

A Closer Look

Banking Your Way.

"I live local, so why wasn't my bank local? I decided to move my money to BSNB where my deposits are safe and put to good use....helping families and businesses...right here in our neighborhood."

*Excerpt from 2010 BSNB Radio Script

Building on the "Your bank. Your way." theme, the bank's new radio advertising is part of a multi-channel marketing plan emphasizing our commitment to building long-term relationships that benefit both the customer and the community. Additional components of the campaign include outdoor billboards (as shown below) and newspaper advertisements.



To tell our story to new generations, BSNB is also employing emerging technologies. Earlier this year the Bank successfully launched Facebook and Twitter pages. These social media websites allow the Bank to consistently promote our charitable giving and volunteer efforts, showcase both Bank and local events, and act as another channel of communication between the Bank and the community. To learn more about BSNB's online community, please visit us at:

www.facebook.com/YourBSNB
www.twitter.com/BSNB

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
428 Hudson Avenue

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

June 30, 2010

Your bank. Your way.



BALLSTON SPA BANCORP, INC.

President's Message

To our shareholders:

We are pleased to report that the financial performance of Ballston Spa Bancorp, Inc., parent company of BSNB, remains strong. Net income for the six months ending June 30, 2010 totaled \$1.3 million or \$1.72 per share, up 9% from the \$1.2 million or \$1.58 per share reported for the same period in 2009. Results for the first half of 2010 reflect a 7.5% reduction in operating expenses, tighter net interest margins as a result of the down rate environment, and continued growth in our commercial loan portfolios.

Along with the improved earnings performance, the Company continues to build on capital levels well in excess of regulatory minimums. The Bank's Tier 1 capital ratio is 7.95% at June 30, 2010, up from 7.46% at year-end 2009. Nonperforming loans increased during the period to 1.52% of total loans. While elevated due to the current economic environment, problem loan levels are manageable and well protected by supporting collateral. Moreover, our reserve for loan losses now stands at a very healthy 1.83% of total loans, up from 1.72% at year-end 2009.

While we have weathered the recent economic downturn well, the road ahead appears ever more challenging. We anticipate a protracted low rate environment that will put additional pressure on net interest margins. Furthermore, recent financial reform legislation is projected to negatively impact both our cost structure and revenue streams. While difficult in the short term, with a strong balance sheet and staff we are well positioned to achieve our financial goals. We remain focused on the delivery of superior service and value to our customers, the prudent expansion of the Company, and the implementation of our long-term plan.

During the 2nd quarter of 2010, we made progress under our plan as we completed the implementation of a new Customer Relationship Management (CRM) system. The new system will provide for enhanced customer service through the introduction of a communication platform designed to more efficiently monitor and track our business development efforts.

Finally, as previously reported, the Company is progressing with our plans to develop a new sales and operations center in the Town of Ballston. Again, our goal is to create a highly visible and convenient sales location that provides for improved customer service and operational efficiency.

We at BSNB remain committed to building value for our shareholders, customers, staff, and community. On behalf of the BSNB Board of Directors and staff, we thank you for your continued support.

Christopher R. Dowd
President and Chief Executive Officer

Financial Highlights

- Earnings per share increased to \$1.72, up 9% from June 2009.
- Commercial loans increased 4% and total deposits increased 5% since June 2009.
- Operating expenses declined over 7% from the same period in 2009.
- The allowance for loan losses represents 1.83% of total loans and 120% of nonperforming loans.
- The bank's Tier 1 capital ratio is 7.95% at June 30, 2010, up from 7.46% at year end.

Consolidated Balance Sheets

<i>(In thousands)</i>	June 30, 2010	December 31, 2009
Assets		
Cash and cash equivalents	\$ 27,163	\$ 29,533
Securities, at fair value	73,251	72,756
FHLB of NY & FRB stock, at cost	3,127	3,097
Loans	246,192	253,217
Allowance for loan losses	<u>(4,497)</u>	<u>(4,348)</u>
Net loans	<u>241,695</u>	<u>248,869</u>
Premises and equipment, net	4,182	4,097
Other assets	<u>7,063</u>	<u>7,427</u>
Total Assets	\$ <u>356,481</u>	\$ <u>365,779</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 277,986	\$ 288,825
Long-term FHLB borrowings	45,500	45,500
Junior subordinated debentures	5,155	5,155
Other liabilities	<u>3,545</u>	<u>3,269</u>
Total liabilities	<u>\$ 332,186</u>	<u>\$ 342,749</u>
Shareholders' Equity:		
Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	42	42
Treasury stock, at cost	(991)	(991)
Retained earnings	16,174	15,355
Accumulated other comprehensive loss	<u>(530)</u>	<u>(976)</u>
Total shareholders' equity	<u>\$ 24,295</u>	<u>\$ 23,030</u>
Total Liabilities & Shareholders' Equity	\$ <u>356,481</u>	\$ <u>365,779</u>

Consolidated Income Statements

(In thousands, except per share data)

For the six months ended
June 30,

	2010	2009
Interest and fee income		
Loans, including fees	\$ 7,161	\$ 7,732
Securities available for sale	1,225	1,601
FHLB of NY & FRB stock	78	21
Short-term investments	<u>31</u>	<u>4</u>
Total interest and fee income	<u>\$ 8,495</u>	<u>\$ 9,358</u>
Interest expense		
Deposits	\$ 1,192	\$ 1,506
Short-term borrowings	-	14
Long-term FHLB borrowings	923	946
Junior subordinated debentures	<u>87</u>	<u>115</u>
Total interest expense	<u>\$ 2,202</u>	<u>\$ 2,581</u>
Net interest income	6,293	6,777
Provision for loan losses	<u>230</u>	<u>525</u>
Net interest income after provision for loan losses	<u>\$ 6,063</u>	<u>\$ 6,252</u>
Noninterest income		
Service charges on deposit accounts	\$ 303	\$ 314
Trust and investment services income	328	339
Net securities transactions	-	(15)
Other	<u>329</u>	<u>375</u>
Total noninterest income	<u>\$ 960</u>	<u>\$ 1,013</u>
Noninterest expense		
Compensation and benefits	\$ 3,175	\$ 3,200
Occupancy and equipment	525	549
FDIC and OCC assessment	254	516
Advertising and public relations	101	152
Legal and professional fees	166	181
Data processing fees	306	371
Other	<u>697</u>	<u>681</u>
Total noninterest expense	<u>\$ 5,224</u>	<u>\$ 5,650</u>
Income before income tax expense	\$ 1,799	\$ 1,615
Income tax expense	<u>522</u>	<u>444</u>
Net income	<u>\$ 1,277</u>	<u>\$ 1,171</u>
Basic earnings per share	<u>\$ 1.72</u>	<u>\$ 1.58</u>