



PUBLIC DISCLOSURE

October 07, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ballston Spa National Bank
Charter Number 1253

87 Front Street, Ballston Spa, NY 12020

Office of the Comptroller of the Currency

5000 Brittonfield Parkway, Suite 102B, East Syracuse, NY 13057

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.
The Lending Test is rated: Satisfactory.
The Community Development Test is rated: Satisfactory.

The primary factors supporting the CRA rating are as follows:

- The bank had a reasonable average loan-to-deposit ratio during the evaluation period.
- A majority of the home mortgage loans originated during the evaluation period were within the bank's assessment area (AA).
- The bank had reasonable dispersion of home mortgage loans among census tracts of different income designations within the AA.
- The bank had reasonable penetration of home mortgage loans to borrowers of different income levels within the AA.
- The bank's community development performance demonstrated adequate responsiveness to community development needs through qualified lending, investments, and services.

Scope of Examination

The evaluation period covers the time period from July 1, 2010 through October 6, 2013. We sampled loans originated between July 1, 2010 and December 31, 2011. The sample period was representative of the entire evaluation period. We determined that home mortgage loans, consisting of loans reported on the bank's Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) were the bank's primary product. Loans reported on the HMDA LAR include home purchase, home improvement, and home refinance loans. Community development data was reviewed from the date of the last performance evaluation, November 4, 2010, through the start of this examination, October 6, 2013.

Description of Institution

Ballston Spa National Bank (BSNB) is a \$395 million community bank headquartered in Ballston Spa, New York (NY), which is within the Capital District of NY State. BSNB is wholly owned by Ballston Spa Bancorp, Inc., a one bank holding company. With the opening of the new Corporate Branch Office along Route 67 in Ballston Spa, the bank now has 10 locations within Saratoga County. Branch locations are easily accessible to residents of all townships and villages within the central and southern portions of the county. All offices have 24-hour ATMs and drive-up facilities.

As of June 30, 2013, BSNB had \$255 million in gross loans and \$325 million in deposits. The loan portfolio consists of \$136 million (53%) in residential real estate loans and lines of credit, \$74 million (29%) in commercial and commercial real estate loans, \$26 million (10%) in consumer loans, and \$10 million (4%) in construction and land development loans. The majority of the remaining portion of the loan portfolio consists of state and other political entity obligations.

BSNB has no legal, financial, or other impediments that would impede its ability to help meet the credit needs in its AA. At the last CRA examination dated November 4, 2010, BSNB received a rating of "Satisfactory" CRA performance.

Description of Assessment Area (AA)

BSNB's AA consists of the 45 census tracts in Saratoga County within the Albany-Schenectady-Troy MSA. The MSA is the most affluent metro area in NY State outside of the metropolitan New York City area. Of the 45 census tracts, nine (20.00%) are designated moderate-income, 24 (53.33%) are designated middle-income, 11 (24.44%) are designated upper-income, and one (2.22%) does not have an income designation. The AA does not contain any low-income census tracts. The census tract without an income designation contains Skidmore College.

The AA has a total population of 200,635 persons in 54,000 families and 78,226 households. There are 86,701 housing units located in the AA, with 64.96% owner-occupied and 9.85% vacant. The distribution of families by income level, used to evaluate borrower distribution of home mortgage loans, is as follows: 15.46% low-income, 18.81% moderate-income, 23.61% middle-income, and 42.12% upper-income. The 2000 census median family income of \$54,944 is used to determine the income designation of the census tracts in the MSA. The 2011 updated median family income of \$77,000 for the MSA is used to determine the income designation of the borrower. Approximately 5.99% of the households in the AA are designated as living below the poverty level.

Economic conditions in the AA improved during the evaluation period. The July 2013 unemployment rate for Saratoga County was 5.6% compared to the July 2010 rate of 6.6%. Saratoga County unemployment rates are seasonal, with rates peaking in the months of January or February. The seasonally adjusted June 2013 unemployment rates for NY State and the Albany-Schenectady-Troy MSA were 7.5% and 6.4%, respectively. Major employers in the county include Momentive Performance Material, Saratoga County, Saratoga Hospital, the Saratoga Springs City and Shenendehowa Central School Districts, Skidmore College, and Global Foundries.

Competition in the AA is significant, with 16 other community, regional, and national financial institutions competing for deposit market share. Major competitors for market share include Adirondack Trust Company, Trustco Bank, First Niagara Bank, Saratoga National Bank and Trust Company, and Bank of America. As of June 30, 2012, BSNB ranked fourth in market share with 8.89% of the total deposits within Saratoga County.

We contacted a local non-profit human services agency that provides basic necessities and services to low-income individuals in the AA. Specific needs for the individuals provided through the organization include support for local food pantries, funding for weatherization programs, and affordable housing, including workforce housing for people transitioning from homelessness to permanent housing. The organization relies on support from a number of entities in the community. Several financial institutions were mentioned as being supportive, including BSNB.

Conclusions with Respect to Performance Tests

BSNB’s CRA performance was satisfactory with regard to both the lending and community development (CD) tests. For the lending test, our loan sample included 59 loans reported on the bank’s HMDA LAR originated between July 1, 2010, and December 31, 2011. For the community development test, we considered all activity between November 4, 2010 and October 6, 2013.

