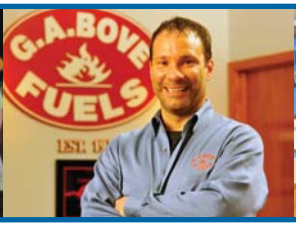
BALLSTON SPA BANCORP, INC.

2010 Annual Report



THE YEAR IN REVIEW

(Dollars in thousands, except per share data) December 31,	2010	2009
FOR THE YEAR ENDED		
Net income	$ 2,372	$ 2,344
Basic earnings per share	3.19	3.16
Dividends declared per share	1.24	1.21
AT YEAR END		
Total assets	$ 385,538	$ 365,779
Loans	234,544	253,217
Deposits	307,576	288,825
Shareholders' equity	24,070	23,030
Book value per share	32.41	31.01
Tangible book value per share	30.10	28.82
ASSET QUALITY RATIOS		
Nonperforming loans to total loans	2.64%	1.05%
Nonperforming assets to total assets	1.80	0.73
Allowance for loan losses to:		
Total loans	1.96	1.72
Nonperforming loans	74.14	163.95

REGULATORY CAPITAL RATIOS		Required Ratios	
	December 31, 2010 Actual	Minimum capital adequacy	Classified as well capitalized
Tier 1 leverage ratio	7.40%	4.00%	5.00%
Tier 1 risk-based capital ratio	13.53	4.00	6.00
Total risk-based capital ratio	14.79	8.00	10.00

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"Looking forward, we at BSNB remain focused on enhancing the value we provide to our shareholders, customers, staff, and the community – continuing the tradition we started more than 172 years ago."

Christopher R. Dowd, President and Chief Executive Officer

TO OUR SHAREHOLDERS,

In 2010, Ballston Spa Bancorp, Inc., parent company of Ballston Spa National Bank, marked 172 years of continuous operations as a community bank. We also achieved our third consecutive year of record earnings performance. Specifically, net income for 2010 increased to $2.4 million or $3.19 per share, up 1.2% from the $2.3 million or $3.16 per share reported in 2009. The improved performance was primarily attributable to an increase in non-interest income coupled with growth in our deposit and commercial loan balances. These gains were partially offset by the slow pace of economic recovery and further tightening of our net interest margin.

Financial Highlights

Total deposits increased 6.5% in 2010 to $307.6 million. The growth was achieved in all major business lines including commercial, consumer, and municipal accounts. We believe this growth is a reflection of our focus on building strong customer relationships, product development, and investing in the development of our human resources.

As a result of the economic downturn and corresponding uncertainty, new loan activity slowed considerably in 2009 and 2010. Moreover, the bank continued to utilize our secondary market outlets to control the growth of low-rate, long-term residential mortgages in our portfolio. The combination of these factors led to a decline in total loans during 2010 of $19 million.

Consistent with our plan however, and in recognition of market opportunities, we were able to offset the decline in residential mortgage loans with strong growth in our commercial and commercial real estate loan portfolios. Targeted marketing efforts combined with determined efforts to develop new business relationships led to a 4.7% increase in these commercial portfolios.

In addition to the impact on portfolio balances, economic conditions also affected loan quality measures. Nonperforming loans increased to 2.64% of total loans as of December 31, 2010, up from 1.05% a year earlier. Although these assets are well protected by supporting collateral, management took the additional step of increasing the allowance for loan losses to $4.6 million or 1.96% of total loans at December 31, 2010, up from $4.3 million or 1.72% of total loans a year earlier.

Financial results for 2010 reflect both the impact of the current economic environment and the success of our long-term plan. Despite increased levels of problem loans, our balance sheet continues to provide a solid foundation upon which to grow. Capital and liquidity levels remain strong and we maintain a very healthy allowance for loan losses.

In light of these conditions and expectations for a measured economic recovery, management took the opportunity to again increase dividends in 2010.

Cash dividends declared in 2010 totaled $1.24, up 2.5% from $1.21 in 2009.

