

A Closer Look

From new entrepreneurs starting a small business to established companies, BSNB offers a competitive line of loan products and services. BSNB also participates in a number of financial loan programs designed to assist businesses and individuals that might not qualify for traditional bank financing.



New York Energy SmartSM Loan Program

is a simple, low-cost way to finance energy-efficient projects. Qualified applicants not only save money on their energy bills, they may also qualify for a 4% interest rate reduction on a BSNB loan.

New York Business Development Corporation

is a complement to conventional banking, working in partnership with BSNB, they provide term loans, many of which do not meet the requirements for traditional financing. The goal of NYBDC is to be more creative in their underwriting. In many cases, they include multiple participations, SBA guarantees, flexible amortization and long-term payouts.

Saratoga Entrepreneurial Fund, Inc.

Tim Collins, BSNB VP/Commercial Lender donates his time and expertise as a director of this Saratoga County organization. The Fund provides micro-loans to businesses that do not qualify for traditional bank lending programs.

Patriot Express Loan Initiative

Launched by the Small Business Administration, this new loan program provides programs and services to veterans that want to establish or expand a small business. Currently, BSNB is one of only four banks in the Capital Region which administer the program.

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

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BSNB loan payments, or access
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Consolidated Interim Financial Information



June 30, 2007

BALLSTON SPA BANCORP, INC.

To our shareholders:

Positive financial trends continued through the first half of 2007 as the company achieved targeted strategic objectives. Net income was \$1.0 million for the six months ended June 30, 2007, up \$256 thousand from the same period in 2006. Earnings per share of \$1.39 for the first six months were 34% higher than the first six months of 2006. The improved earnings performance was driven primarily by reduced non-interest expense, and increased levels of non-interest income. In addition, strong loan growth achieved in 2005 and 2006 helped to offset the negative impact of the current interest rate environment. As a result, net interest income was \$93 thousand higher for year to date 2007 when compared to the same period in 2006.

Non-interest expense for the first half of 2007 was down almost 8% or \$392 thousand from the same period in 2006. Non-interest income was up over 11% in 2007 compared to the first half of 2006 primarily as a result of increased trust and investment services income. Reduced operating expenses coupled with the increased non-interest income led to improved efficiency. Our efficiency ratio improved to 72.6% for the first six months of 2007, down from 83.1% for the same period in 2006.

As previously reported, we introduced our new online cash management program for commercial and municipal customers and a new Bill Pay service provider in the first half of 2007 to better meet the needs of existing and potential new customers. We continue to evaluate potential new products and services, including remote deposit capture technology, to further improve service to our customers. We anticipate that these product and service enhancements coupled with targeted marketing campaigns will lead to further loan and deposit growth.

While we continuously assess and adjust 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)

	June 30, 2007	December 31, 2006
Assets		
Cash and due from banks	\$ 5,129	\$ 5,972
Securities, at fair value	55,909	69,128
FHLB of NY & FRB stock, at cost	2,418	1,889
Loans	238,130	234,582
Allowance for loan losses	<u>(2,698)</u>	<u>(2,627)</u>
Net loans	<u>235,432</u>	<u>231,955</u>
Premises and equipment, net	3,901	3,886
Accrued interest receivable	1,249	1,317
Goodwill	1,595	1,595
Other assets	<u>3,752</u>	<u>4,025</u>
Total Assets	\$ 309,385	\$ 319,767
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 249,469	\$ 271,371
Short term FHLB advances	9,800	8,660
Long term FHLB borrowings	23,000	13,000
Junior subordinated debentures	5,155	5,155
Other liabilities	<u>2,412</u>	<u>2,658</u>
Total liabilities	<u>\$ 289,836</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	11,914	11,269
Accumulated other comprehensive loss	<u>(1,016)</u>	<u>(997)</u>
Total shareholders' equity	<u>\$ 19,549</u>	<u>\$ 18,923</u>
Total Liabilities & Shareholders' Equity	\$ 309,385	\$ 319,767

(In thousands, except per share data)

	For the six months ended June 30,	
	2007	2006
Interest and fee income		
Loans, including fees	\$ 7,557	\$ 6,750
Securities available for sale	1,258	1,620
FHLB of NY & FRB stock	60	57
Federal funds sold	<u>56</u>	<u>-</u>
Total interest and fee income	<u>\$ 8,931</u>	<u>\$ 8,427</u>
Interest expense		
Deposits	\$ 2,844	\$ 2,176
Junior subordinated debentures	219	204
Short term FHLB advances	94	514
Long term FHLB advances	<u>414</u>	<u>266</u>
Total interest expense	<u>\$ 3,571</u>	<u>\$ 3,160</u>
Net interest income	5,360	5,267
Provision for loan losses	<u>210</u>	<u>90</u>
Net interest income after provision for loan losses	<u>\$ 5,150</u>	<u>\$ 5,177</u>
Non-interest income		
Service charges on deposit accounts	\$ 338	\$ 342
Trust and investment services income	413	322
Net securities transactions	-	3
Other	<u>262</u>	<u>245</u>
Total non-interest income	<u>\$ 1,013</u>	<u>\$ 912</u>
Non-interest expense		
Compensation and benefits	\$ 2,659	\$ 2,827
Occupancy and equipment	594	634
Advertising and public relations	103	114
Legal and professional fees	152	199
Data processing fees	338	342
Other	<u>778</u>	<u>900</u>
Total non-interest expense	<u>\$ 4,624</u>	<u>\$ 5,016</u>
Income before income tax expense	\$ 1,539	\$ 1,073
Income tax expense	<u>508</u>	<u>298</u>
Net income	\$ 1,031	\$ 775
Basic earnings per share	\$ 1.39	\$ 1.04