

Mobile Wallets An Easy Way to Pay

As technology continues to provide new options for the way consumers make purchases, BSNB now offers both Apple Pay™ and Samsung Pay™ for compatible Apple and Samsung Galaxy devices. Simply add your debit card to your device's digital mobile wallet and you have the option of paying with your smartphone at participating merchants.

In addition to being a fast and convenient way to pay for things, mobile wallets also offer added layers of security that help ensure your payment information isn't shared.

Learn how to add your BSNB debit card to your mobile wallet at www.bsnb.com/site/mobile_wallets.php or call 518.885.6781.



New Fraud Protections for Debit Cards

New protections for BSNB debit card holders arrived this summer through **SecurLOCK Communicate!** When a suspicious transaction occurs, card holders are contacted by text messages, phone calls and/or emails to confirm validity. As a result, fraudulent transactions can be identified more quickly and prevented.



If you have a BSNB debit card, please contact our Customer Service Team at (518) 885-6781 to ensure your contact information is current.

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

Latham
1207 Troy Schenectady Road

Malta
124 Dunning Street

Milton Crest
344 Rowland Street

Stillwater
428 Hudson Avenue

Wilton
625 Maple Avenue

| 518.885.6781 |

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Consolidated
Interim Financial
Information



June 30, 2016

PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, continued to report strong financial results in the second quarter of 2016. Net income for the six-month period ending June 30, 2016 totaled \$1.2 million, or \$1.66 per share, up 15.1% from the \$1.1 million, or \$1.44 per share, reported for the same period in 2015. Solid growth in the company's commercial loan portfolios and core deposits led to improved net interest margins and earnings performance.

The company's focus on the commercial banking market segment continues to yield positive results. Balances in the commercial and commercial real estate portfolios increased \$3.2 million, or 2.9% as compared to December 31, 2015 and are up \$14.5 million or 14.2% compared to June 30, 2015. Residential lending balances as of June 30, 2016 remained relatively flat, increasing \$1.1 million, or .74%, from December 31, 2015. During the quarter, we added new staffing resources and enhanced our marketing capabilities in an effort to capture a greater share of the residential real estate market.

The growth in loans was supported by an increase of \$17.9 million, or 7.2%, in commercial and consumer deposits since June 30, 2015. Deposit growth is attributed to a greater focus on the development of new customer relationships, and the recent expansion of a sales office into Albany County. Balances were also impacted by the transfer of some recent estate settlement funds. In view of loan growth expectations in the coming years in both the commercial and residential loan portfolios, we have several initiatives underway targeted at enhancing deposit growth and the development of new customer relationships.

Given the interest rate environment and competitive landscape, I am pleased to report that the growth in earning assets and deposits led to a 10.1% increase in net interest income for the six-month period ending June 30, 2016 as compared to the same period in 2015. Improvements in this measure helped to offset anticipated increases in non-interest expense, primarily salaries and benefits.

Complementing our earnings performance, the company's balance sheet remains strong. As stricter capital ratios are phased in over the next four years, the company's Tier 1 capital ratio remains well above regulatory minimums and exceeds the standards for well capitalized institutions. In addition, prudent underwriting and consistent loan workout efforts have resulted in reducing the company's level of non-performing loans from prior periods, representing 1.39% of total loans as of June 30, 2016.

PRESIDENT'S MESSAGE CONTINUED

As part of our continued focus on customer value and convenience, we introduced enhancements to our online banking services, including a customizable page that gives customers a quick glimpse and access to many of the most popular functions. This updated design makes it even easier to manage accounts online. Along the same theme, we also now offer two new mobile wallet solutions: Apple Pay and Samsung Pay. With these services, BSNB debit card customers can make convenient and secure purchases at millions of stores accepting contactless payments.

Through these efforts as well as others, we remain committed to our long-term plan of building value for our customers, 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>	June 30, 2016	December 31, 2015
Assets		
Cash and due from banks	\$ 2,476	\$ 1,128
Short-term investments	13,654	45,065
Securities available for sale, at fair value	80,315	81,731
FHLB of NY & FRB stock, at cost	2,644	2,662
Loans	295,844	293,037
Allowance for loan losses	(3,956)	(4,188)
Net loans	291,888	288,849
Premises and equipment, net	10,134	10,319
Other assets	12,559	12,681
Total Assets	\$ 413,670	\$ 442,435
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 361,771	\$ 391,810
FHLB borrowings	10,500	10,500
Junior subordinated debentures	5,155	5,155
Other liabilities	4,826	4,797
Total liabilities	\$ 382,252	\$ 412,262
Shareholders' Equity		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	24,519	23,748
Accumulated other comprehensive loss	(1,752)	(2,226)
Total shareholders' equity	\$ 31,418	\$ 30,173
Total Liabilities & Shareholders' Equity	\$ 413,670	\$ 442,435

CONSOLIDATED INCOME STATEMENTS

<i>(In thousands, except per share data)</i>	For the six months ended June 30,	
	2016	2015
Interest and fee income		
Loans, including fees	\$ 6,208	\$ 5,794
Securities available for sale	898	905
FHLB of NY & FRB stock	65	57
Short-term investments	87	63
Total interest and fee income	\$ 7,258	\$ 6,819
Interest expense		
Deposits	\$ 242	\$ 253
FHLB borrowings	193	367
Junior subordinated debentures	97	87
Total interest expense	\$ 532	\$ 707
Net interest income	6,726	6,112
Provision for loan losses	60	60
Net interest income after provision for loan losses	\$ 6,666	\$ 6,052
Noninterest income		
Service charges on deposit accounts	\$ 203	\$ 204
Trust and investment income	484	501
Net securities transactions	7	-
Gain on sale of loans	-	31
Gain (loss) on ORE transactions	(18)	7
Other	486	465
Total noninterest income	\$ 1,162	\$ 1,208
Noninterest expense		
Compensation and benefits	\$ 3,903	\$ 3,672
Occupancy and equipment	639	656
FDIC and OCC assessment	221	226
Advertising and public relations	141	138
Legal and professional fees	214	170
Debit Card processing	153	148
Data processing	313	297
Other	619	615
Total noninterest expense	\$ 6,203	\$ 5,922
Income before income tax expense	\$ 1,625	\$ 1,338
Income tax expense	394	268
Net income	\$ 1,231	\$ 1,070
Basic earnings per share	\$ 1.66	\$ 1.44