Building for the Future

Considering our relative financial strength and performance in recent years, in 2010 we continued to focus on strategies that provide for the company's long-term success. Most notably, in early 2010, we initiated a project to explore opportunities for the development of a new facility to better meet the growing needs of our company. After careful consideration of our space needs, expectations for economic growth, and the projected increase to our cost structure, the Board and management have decided to move forward with the development of a new sales and operations center in the Town of Ballston. The new location on Route 67 is ideal as it is positioned at the gateway to the Ballston Spa business district and provides for ample visibility and space. Although the expansion project will have a dampening effect on earnings performance in the short term, we believe the time is right to make this significant long-term investment in our company and the Saratoga region.

Slated for completion by the end of 2011, the new building will provide the necessary foundation upon which to meet the growing financial needs of our region. Moreover, the expansion is designed to enhance the level of service and support we provide to our customers and community while providing our staff with a professional and efficient work environment. The 33,000 square foot facility will house a loan sales center, operational support areas of the bank, and a new branch office constructed to meet the expectations of today's and tomorrow's customer.

As part of our expansion plan, we will maintain our location at 87 Front Street in the Village of Ballston Spa. This historic location will continue to serve as our main branch office and it will also be the new home for our Trust and Investment division.

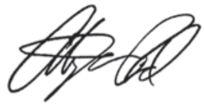
BSNB initiated several other new projects in 2010 to enhance operational efficiency, strengthen staffing, and improve customer service. These initiatives included a new mortgage origination system that assisted us in streamlining the approval and closing process. In a subsequent initiative, we implemented an image capture system at our branch locations to expedite the processing of customer transactions as well as make newly deposited funds available to our customers more quickly. We also introduced eStatements as part of our ongoing commitment to the environment, giving customers the option of viewing their BSNB account statements online instead of receiving a paper statement.

Community Support

In light of our financial success in 2010, BSNB continued its support of charitable and civic organizations committed to making a positive difference in the communities across Saratoga County. The BSNB Charitable Foundation once again provided funding to support four local school districts with scholarships. For the second consecutive year, the company funded a program that encourages staff members to volunteer their time and talent to local organizations. Over the last two years, this program has provided funding to more than 75 local organizations that were recommended by our staff. In separate initiatives, dozens of organizations supporting the arts, social services, education, youth and other causes also benefited from bank support.

Looking forward, we at BSNB remain focused on enhancing the value we provide to our shareholders, customers, staff, and the community – continuing the tradition we started more than 172 years ago. In 2011, we plan to further enhance our customer sales and service capabilities, leverage our financial and human resources, and expand our market footprint. While an uncertain economy will present financial challenges in the days ahead, we strongly believe our prudent growth strategy will lead to continued success.

On behalf of our Board of Directors and staff, we thank you for your support.



Christopher R. Dowd
President and Chief Executive Officer

At or for the years ended December 31, (In thousands, except for share and per share data)	**2010**	2009	2008	2007	2006
EARNINGS					
Interest income	**$ 16,766**	$ 18,375	$ 19,773	$ 18,585	$ 17,492
Interest expense	**4,093**	4,958	6,518	7,633	6,913
Net interest income	**12,673**	13,417	13,255	10,952	10,579
Provision for loan losses	**655**	900	1,270	500	310
Noninterest income	**2,397**	2,018	1,521	1,986	1,871
Noninterest expense	**11,005**	11,346	10,389	9,523	9,848
Income before tax expense	**3,410**	3,189	3,117	2,915	2,292
Tax expense	**1,038**	845	907	914	672
Net income	**2,372**	2,344	2,210	2,001	1,620
PER SHARE DATA					
Basic earnings	**$ 3.19**	$ 3.16	$ 2.98	$ 2.69	$ 2.18
Cash dividends declared	**1.24**	1.21	1.14	1.06	1.01
Book value at year end	**32.41**	31.01	26.56	28.42	25.48
Tangible book value at year end	**30.10**	28.82	24.38	26.20	23.14
Closing market price	**29.50**	25.50	36.00	38.00	40.00
AVERAGE BALANCES					
Total assets	**$ 372,143**	$ 354,597	$ 349,147	$ 324,042	$ 321,631
Earning assets	**362,755**	347,209	338,536	311,770	306,619
Loans	**245,571**	257,619	265,430	241,935	223,895
Securities available for sale	**77,787**	71,408	72,396	68,282	82,076
Deposits	**293,754**	274,279	257,090	262,415	264,153
Borrowings	**50,655**	54,278	67,425	39,340	37,283
Shareholders' equity	**24,383**	21,134	21,634	19,783	17,942





CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts) December 31,	2010	2009
ASSETS		
Cash and due from banks	$ 1,278	$ 1,314
Short term investments	50,766	28,219
Securities available for sale, at fair value	85,816	72,756
FHLB of NY & FRB stock, at cost	3,670	3,097
Loans	234,544	253,217
Allowance for loan losses	(4,595)	(4,348)
Net loans	229,949	248,869
Premises and equipment, net	4,158	4,097
Accrued interest receivable	1,258	1,332
Goodwill	1,595	1,595
Other assets	7,048	4,500
Total assets	$ 385,538	$ 365,779
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Demand deposits	$ 42,513	$ 44,072
Savings	45,890	45,592
NOW and money market	147,076	120,563
Time deposits	72,097	78,598
Total deposits	307,576	288,825
Long-term FHLB borrowings	45,500	45,500
Junior subordinated debentures	5,155	5,155
Other liabilities	3,237	3,269
Total liabilities	361,468	342,749
Shareholders' Equity:		
Common stock, $12.50 par value. Authorized 10,000,000 shares; issued 768,000 shares at December 31, 2010 and 2009	9,600	9,600
Additional paid-in capital	42	42
Treasury stock, at cost (25,337 shares at December 31, 2010 and 2009)	(991)	(991)
Retained earnings	16,806	15,355
Accumulated other comprehensive loss	(1,387)	(976)
Total shareholders' equity	24,070	23,030
Total liabilities and shareholders' equity	$ 385,538	$ 365,779

See accompanying notes to consolidated financial statements.

(In thousands, except share and per share amounts) Years ended December 31,	2010	2009
INTEREST AND FEE INCOME		
Loans, including fees	$ 14,003	$ 15,135
Securities available for sale	2,503	3,085
FHLB of NY & FRB stock	167	121
Short term investments	93	34
Total interest and fee income	16,766	18,375
INTEREST EXPENSE		
Deposits	2,147	2,852
Short-term FHLB advances	-	14
Long-term FHLB borrowings	1,766	1,884
Junior subordinated debentures	180	208
Total interest expense	4,093	4,958
Net interest income	12,673	13,417
Provision for loan losses	655	900
Net interest income after provision for loan losses	12,018	12,517
NONINTEREST INCOME		
Service charges on deposit accounts	594	636
Trust and investment services income	706	667
Other than temporary impairment	-	(86)
Gain on call of securities	-	71
Gain on sale of loans	427	51
Other	670	679
Total noninterest income	2,397	2,018
NONINTEREST EXPENSE		
Compensation and benefits	6,561	6,587
Occupancy and equipment	1,063	1,066
FDIC and OCC assessment	521	796
Advertising and public relations	304	283
Legal and professional fees	375	333
Data processing	626	746
Other	1,555	1,535
Total noninterest expense	11,005	11,346
Income before income tax expense	3,410	3,189
Income tax expense	1,038	845
Net income	$ 2,372	$ 2,344
Basic earnings per share	$ 3.19	$ 3.16
Weighted average common shares outstanding	742,663	742,663

See accompanying notes to consolidated financial statements.

