

## A Closer Look

For your Business – BSNB is the place to Bank!

BSNB recently introduced a new television campaign featuring a testimonial from Cottrell Paper Company. The campaign, which includes television, radio and print ads, is designed to enhance brand awareness and support our goal of expanding our commercial relationships.



From left to right, Chris Dowd, Jack Cottrell, Ben Cottrell and Peggy de Koning at Cottrell Paper Co. in Rock City Falls.

### Volunteer efforts recognized

BSNB recently announced the bank's 2014 Community Support Award recipients. Of the more than 8,500 volunteer hours worked by all BSNB staff members during the current year, the 10 award recipients were honored for their contribution of more than 3,000 hours.



BSNB's 2014 Community Support Award recipients stand with President and CEO Christopher R. Dowd, back left. Recipients from left to right in front row are: Colleen Pickett, Jamie Clark, Cathy Young, Jill Robbins and Susan Slovic; Back row from left to right are Dowd, Deborah Poulin, James Ireland, Jennifer Norman and Stephanie Loukes. Not pictured: Melissa Jennings.

## OUR MISSION

At BSNB, we seek to be recognized as a high performing community bank by adding value to and building strong relationships with our shareholders, customers, employees, and community.

To achieve our goal, we are committed to the following objectives:

- ❖ 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.

## 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

[www.bsnb.com](http://www.bsnb.com) | [facebook.com/YourBSNB](https://facebook.com/YourBSNB) | [twitter.com/BSNB](https://twitter.com/BSNB)



Member FDIC



BSNB's building at 87 Front Street in 2010.



Construction on the Corporate Plaza began in 2010.



BSNB's clock has been a fixture in Ballston Spa since 1926.



BSNB's new corporate plaza opened in 2011.

Consolidated  
Interim Financial  
Information

September 30, 2014



Ballston Spa Bancorp, Inc.

## PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, continued to produce strong financial results in the third quarter of 2014. Net income for the nine-month period ending September 30, 2014 totaled \$2.0 million or \$2.63 per share, down from the \$2.3 million, or \$3.10 per share, reported for the same period in 2013. It is important to note that earnings performance in 2013 was positively impacted by a large one-time gain on the sale of the bank's former operations center. Absent this transaction, results for 2014 compare favorably to 2013 performance and were positively impacted by an 18% increase in trust and investment income as well as growth in our lending portfolios. In addition, the company achieved a consistent level of net interest income compared to the prior year despite the continued low interest rate environment.

Given current conditions, we remain focused on the commercial banking market segment as the primary driver of future balance sheet growth. Our team of commercial banking professionals is well positioned with a strong suite of online cash management and deposit services as well as the ability to customize borrowing solutions. Customer reception to our business model continues to be positive as reflected by the growth in our loan portfolio. Specifically, the average balance of commercial and commercial real estate loans for the nine-month period ended September 30, 2014 increased \$4.5 million, or 5.4%, as compared to the same period in 2013.

Likewise, the average balance of residential mortgage loans for the nine-month period ended September 30, 2014 increased \$3.9 million, or 2.9%, as compared to the same period in 2013. To mitigate interest rate risk, the company continues to utilize the secondary mortgage market and other tools to control the growth of long-term, low-rate residential mortgages in the portfolio. Because of these strategies, our balance sheet remains strong and we are prepared for a potential rise in interest rates. Our Tier 1 capital ratio stood at 15.01% as of September 30, 2014, a level classified as well above the regulatory minimum, and liquidity levels remain ample to support new growth. In addition, prudent underwriting and consistent loan workout efforts have resulted in reducing the company's level of nonperforming loans from prior periods, representing 2.15% of total loans as of September 30, 2014.

I believe that our solid financial position is a result of remaining true to our core values of customer service, community support, delivering value and building strong relationships. As we continue to celebrate our 175th anniversary year, community

## PRESIDENT'S MESSAGE CONTINUED

support initiatives are flourishing as employees are volunteering for causes that include feeding the hungry, raising funds to cure breast cancer, teaching economic principles to students, and many other worthy causes. These efforts and the ongoing commitment of staff are a tremendous point of pride for the company.

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

## CONSOLIDATED BALANCE SHEETS

<i>(In thousands)</i>	September 30, 2014	December 31, 2013
<b>Assets</b>		
Cash and due from banks	\$ 1,574	\$ 1,165
Short-term investments	52,924	43,303
Securities available for sale, at fair value	72,080	75,884
FHLB of NY & FRB stock, at cost	3,197	3,806
Loans	263,768	261,877
Allowance for loan losses	(4,180)	(4,275)
Net loans	259,588	257,602
Premises and equipment, net	10,549	10,410
Other assets	15,659	14,827
<b>Total Assets</b>	<b>\$ 415,571</b>	<b>\$ 406,997</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
Deposits	\$ 353,251	\$ 335,942
Long-term FHLB borrowings	21,000	31,500
Junior subordinated debentures	5,155	5,155
Other liabilities	5,484	5,371
Total liabilities	\$ 384,890	\$ 377,968
<b>Shareholders' Equity</b>		
Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	42	42
Treasury stock, at cost	(991)	(991)
Retained earnings	22,303	21,042
Accumulated other comprehensive loss	(273)	(664)
Total shareholders' equity	\$ 30,681	\$ 29,029
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 415,571</b>	<b>\$ 406,997</b>

## CONSOLIDATED INCOME STATEMENTS

<i>(In thousands, except per share data)</i>	For the nine months ended September 30,	
	2014	2013
<b>Interest and fee income</b>		
Loans, including fees	\$ 8,771	\$ 9,104
Securities available for sale	1,459	1,393
FHLB of NY & FRB stock	108	122
Short-term investments	61	88
Total interest and fee income	\$ 10,399	\$ 10,707
<b>Interest expense</b>		
Deposits	\$ 368	\$ 419
Long-term FHLB borrowings	734	985
Junior subordinated debentures	131	132
Total interest expense	\$ 1,233	\$ 1,536
Net interest income	9,166	9,171
Provision for loan losses	90	90
Net interest income after provision for loan losses	\$ 9,076	\$ 9,081
<b>Noninterest income</b>		
Service charges on deposit accounts	\$ 335	\$ 367
Trust and investment income	808	685
Gain on sale of loans	6	250
Other	801	1,201
Total noninterest income	\$ 1,950	\$ 2,503
<b>Noninterest expense</b>		
Compensation and benefits	\$ 5,145	\$ 5,156
Occupancy and equipment	941	1,026
FDIC and OCC assessment	322	313
Advertising and public relations	186	220
Legal and professional fees	256	226
Debit Card processing	219	203
Data processing	444	483
Other	944	877
Total noninterest expense	\$ 8,457	\$ 8,504
Income before income tax expense	\$ 2,569	\$ 3,080
Income tax expense	617	778
<b>Net income</b>	<b>\$ 1,952</b>	<b>\$ 2,302</b>
<b>Basic earnings per share</b>	<b>\$ 2.63</b>	<b>\$ 3.10</b>