



A Closer Look

Cash Management Services

With a focus on long-term growth opportunities in the commercial banking market segment, BSNB offers a complete suite of cash management services that provide our clients with the tools they need to better manage their funds.

From online services, remote deposit capture, and account reconciliation to positive pay, lockbox services and sweeps, our dedicated Cash Management Advisor provides a personal approach that effectively balances high-tech tools with exceptional customer service and support. For more information, please contact Deborah O'Connor at 518.363.8119 or Deborah.OConnor@bsnb.com.



Deborah O'Connor
VP, Cash Management Advisor

BSNB makes it easy to switch!

BSNB's team of community bankers believe in better service, better options and better banking! That's why we've taken steps to make it easier for anyone to find a better banking experience by switching to BSNB:

Apply Online

Use our new, condensed online form to apply for checking, savings, money markets and certificates of deposit. Visit our website and get started at your convenience, 24/7.

New Reward Option

New checking customers who switch to BSNB choose their reward – earn high interest with our NEW High Yield Checking account or take advantage of a \$250 cash incentive when opening a qualified account.

Enhanced Online Tools

Easily move direct deposits, automatic payments and bill payments from your old checking account to your new account at BSNB. Our website features a Switch Kit with a complete and convenient-to-use set of tools to facilitate the process.

Volunteers in Action

BSNB recently honored a number of employees with Community Support Awards. Beth Chase, Barbara Creeden, Kathy Fialkowski, James Ireland, Nancy Koval, Brittany March, Kirstie Metzler, Brenda Reilly, and Jill Robbins were all honored at our recent staff meeting for their volunteer work with organizations across our market area.



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

Guilderland
1973 Western Avenue

Latham
1207 Troy Schenectady Road

Malta
124 Dunning Street

Milton Crest
344 Rowland Street

Stillwater
428 Hudson Avenue

Voorheesville
13 Maple Road

Wilton
625 Maple Avenue

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



Ballston Spa Bancorp, Inc.



Member FDIC

BALLSTON SPA BANCORP, INC.



Better.

Consolidated Interim Financial Information

September 30, 2017

PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, generated very solid financial results in the third quarter of 2017. Net income for the nine-month period ending September 30, 2017 totaled \$2.3 million, or \$3.11 per share, up 46.0% from the \$1.6 million, or \$2.13 per share, reported for the same period in 2016. Growth in the company's lending portfolios and core deposits supported the strong earnings performance.

Financial Highlights for the 9-month period ending September 30, 2017:

- Commercial and Commercial Real Estate Loans increased \$45.0 million or 32.7% from December 31, 2016;
- Residential Real Estate Loans increased \$12.8 million, or 8.2% from December 31, 2016;
- Commercial and Retail Deposits increased \$15.8 million, or 5.7% from December 31, 2016;
- Net Interest Margin improved to 3.65%, up from 3.39% for the 9-month period ending September 30, 2016.

As a result of these and other factors, the balance sheet remains strong and well positioned for additional growth. Loan quality measures remain favorable as nonperforming loans as a percentage of total loans was 0.89% as of September 30, 2017. Recognizing the exceptional growth we have experienced in recent periods, management increased provision for loan loss expense during the third quarter. As a result, the allowance for loan and lease losses totaled 1.16% of total loans as of September 30, 2017. Capital levels are also healthy and well above the regulatory minimum. The Tier 1 risk-based capital ratio stood at 10.70% as of the end of the third quarter.

Beyond the financial performance, the Company also completed several important projects in recent months, including further expansion into Albany County. These efforts were designed to enhance the service we provide to customers and to capture broader segments of the market. To date, these actions have yielded very positive results. Additional investments in staffing resources, technology based services and solutions, and office infrastructure are either in process or planned for the early part of 2018. As an example, construction is well underway on a new branch office in Clifton Park, NY. We hope to relocate an existing office to this new location in the first quarter of 2018. In addition,

PRESIDENT'S MESSAGE CONTINUED

we are in the process of renovating vacant space in our corporate headquarters to house our newly named BSNB Wealth Management Solutions group. The new space will provide customers with improved access to our experienced team of trust and investment professionals.

In closing, we enter the fourth quarter with tremendous momentum and continue to see strong growth opportunities in the market. We remain committed to our long-term plan designed to build 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

CONSOLIDATED BALANCE SHEETS

<i>(In thousands)</i>	September 30, 2017	December 31, 2016
Assets		
Cash and due from banks	\$ 11,513	\$ 2,181
Short-term investments	383	11,271
Securities available for sale, at fair value	64,438	78,773
FHLB of NY & FRB stock, at cost	2,484	2,050
Loans	388,266	330,173
Allowance for loan losses	(4,505)	(4,040)
Net loans	383,761	326,133
Premises and equipment, net	10,609	9,918
Other assets	11,914	12,938
Total Assets	\$ 485,102	\$ 443,264
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 430,506	\$ 401,010
FHLB Borrowings	11,000	-
Junior subordinated debentures	5,155	5,155
Other liabilities	5,237	5,686
Total liabilities	\$ 451,898	\$ 411,851
Shareholders' Equity		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	26,826	25,205
Accumulated other comprehensive loss	(2,273)	(2,443)
Total shareholders' equity	\$ 33,204	\$ 31,413
Total Liabilities & Shareholders' Equity	\$ 485,102	\$ 443,264

CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

For the nine months ended
September 30,

	2017	2016
Interest and fee income		
Loans, including fees	\$ 11,385	\$ 9,551
Securities available for sale	1,224	1,326
FHLB of NY & FRB stock	99	98
Short-term investments	38	89
Total interest and fee income	\$ 12,746	\$ 11,064
Interest expense		
Deposits	\$ 376	\$ 352
FHLB borrowings	221	232
Junior subordinated debentures	170	146
Total interest expense	\$ 767	\$ 730
Net interest income	11,979	10,334
Provision for loan losses	469	120
Net interest income after provision for loan losses	\$ 11,510	\$ 10,214
Noninterest income		
Service charges on deposit accounts	\$ 455	\$ 307
Trust and investment services income	729	741
Net gain (loss) on ORE transactions	-	(632)
Other	797	791
Total noninterest income	\$ 1,981	\$ 1,207
Noninterest expense		
Compensation and benefits	\$ 6,429	\$ 5,863
Occupancy and equipment	1,128	942
FDIC and OCC assessment	308	329
Advertising and public relations	244	213
Legal and professional fees	335	325
Debit Card processing	255	247
Data processing	576	474
Other	1,233	943
Total noninterest expense	\$ 10,508	\$ 9,336
Income before income tax expense	\$ 2,983	\$ 2,085
Income tax expense	671	501
Net income	\$ 2,312	\$ 1,584
Basic earnings per share	\$ 3.11	\$ 2.13