Years ended December 31, 2010 and 2009 (In thousands, except per share amounts)	Common stock	Additional paid-in capital	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total share-holders' equity
Balance at January 1, 2009	$ 9,600	$ 42	$ (991)	$ 13,828	$ (2,757)	$ 19,722
Comprehensive income:						
Net income				2,344		2,344
Other comprehensive income (loss) net of tax:						
Adjustment for adoption of other than temporary impairment guidance, net of tax				81	(81)	-
Change in unrealized loss on securities associated with other than temporary impairment, net of reclassification and tax					(53)	
Change in unrealized gain on securities, net of reclassification and tax					1,146	
Changes in funded status of pension plan, net of tax					769	
Total other comprehensive income						1,862
Total comprehensive income:						4,206
Cash dividends declared ($1.21 per share)				(898)		(898)
Balance at December 31, 2009	9,600	42	(991)	15,355	(976)	23,030
Comprehensive income:						
Net income				**2,372**		**2,372**
Other comprehensive income (loss) net of tax:						
Change in unrealized gain on securities, net of reclassification and tax					**50**	
Changes in funded status of pension plan, net of tax					**(461)**	
Total other comprehensive loss						**(411)**
Total comprehensive income:						**1,961**
Cash dividends declared ($1.24 per share)				**(921)**		**(921)**
Balance at December 31, 2010	**$ 9,600**	**$ 42**	**$ (991)**	**$ 16,806**	**$ (1,387)**	**$ 24,070**

See accompanying notes to consolidated financial statements.

(In thousands) Years ended December 31,	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,372	$ 2,344
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	351	385
Provision for loan losses	655	900
Net premium amortization (accretion) on securities	378	(71)
Deferred tax expense	610	201
Gain on call of securities	-	(71)
Other than temporary impairment	-	86
Gain on sale of loans	(427)	(51)
Proceeds from sales of loans held for sale	14,406	2,518
Loans originated and held for sale	(13,979)	(2,467)
Net (gain) loss on sale of other real estate owned	3	(65)
Net decrease in accrued interest receivable	74	207
Net gain on sales and disposal of premises and equipment	(4)	-
Net increase in other assets	(3,811)	(2,623)
Net increase (decrease) in other liabilities	865	(453)
Net cash provided by operating activities	1,493	840
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities, calls and paydowns of securities available for sale	28,651	15,538
Purchases of securities available for sale	(42,008)	(13,495)
Net purchases (redemptions) of FHLB stock	(573)	910
Net loans repaid by customers	17,299	13,823
Proceeds from sale of other real estate owned	227	1,272
Proceeds from sale of premises and equipment	4	-
Purchases of premises and equipment	(412)	(184)
Net cash used in investing activities	3,188	17,864
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	18,751	28,397
Net decrease in short-term FHLB advances	-	(16,850)
Issuance of long-term FHLB borrowings	31,500	-
Repayment of long-term FHLB borrowings	(31,500)	(4,000)
Dividends paid	(921)	(898)
Net cash provided by financing activities	17,830	6,649
Net change in cash and cash equivalents	22,511	25,353
Cash and cash equivalents at beginning of year	29,533	4,180
Cash and cash equivalents at end of year	$ 52,044	$ 29,533

See accompanying notes to consolidated financial statements.

BALLSTON SPA BANCORP, INC. AND SUBSIDIARIES

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Ballston Spa Bancorp, Inc. (the Parent Company) and its subsidiaries (collectively referred to as the Company) conform to accounting principles generally accepted in the United States of America and reporting practices followed by the banking industry. A summary of the more significant policies is described below.

Organization

The Company is a bank-based financial services company. The Parent Company's banking subsidiary, Ballston Spa National Bank (the Bank), is a community-based commercial bank and provides a wide range of banking, financing, fiduciary, brokerage and other financial services to corporate, municipal, and individual customers through its nine branch offices.

