

## A Closer Look

### POINT OF VIEW

We strive to incorporate the customer's point of view in everything we do at BSNB. Keeping that in mind, we are pleased to announce two new checking accounts for members of our community.



### NEW CHECKING ACCOUNT OPTIONS

#### Free Small Business Checking

Earlier this year, we enhanced BSNB's Small Business Checking account by making it more affordable and easier to manage. Small business customers enjoy up to 50 transactions a month at no charge. Plus there is no minimum balance requirement to worry about maintaining.

#### Community Checking

Not-For-Profit organizations provide important services to our community. BSNB's new Community Checking account rewards their efforts with an account that pays interest plus has no minimum balance to maintain and no monthly service charges or per item fees.

**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](http://www.bsnb.com)

Your bank. Your way.



Member FDIC 

## Consolidated Interim Financial Information

March 31, 2009

Your bank. Your way.



**BALLSTON SPA BANCORP, INC.**

## President's Message

## Consolidated Balance Sheets

## Consolidated Income Statements

To Our Shareholders,

We are pleased to report to you that the Company's financial performance is strong and that we are well positioned to meet or exceed long-term goals and objectives. However, as we forecasted, the current economic downturn and corresponding increase in deposit insurance premiums have had a negative impact on our first quarter earnings performance. FDIC insurance premiums and our provision for loan loss expense increased a combined \$387 thousand through the first quarter of 2009 as compared to the same period in 2008. As a result, net income for the three-month period ending March 31, 2009, totaled \$598 thousand or \$0.81 per share, a decrease of 3% from the \$617 thousand or \$0.83 per share reported for the same period in 2008.

The increased costs referenced above were offset by strong growth in our core earnings stream. Net interest income for the three-month period ending March 31, 2009 totaled \$3.4 million, up \$488 thousand or 17% from the same period in 2008. Management continues to actively monitor and manage our exposure to interest rate risk as we do not anticipate this period of low interest rates to continue.

We are also pleased to report that, despite the economic slowdown, nonperforming loans remain at manageable levels and compare favorably to peer. As of March 31, 2009 nonperforming loans totaled 1.31% of total loans, up from 0.90% as of March 31, 2008. In response, management conservatively increased the provision for loan losses to \$300 thousand for the first quarter of 2009, up from \$135 thousand for the first quarter of 2008. Our allowance for loan losses represents a very healthy 1.54% of total loans as of March 31, 2009 as compared with 1.16% as of March 31, 2008.

While we do anticipate further economic volatility and a reactive regulatory environment for the remainder of 2009, management has taken conservative steps to strengthen our balance sheet and position the Bank for future growth opportunities. We have been encouraged by the inroads we have made in the small business market and the corresponding growth in our commercial and commercial real estate loan portfolios. Moreover, we continue to develop and introduce new products and services to strengthen customer relationships and improve operational efficiency. In light of these factors, we remain optimistic about our future.

On behalf of the Board of Directors and employees of BSNB, we thank you for your continued support.

Christopher R. Dowd  
President and Chief Executive Officer

(In thousands)

	March 31, 2009	December 31, 2008
<b>Assets</b>		
Cash and due from banks	\$ 4,802	\$ 4,180
Securities, at fair value	68,533	73,003
FHLB of NY & FRB stock, at cost	3,168	4,007
Loans	262,588	268,565
Allowance for loan losses	(4,035)	(3,766)
Net loans	258,553	264,799
Premises and equipment, net	4,066	4,141
Accrued interest receivable	1,720	1,539
Goodwill	1,595	1,595
Other assets	3,302	3,373
<b>Total Assets</b>	<b>\$ 345,739</b>	<b>\$ 356,637</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
Deposits	\$ 267,515	\$ 260,428
Short-term borrowings	2,200	16,850
Long-term FHLB borrowings	45,500	49,500
Junior subordinated debentures	5,155	5,155
Other liabilities	5,066	4,982
Total liabilities	\$ 325,436	\$ 336,915
<b>Shareholders' Equity:</b>		
Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	42	42
Treasury stock, at cost	(991)	(991)
Retained earnings	14,285	13,828
Accumulated other comprehensive loss	(2,633)	(2,757)
Total shareholders' equity	\$ 20,303	\$ 19,722
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 345,739</b>	<b>\$ 356,637</b>

(In thousands, except per share data)

	For the three months ended March 31,	
	2009	2008
<b>Interest and fee income</b>		
Loans, including fees	\$ 3,942	\$ 4,026
Securities available for sale	825	780
FHLB of NY & FRB stock	11	32
Federal funds sold	-	1
Total interest and fee income	\$ 4,778	\$ 4,839
<b>Interest expense</b>		
Deposits	\$ 779	\$ 1,293
Short-term borrowings	14	82
Long-term FHLB borrowings	482	405
Junior subordinated debentures	58	102
Total interest expense	\$ 1,333	\$ 1,882
Net interest income	3,445	2,957
Provision for loan losses	300	135
Net interest income after provision for loan losses	\$ 3,145	\$ 2,822
<b>Noninterest income</b>		
Service charges on deposit accounts	\$ 157	\$ 170
Trust and investment services income	174	227
Net securities transactions	(19)	51
Other	189	108
Total noninterest income	\$ 501	\$ 556
<b>Noninterest expense</b>		
Compensation and benefits	\$ 1,587	\$ 1,467
Occupancy and equipment	301	329
FDIC and OCC Assessment	253	31
Advertising and public relations	104	38
Legal and professional fees	102	88
Data processing fees	189	173
Other	293	331
Total noninterest expense	\$ 2,829	\$ 2,457
Income before income tax expense	\$ 817	\$ 921
Income tax expense	219	304
<b>Net income</b>	<b>\$ 598</b>	<b>\$ 617</b>
<b>Basic earnings per share</b>		
	\$ 0.81	\$ 0.83