LENDING TEST

Loan-to-Deposit Ratio

BSNB's average loan-to-deposit ratio during the evaluation period was reasonable. The bank’s average quarterly loan-to-deposit ratio since the last examination through June 30, 2013, was 74.62%. In comparison, four similarly situated institutions had average quarterly loan-to-deposit ratios ranging from 56.32% to 82.68% during the same period. The institutions used for comparison compete directly with BSNB within the Albany-Schenectady-Troy MSA.

Lending in Assessment Area

A majority of home mortgage loans originated during the evaluation period were inside the bank’s AA. Approximately 76% by number and 77% by dollar amount of loans were originated within the AA. Refer to the following table for additional more information.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA	45	76.27	14	23.73	59	5,705	77.25	1,680	22.75	7,385

Source: Loan Sample.

Lending to Borrowers of Different Incomes

BSNB had reasonable penetration of home mortgage loans to borrowers of different income levels within the AA. The percentage of home mortgage loans to low-income borrowers was below the percentage of low-income families within the AA, however, this is reasonable considering the level of households living below the poverty level. It is unlikely that a household living below the poverty level would have an income to support purchasing a home. The percentage of home mortgage loans to moderate-income borrowers was somewhat lower than the percentage of moderate-income families within the AA. Refer to the table below for additional information.

Borrower Distribution of Home Mortgage Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
HMDA	15.46	6.67	18.81	15.56	23.61	20.00	42.12	57.77

Source: Loan Sample; 2000 U.S. Census data.

Geographic Distribution of Loans

The geographic dispersion of home mortgage loans within the AA was reasonable. The percentage of home mortgage loans originated to borrowers residing in moderate-income census tracts was near the percentage of AA households located in those census tracts. Refer to the following table for additional information.

Geographic Distribution of Home Mortgage Loans								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
HMDA	0	0	12.02	8.89	57.32	66.67	30.66	24.44

Source: Loan Sample; 2000 U.S. Census data.

Responses to Complaints

BSNB did not receive any CRA related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

BSNB's community development performance demonstrates adequate responsiveness to community development needs in its AA through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities for community development.

Number and Amount of Community Development Loans

The number and amount of community development loans reflects adequate responsiveness to the community development needs within the AA.

During the evaluation period, BSNB originated six loans totaling \$147 thousand in aggregate to a local general contractor providing residential renovations for low- and moderate-income homeowners located in the bank's AA. Repayment for the renovations were derived through the New York State Homes and Community Renewal program in conjunction with the local villages and townships.

BSNB refinanced an existing \$45 thousand term loan to an organization that provides funding for affordable housing and small business creation and retention. In addition, the loan was increased to \$100 thousand. The loan funds are distributed throughout the Capital Region of New York State. BSNB forgives \$5 thousand of the outstanding principal amount of the loan on an annual basis.

BSNB renewed a line of credit in the amount of \$188 thousand to an organization that provides opportunities to small businesses through access to capital that might not otherwise be available. The organization supports and creates job opportunities and stimulates growth throughout New York State, including the bank's AA.

BSNB restructured a line of credit to a term loan in the amount of \$387 thousand to a non-profit organization that, with the assistance of other New York State banks, provides financing for low- and moderate-income housing construction and rehabilitation. The organization was founded for the purpose of investing in the neighborhoods and projects experiencing deterioration and disinvestment. The programs supported by the organization benefit all of New York State, including the bank's AA.

BSNB originated a revolving line of credit in the amount of \$25 thousand to participate in an emergency loan fund. The proceeds of the fund support small businesses in the areas affected by Superstorm Sandy. The funds are needed to support the revitalization of the New York State designated disaster area.

Number and Amount of Qualified Investments

The number and amount of community development investments reflects adequate responsiveness to community development needs within the AA.

During the evaluation period, BSNB invested \$89 thousand in an organization that promotes employment and economic development through financing to small businesses that might not qualify for financing through conventional means. The organization provides assistance throughout New York State, including the bank's AA.

BSNB has a remaining book balance of \$65 thousand on a prior period investment in a loan and investment fund with the primary purpose of expanding new and existing businesses within New York State's 51 participating economic development zones. The investment benefits New York State businesses, including those located in the bank's AA.

Over the course of the evaluation period, BSNB donated an aggregate amount of \$54 thousand to numerous organizations that serve low- and moderate-income individuals and communities within the bank's AA.

Extent to Which the Bank Provides Community Development Services

Employee involvement with community development organizations providing services to the AA is adequate.

Throughout the evaluation period, an assistant vice president served as a Board and Finance Committee member of an organization that assists homeless veterans and manages federally funded rental units within the AA. The organization also assists veterans with employment services.

Throughout the evaluation period, a vice president served as a Board member for two organizations that provide financing for small businesses that do not qualify for traditional financing.

In 2011, a branch manager provided assistance to potential or existing small business owners in the AA through an organization that acts as a resource partner with the Small Business Administration (SBA).

Throughout the evaluation period, a vice president served on the Fiscal Oversight Committee of an organization that assists young women from low- and moderate-income families.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.