The Company has established Ballston Statutory Trust I (the Trust), which was organized for the purposes of (i) issuing and selling 30 year guaranteed preferred beneficial interests in the Company's junior subordinated debentures in the aggregate amount of $5 million bearing interest at the 3 month LIBOR plus 310 basis points; (ii) using the proceeds from the sale of the capital securities to acquire the junior subordinated debentures issued by the Company and (iii) engaging in only those other activities necessary, advisable, or incidental thereto. The junior subordinated debentures are the sole assets of the Trust and, accordingly, payments under the Company obligated junior debentures are the sole revenue of the Trust. All of the common securities of the Trust are owned by the Company. The Company has used the net proceeds from the sale of the capital securities for general business purposes. The Company is not considered the primary beneficiary of this Trust, therefore, the Trust is not consolidated for financial statement purposes and the subordinated debentures are shown as a liability. The junior subordinated debentures qualify as Tier 1 capital under regulatory definitions.

Basis of Presentation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. All material intercompany accounts and transactions have been eliminated. The Company utilizes the accrual method of accounting for financial reporting purposes. Amounts in the prior year's consolidated financial statements have been reclassified whenever necessary to conform with the current year's presentation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Securities

All securities are classified as securities available for sale and are reported at fair value, with net unrealized gains or losses reported, net of taxes, in accumulated other comprehensive income or loss (a separate component of shareholders' equity). Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. The amount of the total OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings.

The amount of the total OTTI related to other factors is recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the OTTI recognized in earnings becomes the new amortized cost basis of the investment. Realized gains or losses on the disposition of securities are based on the net proceeds and the amortized cost of the securities sold, using the specific identification method. The amortized cost of securities is adjusted for amortization of premium and accretion of discount, which is calculated using the effective interest method.

As a member of the Federal Home Loan Bank of New York (FHLB), and Federal Reserve Bank (FRB) the Company is required to hold stock, which is carried at cost since there is no readily available market value.

Loans

Loans are carried at the principal amount outstanding, net of unearned discount, net deferred loan origination fees and costs, and the allowance for loan losses. Unearned discounts and net deferred loan origination fees and costs are accreted to income using the effective interest method. Loans considered doubtful of collection by management are placed on a nonaccrual status for the recording of interest. Generally, loans past due 90 days or more as to principal or interest are placed on nonaccrual status except for (1) those loans which, in management's judgment, are adequately secured and in the process of collection, and (2) certain consumer and open-end credit loans which are usually charged-off when they become 120 days past due. When a loan is placed on nonaccrual status, all previously accrued income that has not been collected is reversed. Subsequent cash receipts are generally applied to reduce the unpaid principal balance; however, interest on loans can also be recognized as cash is received. Amortization of the related unearned discount and net deferred loan fees and costs is suspended when a loan is placed on nonaccrual status. Loans are removed from nonaccrual status when they become current as to principal and interest and when, in the opinion of management, the loans are expected to be fully collectible as to principal and interest.

Allowance for Loan Losses

The allowance for loan losses is a reserve established for probable losses in the loan portfolio. Additions are made to the allowance through provisions, which are charged to expense. All losses of principal are charged to the allowance when incurred or when a determination is made that a loss is expected. Subsequent recoveries, if any, are credited to the allowance.

The adequacy of the allowance for loan losses is determined through a quarterly review of outstanding loans. Historical loss rates are applied to existing loans with similar characteristics. The loss rates used to establish the allowance may be adjusted to reflect management's current assessment of various factors. The impact of economic conditions on the credit-worthiness of the borrowers is considered, as well as loan loss experience, changes in experience, ability and depth of lending management and staff, changes in the composition and volume of the loan portfolio, trends in the volume of past due, nonaccrual and other loans, and management's assessment of the risks inherent in the loan portfolio, as well as other external factors, such as competition, legal developments and regulatory guidelines.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the periods in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expense.

Trust Assets and Service Fees

Assets held by the Company in a fiduciary or agency capacity for its customers are not included in the consolidated balance sheets since these assets are not assets of the Company. Fee income is recognized on the accrual method based on the fair value of assets administered.

