

A Closer Look

Behind BSNB's success is a set of core values and expectations that are a critical part of our corporate culture.

Get To Know Us

The heart and soul of BSNB is comprised of a talented team of people dedicated to the following:

- 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.

Food Drive

BSNB has announced multiple efforts to help alleviate hunger in Saratoga County. Throughout the month of November, the bank will collect non-perishable food items to support ten area food pantries. Cleaning supplies will also be collected and donated to the Saratoga County Rural Preservation Company's shelters for veterans. Donations may be made at any of the bank's ten branches in Saratoga County. In addition to the items collected in the branches, BSNB will provide monetary support in recognition of the growing need for services.



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

Bank by phone, transfer funds, make BSNB loan payments,
or access account information anytime.

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

 Member FDIC



Consolidated Interim Financial Information

September 30, 2012

BALLSTON SPA BANCORP, INC.



Growing with
our community

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, 2012 totaled \$1.9 million or \$2.59 per share, up 5.9% from the \$1.8 million or \$2.45 per share reported for the same period in 2011. Strong growth in the Company's commercial loan portfolios as well as in noninterest income more than offset the effects of a tighter net interest margin and the carrying costs of the Company's new sales and operations center.

Specifically, commercial and commercial real estate loans increased \$12.6 million, or 18.4%, from December 2011 while total loans increased \$15.8 million or 6.6% during the same period. The growth in loans was supported by an increase of \$30 million or 9.7% in total deposits from December 31, 2011. We are encouraged by the overall uptick in economic activity in our region. However, the Federal Reserve's decision to keep interest rates at historically low levels continues to have a negative impact on net interest margins. As anticipated, net interest margins for the nine month period ending September 30, 2012 declined to 3.20% from 3.26% for the same period in 2011.

Furthermore, the low rate environment continues to impact balance sheet management decisions and strategies. As an example, recognizing the interest rate risk inherent in the current environment, the Company is managing balance sheet growth through the sale of long-term low-rate residential mortgages to the secondary market. We believe this strategy best protects the balance sheet from rising interest rates over the long term while providing a source of noninterest income. In fact, for the nine-month period ending September 30, 2012, noninterest income increased 37% or nearly \$600 thousand from the same period a year ago. Gains on the sale of residential mortgage loans were the primary reason for this increase, up \$418 thousand from 2011.

As outlined on the following page, asset quality measures continue to improve while capital levels remain well above regulatory minimums. In view of our solid financial condition and the relatively uncertain economic forecast, the Company will continue to pursue rational growth opportunities designed 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 \$15.8M or 6.6% from year end 2011, primarily in commercial and commercial real estate loans which grew \$12.6M for the same period;
- Net interest margin was 3.20% for the period ending September 30, 2012, down from 3.26% for the same period in 2011;
- Nonperforming loans to total loans of 2.46%, allowance for loan losses to nonperforming loans of 68.96%, and nonperforming assets to total assets of 1.52% all showed improvement from the same period last year;
- The bank's Tier 1 Capital ratio is 12.44% at September 30, 2012.

CONSOLIDATED BALANCE SHEETS

<i>(In thousands)</i>	September 30, 2012	December 31, 2011
Assets		
Cash and due from banks	\$ 1,293	\$ 1,331
Short term investments	58,352	51,130
Securities available for sale, at fair value	83,529	73,707
FHLB of NY & FRB stock, at cost	4,294	3,956
Loans	254,262	238,487
Allowance for loan losses	(4,316)	(3,902)
Net loans	249,946	234,585
Premises and equipment, net	10,656	10,833
Other assets	11,491	12,517
Total Assets	\$ 419,561	\$ 388,059
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 338,293	\$ 308,334
Long-term FHLB borrowings	45,500	45,500
Junior subordinated debentures	5,155	5,155
Other liabilities	3,852	3,761
Total liabilities	\$ 392,800	\$ 362,750
Shareholders' Equity		
Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	42	42
Treasury stock, at cost	(991)	(991)
Retained earnings	19,294	18,060
Accumulated other comprehensive loss	(1,184)	(1,402)
Total shareholders' equity	\$ 26,761	\$ 25,309
Total Liabilities & Shareholders' Equity	\$ 419,561	\$ 388,059

CONSOLIDATED INCOME STATEMENTS

<i>(In thousands, except per share data)</i>	For the nine months ended September 30,	
	2012	2011
Interest and fee income		
Loans, including fees	\$ 9,163	\$ 9,617
Securities available for sale	1,532	1,983
FHLB of NY & FRB stock	130	147
Short term investments	94	108
Total interest and fee income	\$ 10,919	\$ 11,855
Interest expense		
Deposits	\$ 649	\$ 1,167
Long-term FHLB borrowings	1,207	1,206
Junior subordinated debentures	141	132
Total interest expense	\$ 1,997	\$ 2,505
Net interest income	8,922	9,350
Provision for loan losses	270	300
Net interest income after provision for loan losses	\$ 8,652	\$ 9,050
Noninterest income		
Service charges on deposit accounts	\$ 365	\$ 409
Trust and investment income	610	589
Gain on sale of loans	497	79
Other	722	523
Total noninterest income	\$ 2,194	\$ 1,600
Noninterest expense		
Compensation and benefits	\$ 5,045	\$ 4,991
Occupancy and equipment	925	779
FDIC and OCC assessment	332	425
Advertising and public relations	206	247
Legal and professional fees	273	311
Debit Card processing	187	152
Data processing	489	458
Other	856	855
Total noninterest expense	\$ 8,313	\$ 8,218
Income before income tax expense	\$ 2,533	\$ 2,432
Income tax expense	608	615
Net income	\$ 1,925	\$ 1,817
Basic earnings per share	\$ 2.59	\$ 2.45