

**Burnt Hills**  
770 Saratoga Road

**Malta**  
124 Dunning Street

**Clifton Park**  
256 Ushers Road

**Milton Crest**  
344 Rowland Street

**Corporate Branch**  
990 State Route 67

**Stillwater**  
428 Hudson Avenue

**Galway**  
5091 Sacandaga Road

**Wilton**  
625 Maple Avenue

### NOW OPEN!

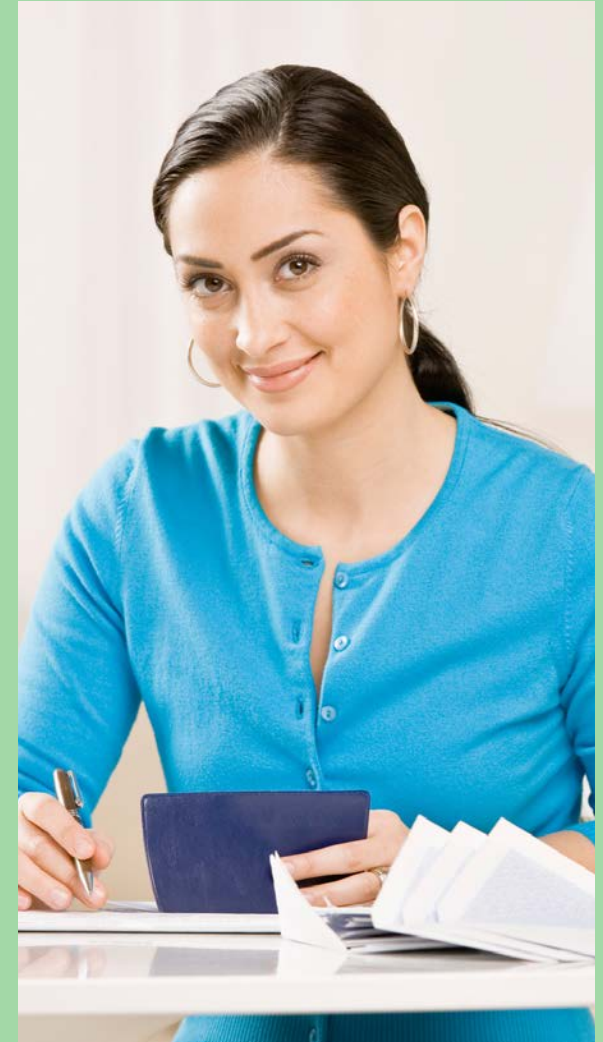
**Latham**  
1207 Troy Schenectady Road

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June 30, 2015



Ballston Spa Bancorp, Inc.

## PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, reported strong financial results for the second quarter of 2015. Net income for the six-month period ending June 30, 2015 totaled \$1.1 million, or \$1.44 per share, down from the \$1.3 million, or \$1.79 per share, reported for the same period in 2014. Sizable increases in the commercial lending portfolios were offset by compression in net interest margin coupled with an increase in the cost of the company's health insurance and defined benefit plans. Income performance, while down from the previous year, remains ahead of plan and positions us well to pursue our growth strategy.

As reported previously, the company is achieving solid growth in the commercial and commercial real estate loan portfolios. This trend continued in the second quarter. Through June 30, 2015, portfolio balances increased \$12.7 million, or 14.25%, from December 31, 2014. We are encouraged by the traction gained in this market segment and will be investing additional funds in the expansion of staff and facilities in the months ahead. In fact, we are opening our 11th banking office in Latham this month. This location is the company's first outside of Saratoga County and the first office to specialize in serving the needs of the business and professional community. In opening a new office in this market, BSNB's goal is to achieve greater success in attracting new customers to the bank and also to further enhance the service and support provided to existing customers.