Employee Benefit Costs

The Company maintains a noncontributory, defined benefit pension plan covering substantially all employees who meet the eligibility requirements. The plan provides benefits based on the current earnings of each participant, which is subject to certain reductions if the employee retires early. The cost of this plan, based upon the actuarial computation of current and future benefits to employees, is charged to current operating expenses. The plan was closed to anyone hired by the Company subsequent to October 1, 2010. The Company also maintains a 401(k) Retirement Plan for the benefit of those employees who meet certain eligibility requirements and have elected to participate in the Plan. Employee deferrals and employer matching contributions are invested among a variety of investment alternatives at the discretion of the participant.

Comprehensive Income (Loss)

Comprehensive income (loss) represents the sum of net income and items of other comprehensive income or loss, which are reported directly in shareholders' equity, net of tax, such as the change in the net unrealized gain or loss on securities available for sale, and net minimum pension liabilities. Comprehensive (loss) income and its components are included in the consolidated statement of changes in shareholders' equity. Accumulated other comprehensive income or loss, which is a component of shareholders' equity, represents the net unrealized gain or loss on securities available for sale, and net minimum pension liabilities, net of tax.

2. Securities

The amortized cost and approximate fair value of securities available for sale at December 31 are as follows:

	2010			
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Approx. fair value
U.S. Government sponsored entities and agencies	**$ 7,913**	**$ -**	**$ (113)**	**$ 7,800**
State and political subdivisions	**26,410**	**1,028**	**(127)**	**27,311**
Mortgage-backed securities - residential	**39,918**	**1,222**	**(319)**	**40,821**
Collateralized mortgage obligations	**1,381**	**-**	**(187)**	**1,194**
Corporate securities	**8,389**	**628**	**(327)**	**8,690**
Total securities available for sale	**$ 84,011**	**$2,878**	**$ (1,073)**	**$ 85,816**

	2009			
(In thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Approx. fair value
U. S. Treasuries	$ 8,474	$ -	$ (1)	$ 8,473
U.S. Government sponsored entities and agencies	5,001	154	-	5,155
State and political subdivisions	16,505	821	-	17,326
Mortgage-backed securities - residential	31,066	1,088	-	32,154
Collateralized mortgage obligations	1,575	-	(341)	1,234
Corporate securities	8,411	515	(512)	8,414
Total securities available for sale	$ 71,032	$ 2,578	$ (854)	$ 72,756

3. Loans

The components of loans as of December 31, are as follows:

(In thousands)	2010	2009
Residential real estate	$ 133,430	$ 152,206
Commercial real estate	49,944	45,841
Commercial loans	26,231	26,940
Consumer loans	24,939	28,230
Loans	234,544	253,217
Allowance for loan losses	(4,595)	(4,348)
Net loans	$ 229,949	$ 248,869

Changes in the allowance for loan losses for the years ended December 31, were as follows:

(In thousands)	2010	2009
Allowance for loan losses at beginning of year	$ 4,348	$ 3,766
Loan charge-offs:		
Residential real estate	340	167
Commercial real estate	-	2
Commercial loans	-	-
Consumer loans	93	186
Total charge-offs	433	355
Loan recoveries:		
Residential real estate	-	6
Commercial real estate	-	-
Commercial loans	1	8
Consumer loans	24	23
Total recoveries	25	37
Loan charge-offs, net of recoveries	408	318
Provision charged to operations	655	900
Allowance for loan losses at end of year	$ 4,595	$ 4,348

Nonperforming loans as of December 31, were as follows:

(In thousands)	2010	2009
Nonaccrual loans		
Residential real estate	$ 2,446	$ 1,702
Commercial real estate	2,751	708
Commercial loans	287	41
Consumer loans	-	12
Total nonaccruing loans	5,484	2,463
Loans past due 90 days or more and still accruing interest		
Residential real estate	669	189
Commercial real estate	-	-
Commercial loans	-	-
Consumer loans	32	-
Total loans past due 90 days or more and still accruing interest	701	189
Total nonperforming loans	$ 6,185	$ 2,652

4. Borrowings

Short-Term FHLB Advances

The Bank has a line of credit with the FHLB. This short-term borrowing program is based upon an overnight period with interest based generally upon a spread above the current Federal funds rate. In addition, short-term advances with an original maturity of less than one year are classified in this category. The rates on these borrowings can be either fixed or floating. As of December 31, 2010 and 2009, short-term FHLB advances amounted to zero. Short-term FHLB advances are collateralized by FHLB stock and a blanket lien on all residential real estate loans not otherwise pledged.

