

## A Closer Look



Left: Our new Guilderland branch.



Right: Our new Voorheesville branch

### BSNB Opens New Offices in Guilderland and Voorheesville

On May 4th, BSNB celebrated the opening of our new Guilderland Branch at 1973 Western Ave, followed by our new Voorheesville branch at 13 Maple Rd on July 18th. Please visit [www.bsnb.com](http://www.bsnb.com) for hours of operation and driving directions.

### Product Update

As part of our continued focus on enhancing customer value and convenience, we recently announced the following:

#### Business Credit Cards Now Available!

BSNB now offers branded credit cards through TCM Bank, N.A. Based on a client's size and needs, four different card options are available. More information and an online application are available on the BSNB website. Or, stop by any of our 13 branch locations to apply.

#### Debit Card Enhancements!

SecurLOCK Equip is now available to all customers with a BSNB Debit Card and a smartphone. This new service provides the ability for customers to turn their debit card off and on, control where it can be used and receive instant alerts on all or specified transactions.

#### Mobile Banking Makeover!

Our mobile banking app now provides a more streamlined, enhanced look and feel. In addition, quick access icons are provided for easier navigation and a message center now allows users to receive, read, reply and initiate new messages regarding their account.

## IN MEMORY

### Susan M. Watson

Board member, Susan M. Watson, passed away June 10, 2017. A certified public accountant with expertise in estate and trust taxation, Mrs. Watson owned Watson, Peterson & Company in downtown Schenectady before retiring in 2016. Mrs. Watson was appointed as the first female to the BSNB Board of Directors in 2007 and will be remembered for her thoughtful insights, spirited discussions and invaluable contributions to BSNB's strategic direction.



### 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

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# BALLSTON SPA BANCORP, INC.



*Better.*

## Consolidated Interim Financial Information

June 30, 2017

## PRESIDENT'S MESSAGE

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of BSNB, generated strong financial results in the second quarter of 2017. Net income for the six-month period ending June 30, 2017 totaled \$1.7 million, or \$2.27 per share, up 37.0% from the \$1.2 million, or \$1.66 per share, reported for the same period in 2016. Solid growth in the company's lending portfolios and core deposits contributed to the improved earnings performance.

Building on the staff, product, and infrastructure investments made in prior periods, the company achieved record growth during the first six months of 2017. Balances in the commercial and commercial real estate loan portfolios grew by \$25 million, or 18.2% from December 31, 2016. Balances in the residential lending portfolio grew as well, generating an increase of \$9.5 million, or 6.1% during the period. Loan growth was primarily funded by solid increases in retail and commercial deposits of \$10.4 million, or 4.0% from December 31, 2016 combined with increased overnight borrowing from the FHLB. Together, growth in earning assets, deposits and changes in interest rates contributed to the increase of \$1.2 million, or 18.4% in net interest income for the six month period ending June 30, 2017, as compared to the same period a year earlier.

I am also pleased to report that our growth over recent years has not come at the expense of loan quality. In fact, nonperforming loans as a percentage of total loans remain at manageable levels and have decreased from 1.39% at June 30, 2016 to 0.94% as of the end of the second quarter in 2017. In addition to the solid asset quality indicators, capital levels are well above regulatory minimums as Tier 1 capital ratio stood at 11.13% at June 30, 2017. Overall, the balance sheet is well positioned and provides the company with a solid foundation upon which to grow.

In addition to our financial achievements, the company made significant progress on several strategic initiatives during the period. In July, we opened a new banking office in Voorheesville NY. The office, located at 13 Maple Road, is the company's third location in Albany County following the opening of the Guilderland Office in May of this year and the Latham Office in 2015. Our continued expansion into Albany County is part of BSNB's strategy to enhance service and support for existing clients while extending our reach into new communities.

In May, the company embarked on a new effort to support local communities. On May 9th, 2017, all BSNB locations

## PRESIDENT'S MESSAGE CONTINUED

closed early so that the entire staff would be able to assist the American Red Cross with their Home Fire Campaign. During this event, employees canvassed neighborhoods and educated more than 2,000 homeowners about fire safety. A total of 78 smoke alarms were installed as a result.

On a final note, it is with great sadness that I report the passing of BSNB board member Susan M. Watson on June 10, 2017. Ms. Watson joined the board of directors in 2007 and was an extremely active and engaged member whose passion and intellect helped guide our company over the past decade. Susan's business acumen, sense of humor and strength of character will be greatly missed.

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

(In thousands)

	June 30, 2017	December 31, 2016
<b>Assets</b>		
Cash and due from banks	\$ 3,543	\$ 2,181
Short-term investments	475	11,271
Securities available for sale, at fair value	72,228	78,773
FHLB of NY & FRB stock, at cost	4,099	2,050
Loans	366,449	330,173
Allowance for loan losses	(4,254)	(4,040)
Net loans	362,195	326,133
Premises and equipment, net	10,515	9,918
Other assets	12,545	12,938
<b>Total Assets</b>	<b>\$ 465,600</b>	<b>\$ 443,264</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
Deposits	\$ 376,391	\$ 401,010
FHLB Borrowings	45,590	-
Junior subordinated debentures	5,155	5,155
Other liabilities	5,664	5,686
Total liabilities	\$ 432,800	\$ 411,851
<b>Shareholders' Equity</b>		
Common stock	\$ 9,642	\$ 9,642
Treasury stock, at cost	(991)	(991)
Retained earnings	26,430	25,205
Accumulated other comprehensive loss	(2,281)	(2,443)
Total shareholders' equity	\$ 32,800	\$ 31,413
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 465,600</b>	<b>\$ 443,264</b>

## CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

For the six months ended  
June 30,

	2017	2016
<b>Interest and fee income</b>		
Loans, including fees	\$ 7,422	\$ 6,208
Securities available for sale	862	898
FHLB of NY & FRB stock	62	65
Short-term investments	36	87
Total interest and fee income	\$ 8,382	\$ 7,258
<b>Interest expense</b>		
Deposits	\$ 253	\$ 242
FHLB borrowings	52	193
Junior subordinated debentures	113	97
Total interest expense	\$ 418	\$ 532
Net interest income	7,964	6,726
Provision for loan losses	208	60
Net interest income after provision for loan losses	\$ 7,756	\$ 6,666
<b>Noninterest income</b>		
Service charges on deposit accounts	\$ 290	\$ 203
Trust and investment services income	476	484
Other	489	475
Total noninterest income	\$ 1,255	\$ 1,162
<b>Noninterest expense</b>		
Compensation and benefits	\$ 4,157	\$ 3,903
Occupancy and equipment	718	639
FDIC and OCC assessment	200	221
Advertising and public relations	160	141
Legal and professional fees	193	214
Debit Card processing	168	153
Data processing	368	313
Other	872	619
Total noninterest expense	\$ 6,836	\$ 6,203
Income before income tax expense	\$ 2,175	\$ 1,625
Income tax expense	489	394
<b>Net income</b>	<b>\$ 1,686</b>	<b>\$ 1,231</b>
<b>Basic earnings per share</b>		
	\$ 2.27	\$ 1.66