Consistent with expectations, residential lending balances as of June 30, 2015 remained relatively flat, increasing \$1.1 million, or 0.76%, from December 31, 2014. We continue to expect restrained demand in the residential real estate market segment due to prevailing economic conditions in the region. However, to further enhance performance, we have dedicated additional staffing resources to the development of new business and also introduced new homeownership opportunities to rural low- and moderate-income customers through a loan guarantee program with the United States Department of Agriculture.

As we pursue our long-term plans for continued growth, we do so with a firm foundation. Our percentage of nonperforming loans to total loans decreased to 1.87% as of June 30, 2015. In addition, prudent management strategies have contributed to strong liquidity levels and as of June 30, 2015, our Tier I capital ratio stood at 13.47%, a level well above regulatory minimums. With a strong balance sheet and growth opportunities in our expanded marketplace, we remain committed to building value for our shareholders, customers and community.

## PRESIDENT'S MESSAGE CONTINUED

On a final note, it is with great sadness that I report the passing of longtime BSNB board member Thomas K. Gallogly on August 6, 2015. Mr. Gallogly served 40 years on the board retiring in May of 2010 and is remembered for his determined oversight and support of the company's financial and operational performance. His vast experience, technical knowledge, and common sense approach to problem solving were invaluable during his years of service. Our warmest thoughts go out to the Gallogly family during this time.

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>	June 30, 2015	December 31, 2014
<b>Assets</b>		
Cash and due from banks	\$ 1,018	\$ 1,291
Short-term investments	23,317	53,421
Securities available for sale, at fair value	75,781	80,076
FHLB of NY & FRB stock, at cost	3,182	3,173
Loans	281,761	266,871
Allowance for loan losses	(4,169)	(4,193)
Net loans	277,592	262,678
Premises and equipment, net	10,408	10,471
Other assets	12,661	12,946
<b>Total Assets</b>	<b>\$ 403,959</b>	<b>\$ 424,056</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
Deposits	\$ 343,620	\$ 364,270
Long-term FHLB borrowings	21,000	21,000
Junior subordinated debentures	5,155	5,155
Other liabilities	4,406	4,434
Total liabilities	\$ 374,181	\$ 394,859
<b>Shareholders' Equity</b>		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	23,152	22,542
Accumulated other comprehensive loss	(2,025)	(1,996)
Total shareholders' equity	\$ 29,778	\$ 29,197
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 403,959</b>	<b>\$ 424,056</b>

## CONSOLIDATED INCOME STATEMENTS

<i>(In thousands, except per share data)</i>	For the six months ended June 30,	
	2015	2014
<b>Interest and fee income</b>		
Loans, including fees	\$ 5,794	\$ 5,859
Securities available for sale	905	1,009
FHLB of NY & FRB stock	57	75
Short-term investments	63	53
Total interest and fee income	\$ 6,819	\$ 6,996
<b>Interest expense</b>		
Deposits	\$ 253	\$ 256
Long-term FHLB borrowings	367	537
Junior subordinated debentures	87	87
Total interest expense	\$ 707	\$ 880
Net interest income	6,112	6,116
Provision for loan losses	60	60
Net interest income after provision for loan losses	\$ 6,052	\$ 6,056
<b>Noninterest income</b>		
Service charges on deposit accounts	\$ 204	\$ 225
Trust and investment income	501	577
Gain on sale of loans	31	-
Gain on sale of ORE	7	82
Other	465	490
Total noninterest income	\$ 1,208	\$ 1,374
<b>Noninterest expense</b>		
Compensation and benefits	\$ 3,672	\$ 3,429
Occupancy and equipment	656	648
FDIC and OCC assessment	226	215
Advertising and public relations	138	120
Legal and professional fees	170	181
Debit Card processing	148	141
Data processing	297	299
Other	615	629
Total noninterest expense	\$ 5,922	\$ 5,662
Income before income tax expense	\$ 1,338	\$ 1,768
Income tax expense	268	442
<b>Net income</b>	<b>\$ 1,070</b>	<b>\$ 1,326</b>
<b>Basic earnings per share</b>	<b>\$ 1.44</b>	<b>\$ 1.79</b>