



A Closer Look



BSNB executives, staff and visitors mingle prior to the ribbon-cutting ceremony at the new Latham Office on Aug. 18, 2015.

BSNB Opens New Office in Latham

On Aug. 18, BSNB celebrated the opening of our newest office in Latham. The facility, located at 1207 Troy Schenectady Road, is the bank's 11th full-service branch, as well as the first BSNB banking center with an emphasis on serving the business and professional community. It is also the bank's first location outside of Saratoga County.

The Latham Office, which is open Monday through Friday from 9 a.m. to 6 p.m., specializes in efficient, state-of-the-art commercial banking services. The branch also provides a 24-hour drive-up ATM for fast cash dispensing as well as the ability to deposit cash and checks. As a full service location, customers have access to commercial and personal banking services, mortgage and consumer loans, as well as trust and investment services.

ALBANY BUSINESS REVIEW



2015 BEST PLACES TO WORK

BSNB named to 2015 Best Places to Work list

Albany Business Review recently named BSNB one of the 2015 Best Places to Work in the Capital Region. The 36 winning businesses were chosen based on results from a survey filled out by each company's employees.



BSNB staff members participated in the Adopt-a-Plot program in June. BSNB chose the War Memorial in Ballston Spa.

Volunteers in Action Busy Across Communities

Our BSNB Volunteers in Action program, now in its fifth year, encourages volunteer efforts among all staff members. This year's volunteer opportunities included the annual electronics recycling and document shredding day and helping Rebuilding Together Saratoga County perform work on The Guardian House, a female homeless veterans shelter. Volunteers also took part in some new activities, including helping with the re-opening of Brown's Beach in Stillwater and planting flowers and weeding at the War Memorial in Ballston Spa as part of the Adopt-a-Plot program.

Most recently, BSNB participated in the Holiday Mail for Heroes card drive. Branches provided holiday cards for customers to fill out for veterans, service members or the families of service members. The more than 900 cards collected in the branches will be distributed by the American Red Cross.

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

NOW OPEN! Latham

1207 Troy Schenectady Road

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September 30, 2015



Ballston Spa Bancorp, Inc.

PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, continued to produce sound financial results in the third quarter of 2015. Net income for the nine-month period ending September 30, 2015 totaled \$1.6 million, or \$2.14 per share, down from the \$2.0 million, or \$2.63 per share, reported for the same period in 2014. While the company achieved significant growth in the commercial lending portfolios, these gains were more than offset by a compression in net interest margin and an increase in the cost of the Company's health insurance and defined benefit plans.

More specifically, the Company's net interest margin declined from 3.24% for the nine-month period ending September 30, 2014 to 3.16% for the nine-month period ending September 30, 2015. Compensation and benefit expense increased for the same nine-month period by \$432 thousand or 8.4%. Given the current low rate environment and the increasing cost of health insurance, these changes were anticipated. In fact, the Company is performing ahead of expectations in the current year.

On a more positive note, the Company continues to see long-term growth opportunities in the commercial banking market segment. For example, loan balances in the commercial and commercial real estate portfolios increased \$17 million, or 18.9%, as of September 30, 2015, up from \$89.5 million as of December 31, 2014. While not as robust, activity in the residential mortgage market is showing modest improvements after a period of sluggish demand. Residential mortgage loans increased by \$3.8 million, or 2.6%, as of September 30, 2015, up from \$144 million at December 31, 2014. Loan portfolio growth was funded in part by an increase in total deposits of \$16 million, or 4.3%, over the nine-month period ended September 30, 2015.

As a result of these and other factors, our balance sheet remains strong and well positioned should rates start to rise again. For example, the Tier 1 capital ratio stood at 13.47% as of September 30, 2015, a level well above regulatory minimums. The Company's level of nonperforming loans is down from prior periods and represented 1.91% of total loans as of September 30, 2015. Furthermore, the Company maintains healthy levels of liquidity sufficient to fund foreseeable growth opportunities.

Consistent with our long-term plan, we are also pleased to report the opening of our 11th banking office in Latham, N.Y. in August of 2015. The office is the first outside of Saratoga County and offers an enhanced design and experienced staff that specializes in serving the needs of the business and professional community. Given the trends in our industry and market demand, the Company has, over the last two years, increased and enhanced staffing to better support the commercial banking market segment. In addition, we have expanded our market territory through investments in technology and a new branch location. We are encouraged by the initial results from these investments and remain committed to a growth strategy focused on the commercial

PRESIDENT'S MESSAGE CONTINUED

banking market segment.

One of the keys to ensuring long-term success is developing and maintaining a strong team of banking professionals. As such, the Company invests considerable time and resources in creating a work environment that fosters personal growth, accountability and leadership. In light of these factors, we were especially pleased to learn that BSNB was recently identified as one of the "2015 Best Places to Work" in the Capital Region by the Albany Business Review. With engaged and committed employees, a solid financial foundation and opportunities in our expanded market, we are confident that we will continue to enhance the value provided to 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>	September 30, 2015	December 31, 2014
Assets		
Cash and due from banks	\$ 1,557	\$ 1,291
Short-term investments	48,079	53,421
Securities available for sale, at fair value	71,572	80,076
FHLB of NY & FRB stock, at cost	2,684	3,173
Loans	287,728	266,871
Allowance for loan losses	(4,228)	(4,193)
Net loans	283,500	262,678
Premises and equipment, net	10,434	10,471
Other assets	12,613	12,946
Total Assets	\$ 430,439	\$ 424,056
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 380,016	\$ 364,270
FHLB borrowings	10,500	21,000
Junior subordinated debentures	5,155	5,155
Other liabilities	4,659	4,434
Total liabilities	\$ 400,330	\$ 394,859
Shareholders' Equity		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	23,439	22,542
Accumulated other comprehensive loss	(1,981)	(1,996)
Total shareholders' equity	\$ 30,109	\$ 29,197
Total Liabilities & Shareholders' Equity	\$ 430,439	\$ 424,056

CONSOLIDATED INCOME STATEMENTS

<i>(In thousands, except per share data)</i>	For the nine months ended September 30,	
	2015	2014
Interest and fee income		
Loans, including fees	\$ 8,789	\$ 8,771
Securities available for sale	1,336	1,459
FHLB of NY & FRB stock	92	108
Short-term investments	67	61
Total interest and fee income	\$ 10,284	\$ 10,399
Interest expense		
Deposits	\$ 361	\$ 368
FHLB borrowings	481	734
Junior subordinated debentures	132	131
Total interest expense	\$ 974	\$ 1,233
Net interest income	9,310	9,166
Provision for loan losses	90	90
Net interest income after provision for loan losses	\$ 9,220	\$ 9,076
Noninterest income		
Service charges on deposit accounts	\$ 307	\$ 335
Trust and investment income	738	808
Gain on sale of loans	31	6
Gain on sale of ORE	7	82
Other	690	719
Total noninterest income	\$ 1,773	\$ 1,950
Noninterest expense		
Compensation and benefits	\$ 5,577	\$ 5,145
Occupancy and equipment	973	941
FDIC and OCC assessment	335	322
Advertising and public relations	207	186
Legal and professional fees	283	256
Debit Card processing	243	219
Data processing	452	444
Other	901	944
Total noninterest expense	\$ 8,971	\$ 8,457
Income before income tax expense	\$ 2,022	\$ 2,569
Income tax expense	435	617
Net income	\$ 1,587	\$ 1,952
Basic earnings per share	\$ 2.14	\$ 2.63