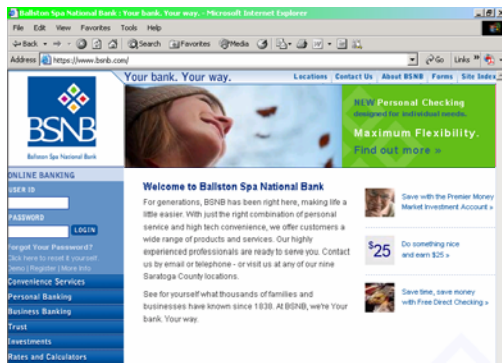


A Closer Look

Ballston Spa National Bank

At www.bsnb.com, you'll find information about special offers and new services available at Ballston Spa National Bank. Please visit our web site often to stay updated and to see how we live up to our pledge...
Your bank. Your way.



New at BSNB:

Online Banking Enhancements

Customers using Online Banking now benefit from up-to-the-minute running balances. Customers can view their transactions in 'real time' and know precisely when a check has cleared or a withdrawal has occurred.

New Checking Account Options

Two new personal checking accounts are now available. Free Direct Checking is free to customers with direct deposit and Senior Checking is designed specifically for those over age 62.

Refer-a-Friend

When a customer refers a friend or family member to us and it results in a new personal checking account, both customers are eligible for a cash reward.

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

Office Locations

Ballston Spa
87 Front Street
518-363-8150

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



Your bank. Your way.

Member FDIC



Consolidated Interim Financial Information

September 30, 2006



BALLSTON SPA BANCORP, INC.

President's Message

Consolidated Balance Sheets

Consolidated Income Statements

To Our Shareholders:

We present our third quarter financial report with a certain amount of pride and satisfaction. While we and other community banks nationwide are feeling pressure on net interest margins and are also experiencing intense competition from a range of financial service providers, Ballston Spa Bancorp continues to progress under our long-term plan and show improved financial performance.

Net income for the nine months ended September 30, 2006 was \$1.2 million, up 23% from the same period in 2005. The growth in earnings performance is primarily attributable to loan and deposit growth combined with successful cost management initiatives. Loan balances are up \$28.8 million, or 14%, from December 31, 2005. Retail and commercial deposits have also increased, up \$11.1 million, or 5% from year end 2005.

We are very pleased to report that the growth of the company has not led to increased levels of overhead. In fact, non-interest expense has declined over 5% from the same period in 2005. Moreover, our efficiency ratio declined from 83.6% in 2005 to 80.3% year-to-date 2006. These positive financial trends were tempered by the pressure on net interest margins. Our net interest margin for the first nine months of 2006 was 3.42%, down from 3.63% in 2005. Efforts to control expenses and identify new sources of revenue should help mitigate further margin compression.

We are also very pleased with the implementation of upgrades to our online banking services and the introduction of new products to our already expansive menu. These enhancements have been very well received by our customers and enable us to compete more effectively in the current market. We continue to place a high priority on improving our cash management capabilities for commercial and municipal customers. Efforts to enhance products and services are designed to improve customer satisfaction and are critical to the future success of the company.

Despite the successes in 2006, management and the board continue to adjust our business plan in recognition of the changing economic environment and to maximize returns to our shareholders. With a determined and capable staff and a solid foundation upon which to grow, we remain optimistic for continued improvements in financial performance. 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)

	<u>Sept. 30, 2006</u>	December 31, 2005
Assets		
Cash and due from banks	\$ 14,163	\$ 6,256
Securities, at fair value	77,554	89,032
Loans	232,952	204,193
Allowance for loan losses	<u>(2,444)</u>	<u>(2,326)</u>
Net loans	<u>230,508</u>	<u>201,867</u>
Accrued interest receivable	1,423	1,210
Premises and equipment, net	3,973	4,338
Goodwill	1,595	1,595
Other assets	<u>4,757</u>	<u>4,771</u>
Total Assets	\$ 333,973	\$ 309,069
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 275,624	\$ 266,766
Short-term FHLB advances	19,150	750
Long-term FHLB borrowings	13,000	16,000
Trust preferred securities	5,155	5,155
Other liabilities	<u>2,492</u>	<u>2,630</u>
Total liabilities	<u>\$ 315,421</u>	<u>\$ 291,301</u>
Shareholders' Equity:		
Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	42	42
Treasury stock, at cost	(991)	(991)
Retained earnings	11,022	10,399
Accumulated other comprehensive loss	<u>(1,121)</u>	<u>(1,282)</u>
Total shareholders' equity	<u>\$ 18,552</u>	<u>\$ 17,768</u>
Total Liabilities & Shareholders' Equity	\$ 333,973	\$ 309,069

(In thousands, except per share data)

	For the nine months ended September 30,	
	<u>2006</u>	<u>2005</u>
Interest and fee income		
Loans, including fees	\$ 10,423	\$ 8,158
Securities at fair value	2,473	2,836
Fed funds sold	-	8
Due from banks	<u>6</u>	<u>3</u>
Total interest and fee income	<u>\$ 12,902</u>	<u>\$ 11,005</u>
Interest expense		
Deposits	\$ 3,479	\$ 2,378
Short-term FHLB advances	893	192
Long-term FHLB borrowings	395	380
Trust preferred securities	<u>317</u>	<u>241</u>
Total interest expense	<u>\$ 5,084</u>	<u>\$ 3,191</u>
Net interest income	7,818	7,814
Provision for loan losses	<u>150</u>	<u>75</u>
Net interest income after provision for loan losses	<u>\$ 7,668</u>	<u>\$ 7,739</u>
Non-interest income		
Service charges on deposit accounts	\$ 517	\$ 418
Trust and investment services income	485	414
Net securities transactions	3	(133)
Other	<u>366</u>	<u>525</u>
Total non-interest income	<u>\$ 1,371</u>	<u>\$ 1,224</u>
Non-interest expense		
Compensation and benefits	\$ 4,194	\$ 4,222
Occupancy and equipment	912	1,054
Advertising	149	202
Legal and professional fees	300	286
Data processing fees	514	528
Other	<u>1,307</u>	<u>1,486</u>
Total non-interest expense	<u>\$ 7,376</u>	<u>\$ 7,778</u>
Income before income tax expense	\$ 1,663	\$ 1,185
Income tax expense	<u>482</u>	<u>224</u>
Net income	<u>\$ 1,181</u>	<u>\$ 961</u>
Basic earnings per share	<u>\$ 1.59</u>	<u>\$ 1.29</u>