

A Closer Look



BSNB Hosts Ribbon Cutting Ceremony

On October 7, 2011, our company celebrated the opening of BSNB Corporate Plaza. The 33,000 square foot facility located at 990 State Route 67 in Ballston Spa is home to the bank's tenth full-service branch, operational areas of the bank and a team of lending professionals serving commercial, residential, and consumer markets.

Our state-of-the-art branch office features a 24-hour drive-up ATM, two additional drive-thru banking lanes and access to BSNB's technology-based services – including an Online Mortgage Center, Mobile Banking and Online Cash Management.



For information on our grand opening value packages, visit: www.bsnb.com

Ballston Spa National Bank
is a subsidiary of Ballston Spa Bancorp, Inc.

OFFICE 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

General Information: (518) 885-6781
BANKLINK24: (518) 885-6782

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Member FDIC



Ballston Spa Bancorp, Inc.

Consolidated Interim Financial Information

September 30, 2011

BALLSTON SPA BANCORP, INC.



Building for
a successful
future

President's Message

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, continues to deliver solid financial performance in the current year. Net income for the nine-month period ending September 30, 2011 totaled \$1.8 million or \$2.45 per share, down from the \$1.9 million or \$2.56 per share reported for the same period in 2010. Strong growth in our commercial loan and deposit portfolios helped offset further tightening of net interest margins during the period.

We continue to build on capital levels which remain well in excess of regulatory minimums. The Bank's Tier 1 capital ratio stood at 7.97% as of September 30, 2011, up from 7.44% at year-end 2010. Nonperforming loans, while elevated, remain at manageable levels and represent 2.89% of total loans as of September 30, 2011. These assets are well protected by supporting collateral. Furthermore, the bank's reserve for loan losses stands at a healthy 1.83% of total loans. While our financial performance to date has exceeded expectations, the protracted low rate environment, costly new regulations and a slow economy are expected to limit net income growth for the remainder of 2011 and 2012.

In addition to our financial achievements, BSNB realized a major milestone in 2011 as we completed construction of a new sales and operations center conveniently located on Rt 67 in the Town of Ballston. The new facility, BSNB Corporate Plaza, is home to our tenth branch office and team of lending and banking professionals. Designed to assist in delivering superior customer service and support, the expansion also provides for greater visibility and a more efficient and professional work environment for our staff.

In other 2011 initiatives, we further enhanced our technology infrastructure and customer support. Upon conversion to a new online banking system, we introduced Mobile Banking in August 2011 providing customers greater access to their accounts. In September 2011, we introduced an updated and enhanced website. We also completed work on a new online Mortgage Center where customers can now access detailed information on our mortgage and home equity loan products and complete a loan application online at any time.

With a strong and focused team, we remain committed to our long-term plan and building value for our customers, employees, shareholders 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

- Net interest margin was 3.08% for period ended September 30, 2011, down from 3.35% from the same period in 2010
- Commercial loans increased 16.7% and total deposits increased 5.3% since September 2010
- The allowance for loan losses represents 1.83% of total loans and 63.42% of non-performing loans at September 30
- The bank's Tier 1 capital ratio is 7.97% at September 30, 2011
- Trust and investment income increased 11.3% from the same period in 2010

Consolidated Balance Sheets

<i>(In thousands)</i>	September 30, 2011	December 31, 2010
Assets		
Cash and due from banks	\$ 1,803	\$ 1,278
Short term investments	73,367	50,766
Securities available for sale, at fair value	71,353	85,816
FHLB of NY & FRB stock, at cost	3,825	3,670
Loans	239,683	234,544
Allowance for loan losses	<u>(4,393)</u>	<u>(4,595)</u>
Net loans	235,290	229,949
Premises and equipment, net	9,664	4,158
Other assets	<u>10,723</u>	<u>9,901</u>
Total Assets	\$ 406,025	\$ 385,538
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 325,847	\$ 307,576
Long-term FHLB borrowings	45,500	45,500
Junior subordinated debentures	5,155	5,155
Other liabilities	<u>3,703</u>	<u>3,237</u>
Total liabilities	\$ 380,205	\$ 361,468
Shareholders' Equity:		
Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	42	42
Treasury stock, at cost	(991)	(991)
Retained earnings	17,931	16,806
Accumulated other comprehensive loss	<u>(762)</u>	<u>(1,387)</u>
Total shareholders' equity	\$ 25,820	\$ 24,070
Total Liabilities & Shareholders' Equity	\$ 406,025	\$ 385,538

Consolidated Income Statements

<i>(In thousands, except per share data)</i>	For the nine months ended September 30,	
	2011	2010
Interest and fee income		
Loans, including fees	\$ 9,617	\$ 10,644
Securities available for sale	1,983	1,860
FHLB of NY & FRB stock	147	113
Short term investments	<u>108</u>	<u>49</u>
Total interest and fee income	\$ 11,855	\$ 12,666
Interest expense		
Deposits	\$ 1,167	\$ 1,657
Long-term FHLB borrowings	1,206	1,360
Junior subordinated debentures	<u>132</u>	<u>136</u>
Total interest expense	\$ 2,505	\$ 3,153
Net interest income	9,350	9,513
Provision for loan losses	<u>300</u>	<u>445</u>
Net interest income after provision for loan losses	\$ 9,050	\$ 9,068
Noninterest income		
Service charges on deposit accounts	\$ 409	\$ 448
Trust and investment income	589	529
Other	<u>602</u>	<u>630</u>
Total noninterest income	\$ 1,600	\$ 1,607
Noninterest expense		
Compensation and benefits	\$ 4,991	\$ 4,868
Occupancy and equipment	779	771
FDIC and OCC assessment	425	387
Advertising and public relations	247	180
Legal and professional fees	311	255
Data processing	458	462
Other	<u>1,007</u>	<u>1,055</u>
Total noninterest expense	\$ 8,218	\$ 7,978
Income before income tax expense	\$ 2,432	\$ 2,697
Income tax expense	<u>615</u>	<u>795</u>
Net income	\$ 1,817	\$ 1,902
Basic earnings per share	\$ 2.45	\$ 2.56