

A Closer Look

Ballston Spa National Bank

Ballston Spa National Bank has demonstrated a long-standing commitment to meeting the financial needs of residents and businesses throughout greater Saratoga County. While we are proud of our success and support, we continue to search out new opportunities and to expand and improve our service.



First Time Home Buyer Program

BSNB has committed \$10 million to a loan pool available exclusively to first time home buyers. This new program allows qualified applicants to purchase a single-family, owner-occupied home with no down payment. This program has the potential to contribute to the economic growth of our area by making home ownership more attainable.

Improved Bill Payment Service

In March, BSNB launched an improved bill payment service from CheckFree that offers significant new benefits to online banking customers. With the improved service, BSNB also announced an elimination of the bill payment monthly fee on several of our checking account products.

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

Office Locations

Ballston Spa
87 Front Street

Burnt Hills
770 Saratoga Road

Clifton Park
256 Ushers Road

Galway
5091 Sacandaga Road

Greenfield Center
3060 Route 9N

Malta
124 Dunning Street

Milton Crest
344 Rowland Street

Stillwater
159 River Road

Wilton
625 Maple Avenue

General Information: 518-885-6781

BANKLINK24: 518-885-6782

Bank by phone, transfer funds, make
BSNB loan payments, or access
account information anytime.

www.bsnb.com



Ballston Spa National Bank

Your bank. Your way.

Member FDIC



Consolidated Interim Financial Information



March 31, 2007

BALLSTON SPA BANCORP, INC.

To our shareholders:

Strong financial performance and positive trends continued in the first quarter of 2007. Net income was \$532 thousand for the three months ended March 31, 2007, up \$137 thousand from the same period in 2006. Earnings per share of \$0.72 for the quarter were 36% higher than the first quarter of 2006. The improved earnings performance was driven primarily by reduced non-interest expenses, and increased levels of non-interest income. Moreover, the double digit loan growth achieved in 2005 and 2006 helped to offset the negative impact of the current interest rate environment. As a result, we were able to generate net interest income at a level comparable to the first quarter of 2006.

Non-interest expense for the first quarter of 2007 was down almost 10% or \$250 thousand from the same period in 2006. Non-interest income was up over 15% compared to the first quarter of 2006. Reduced operating expenses combined with the increased non-interest income led to improved efficiency. In fact, our efficiency ratio improved for the 5th consecutive quarter, down from 87% for the quarter ending December 31, 2005 to 73% for the current quarter.

We are also very pleased to report that consistent with our strategic focus on improved customer service and core deposit growth, we introduced our new online cash management program for commercial and municipal customers in the first quarter of 2007. We also successfully converted our Bill Payment processor to a new, more customer friendly service provider. We anticipate that these product and service enhancements coupled with targeted marketing campaigns will lead to further loan and deposit growth.

While we continue to refine our long term plan in response to changing market conditions, we are very pleased with the success achieved to date. We remain committed to shareholder value enhancement by developing products, services, and staffing resources that further strengthen our relationships with both existing and future customers. On behalf of the Board of Directors and our employees, we appreciate your continued support.

Christopher R. Dowd
President and Chief Executive Officer

(In thousands)

	<u>March 31,</u> <u>2007</u>	December 31, <u>2006</u>
Assets		
Cash and due from banks	\$ 4,973	\$ 5,972
Securities, at fair value	63,367	69,128
Federal funds sold	6,950	-
FHLB of NY & FRB stock, at cost	1,950	1,889
Loans	233,592	234,582
Allowance for loan losses	<u>(2,649)</u>	<u>(2,627)</u>
Net loans	<u>230,943</u>	<u>231,955</u>
Premises and equipment, net	3,941	3,886
Accrued interest receivable	1,378	1,317
Goodwill	1,595	1,595
Other assets	<u>3,695</u>	<u>4,025</u>
Total Assets	\$ <u>318,792</u>	\$ <u>319,767</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 268,741	\$ 271,371
Short term FHLB advances	-	8,660
Long term FHLB borrowings	23,000	13,000
Junior subordinated debentures	5,155	5,155
Other liabilities	<u>2,426</u>	<u>2,658</u>
Total liabilities	<u>\$ 299,322</u>	<u>\$ 300,844</u>
Shareholders' Equity:		
Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	42	42
Treasury stock, at cost	(991)	(991)
Retained earnings	11,608	11,269
Accumulated other comprehensive loss	<u>(789)</u>	<u>(997)</u>
Total shareholders' equity	<u>\$ 19,470</u>	<u>\$ 18,923</u>
Total Liabilities & Shareholders' Equity	\$ <u>318,792</u>	\$ <u>319,767</u>

(In thousands, except per share data)

	For the three months ended March 31,	
	<u>2007</u>	<u>2006</u>
Interest and fee income		
Loans, including fees	\$ 3,728	\$ 3,250
Securities available for sale	669	824
FHLB of NY & FRB stock	30	34
Federal funds sold	<u>8</u>	<u>-</u>
Total interest and fee income	<u>\$ 4,435</u>	<u>\$ 4,108</u>
Interest expense		
Deposits	\$ 1,427	\$ 1,012
Junior subordinated debentures	109	99
Short term FHLB advances	66	189
Long term FHLB advances	<u>168</u>	<u>138</u>
Total interest expense	<u>\$ 1,770</u>	<u>\$ 1,438</u>
Net interest income	2,665	2,670
Provision for loan losses	<u>105</u>	<u>45</u>
Net interest income after provision for loan losses	<u>\$ 2,560</u>	<u>\$ 2,625</u>
Non-interest income		
Service charges on deposit accounts	\$ 165	\$ 168
Trust and investment services income	202	152
Net securities transactions	-	1
Other	<u>138</u>	<u>116</u>
Total non-interest income	<u>\$ 505</u>	<u>\$ 437</u>
Non-interest expense		
Compensation and benefits	\$ 1,324	\$ 1,416
Occupancy and equipment	313	341
Advertising and public relations	53	42
Legal and professional fees	77	106
Data processing fees	170	176
Other	<u>379</u>	<u>485</u>
Total non-interest expense	<u>\$ 2,316</u>	<u>\$ 2,566</u>
Income before income tax expense	\$ 749	\$ 496
Income tax expense	<u>217</u>	<u>101</u>
Net income	\$ <u>532</u>	\$ <u>395</u>
Basic earnings per share	\$ <u>0.72</u>	\$ <u>0.53</u>