Long-Term FHLB Advances

Scheduled repayments and callable amounts of long-term FHLB borrowings as of December 31, 2010 are as follows:

(Dollars in thousands)	Scheduled payments	Weighted-average interest rate	Callable amounts	Weighted-average interest rate
Maturing or callable in the year ending December 31,				
2012	$ -	- %	$ -	- %
2013	14,000	3.80	-	-
2014	10,500	3.25	-	-
2015	10,500	3.35	-	-
2016 and thereafter	10,500	3.69	-	-
Total long term FHLB borrowings	$ 45,500	3.54 %	$ -	- %

Long term FHLB borrowings are collateralized by a blanket lien on all residential real estate loans not otherwise pledged.

5. Income Taxes

The components of income tax expense for the years ended December 31 were as follows:

(Dollars in thousands)	**2010**	2009
Current tax expense:		
Federal	**$ 427**	$ 643
State	**1**	1
Deferred tax expense	**610**	201
Total income tax expense	**$ 1,038**	$ 845

The actual tax expense for the years ended December 31, 2010 and 2009 differs from the statutory Federal tax rate due principally to New York State taxes and tax-exempt investment income.

BSNB SALES AND OPERATIONS CENTER

BSNB's new sales and operations center is part of a strategic initiative to create a highly visible and convenient sales location that provides for enhanced customer service and operational efficiency. The 33,000 square foot facility will be located at 990 Route 67 in Ballston Spa and will house a full service branch, loan sales center, and operational areas of the Bank. The building is slated for completion in late 2011.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Robert E. VanVranken, Esq.	*Chairman of the Board, Attorney*
Christopher R. Dowd	*President and Chief Executive Officer*
Michael S. Dunn	*Vice President, Hearst Corporation*
J. Peter Hansen, DVM	*Veterinarian, Retired*
Ronald G. Harrington	*Treasurer, Cottrell Paper Company*
Timothy J. Provost	*Vice-Chairman of the Board, Principal, Sneeringer Monahan Provost Redgrave Title Agency, Inc.*
Stephen E. Strader, MD	*Physician*
Susan M. Watson, CPA	*Certified Public Accountant*

DIRECTORS EMERITI

Robert K. Curtis
Leroy N. Hodsoll
James Whelden
Thomas K. Gallogly
Douglas P. Seholm

EXECUTIVE OFFICERS

Christopher R. Dowd	*President and Chief Executive Officer*
Timothy E. Blow	*Executive Vice President, Corporate Secretary and Chief Financial Officer*
Margaret K. de Koning	*Executive Vice President and Chief Banking Officer*

SENIOR VICE PRESIDENTS

Ervin M. Murray	*Information Technology*
Tammy L. Zaiko	*Trust & Investments*

VICE PRESIDENTS

Donna Doe Avery	*Retail Sales*
John B. Chandler	*Trust & Investments*
Timothy J. Collins	*Commercial Lending*
Leslie S. Dorsey	*Human Resources*
Margaret G. Gavin	*Finance*
William F. MacDuff	*Deposit Operations*
Margaret M. McCanty	*Audit*
Deborah A. Poulin	*Credit Administration*
Frank J. Roberts	*Retail Lending*
Susan M. Slovic	*Marketing*
Chad M. Stoffer	*Commercial Lending*
Thomas M. White	*Trust & Investments*

BSNB
Ballston Spa Bancorp, Inc.

OFFICES

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
428 Hudson Avenue
(518) 664-3200

Wilton
625 Maple Avenue
(518) 583-6608

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