

A Closer Look

At **Ballston Spa National Bank**, our employees bring a wealth of knowledge and experience to work each day. Our goal is to understand each customer's unique set of needs and to provide responsive solutions, a flexible approach and the products and services that meet those needs now - and into the future.

Visit www.bsnb.com and see how we live up to our pledge...*Your bank. Your way.*



New products now available at Ballston Spa National Bank ...

Small Business Checking

Looking for an easy-to-manage checking account for your business? Small Business Checking offers a budget-friendly flat monthly fee that includes up to 75 free transactions each month.

Premier Money Market Investment Account

Watch your money grow with this exclusive account just for Premier Plan members. As your balance grows, so does your interest rate.

Fixed Choice Home Equity Line of Credit

Enjoy the flexibility of a line of credit and the security of a fixed rate all in one account. Plus have the option of making interest-only payments while you are still borrowing.

Ballston Spa National Bank
is a subsidiary of Ballston Spa Bancorp, Inc.

Office Locations

Ballston Spa
87 Front Street
518-885-6781

Burnt Hills
770 Saratoga Road
518-399-8144

Clifton Park
256 Ushers Road
518-877-6667

Galway
5091 Sacandaga Road
518-882-1225

Greenfield Center
3060 Route 9N
518-893-2265

Malta
124 Dunning Street
518-899-2912

Milton Crest
344 Rowland Street
518-885-4346

Stillwater
159 River Road
518-664-3200

Wilton
625 Maple Avenue
518-583-6608

www.bsnb.com



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Member FDIC



Consolidated Interim Financial Information



March 31, 2006

BALLSTON SPA BANCORP, INC.

President's Message

Consolidated Balance Sheets

Consolidated Income Statements

To our shareholders:

In keeping with the practice established in the third quarter of 2005, we hope that you find our enhanced quarterly statement informative.

We are pleased to report that the execution of our long-term plan continues to result in improved financial performance and enhanced shareholder value. Net income for the three month period ending March 31, 2006 was \$395 thousand, or \$0.53 per share. Compared to the first quarter of 2005, net income and earnings per share have each increased over 29%. Increases in interest income on loans and other operating income led to the improved earnings performance.

Total loans increased an impressive 6% during the first quarter of 2006 to \$217 million. The growth in loans was primarily driven by increases in residential mortgage and consumer loans. We anticipate further growth in these portfolios and the commercial portfolio throughout the remainder of 2006.

The loan growth also had a positive impact on our interest margins. Net interest margin for the first quarter which ended March 31, 2006, was 3.62%, up from 3.60% reported for the first quarter of 2005. As evidenced by the increased level of interest expense, the current interest rate environment continues to place significant pressure on margins and earnings results. To mitigate the rising cost of funds, we continue to look at expanding our lower cost, core deposit base.

We also remain focused on improving our efficiency through the implementation of cost reduction proposals and the generation of additional fee income. Notwithstanding the impact of the flat interest rate environment, we are confident that cost cutting and revenue enhancement efforts will continue to lead to improved efficiency and expense ratios in the near future.

Ballston Spa Bancorp, Inc. continues to be classified as well-capitalized and maintains very good asset quality. Through our conveniently located branch network, we are proud to provide customers with access to seasoned banking professionals and competitive products and services. The company is committed to participating in the development of the local communities and economies through active participation and financial support. We are confident that with this foundation and operating philosophy, the company will achieve enhanced shareholder value and long-term success. On behalf of our board of directors and employees, I would like to thank you for your continued support.

Christopher R. Dowd
President and Chief Executive Officer

(In thousands)

	March 31, 2006	December 31, 2005
Assets		
Cash and due from banks	\$ 6,819	\$ 6,256
Securities, at fair value	86,454	89,032
Loans	216,553	204,193
Allowance for loan losses	<u>(2,364)</u>	<u>(2,326)</u>
Net loans	214,189	201,867
Accrued interest receivable	1,340	1,210
Premises and equipment, net	4,202	4,338
Goodwill	1,595	1,595
Other assets	<u>5,199</u>	<u>4,771</u>
Total Assets	\$ 319,798	\$ 309,069
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 260,423	\$ 266,766
Short-term FHLB advances	21,100	750
Long-term FHLB borrowings	13,000	16,000
Junior subordinated debentures	5,155	5,155
Other liabilities	<u>2,631</u>	<u>2,630</u>
Total liabilities	\$ 302,309	\$ 291,301
Shareholders' Equity:		
Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	42	42
Treasury stock, at cost	(991)	(991)
Retained earnings	10,609	10,399
Accumulated other comprehensive loss	<u>(1,771)</u>	<u>(1,282)</u>
Total shareholders' equity	\$ 17,489	\$ 17,768
Total Liabilities & Shareholders' Equity	\$ 319,798	\$ 309,069

(In thousands, except per share data)

	For the three months ended March 31,	
	2006	2005
Interest and fee income		
Loans, including fees	\$ 3,250	\$ 2,551
Securities	856	948
Due from banks	<u>2</u>	<u>1</u>
Total interest and fee income	\$ 4,108	\$ 3,500
Interest expense		
Deposits	\$ 1,012	\$ 724
Short-term FHLB advances	189	54
Long-term FHLB borrowings	138	97
Junior subordinated debentures	<u>99</u>	<u>73</u>
Total interest expense	\$ 1,438	\$ 948
Net interest income	2,670	2,552
Provision for loan losses	<u>45</u>	<u>-</u>
Net interest income after provision for loan losses	\$ 2,625	\$ 2,552
Non-interest income		
Service charges on deposit accounts	\$ 168	\$ 131
Trust and investment services income	152	134
Net securities transactions	-	(154)
Net loan transactions	8	13
Other	<u>109</u>	<u>141</u>
Total non-interest income	\$ 437	\$ 265
Non-interest expense		
Compensation and benefits	\$ 1,416	\$ 1,346
Occupancy and equipment	341	358
Advertising	42	31
Legal and professional fees	149	144
Data processing fees	176	189
Other	<u>442</u>	<u>422</u>
Total non-interest expense	\$ 2,566	\$ 2,490
Income before income tax expense	\$ 496	\$ 327
Income tax expense	<u>101</u>	<u>25</u>
Net income	\$ 395	\$ 302
Basic earnings per share	\$ 0.53	\$ 0.41