

A Closer Look

With BSNB's expanded Online Banking services and the introduction of Mobile Banking, there are more ways than ever to bank *your way*.

Expanded Online Banking Services

Continuing with our mission of building for the future, BSNB recently added new features to Online Banking, including secure messaging, a more user-friendly design, and transfers to external accounts. Plus, you can reduce paper and help the environment by accessing your eStatements from within Online Banking.

To see a demo of the new Online Banking program, please visit: www.bsnb.com



Introducing Mobile Banking

Now you can enjoy many of the same features you use in Online Banking from the convenience of your mobile phone. Manage your money anywhere, anytime – with Mobile Banking from BSNB. Our newest service provides on-the-go banking by text message, web browser or phone app. If you already use Online Banking, adding this service is quick and easy. Visit our website for more details or to enroll:

www.bsnb.com/site/mobile_banking.html

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 | facebook.com/YourBSNB | twitter.com/BSNB



Member FDIC



Ballston Spa Bancorp, Inc.

Consolidated Interim Financial Information

June 30, 2011

BALLSTON SPA BANCORP, INC.



**Building for
a successful
future**

President's Message

To our shareholders:

Ballston Spa Bancorp, Inc., parent company of Ballston Spa National Bank, continues to deliver solid financial results. Net income for the six-month period ending June 30, 2011 totaled \$1.2 million or \$1.63 per share, down from the \$1.3 million or \$1.72 per share reported for the same period in 2010. Despite solid growth in our deposit and commercial loan portfolios over the past year, net interest margins have contracted further due to the protracted low rate environment. The combination of these factors coupled with increased operating expenses has led to a modest decline in our earnings performance.

While a change from recent financial trends, we are nevertheless pleased with our performance. Our balance sheet remains strong with ample capital and liquidity to support growth expectations. Problem loans, while elevated, are at manageable levels. Moreover, we maintain a healthy allowance for loan losses that now stands at 1.83% of total loans. As a result of our financial strength, management remains focused on the development and implementation of strategies to build long-term value for our shareholders, customers, and community.

For example, progress continues on the construction of BSNB Corporate Plaza, our new 33,000 square foot sales and operations center located in Ballston Spa. We anticipate occupancy in late 2011. Also, in July of 2011, we further expanded our online banking capabilities setting the stage for the planned introduction of Mobile Banking in August of this year. These and other initiatives underway will serve to enhance the level of service and support we provide to our customers and community.

Our future, however, is not without challenges. As currently designed, the Dodd-Frank Wall Street Reform and Consumer Protection Act presents several challenges to our community bank business model. The Act unnecessarily imposes additional financial and compliance burdens on the community banking system while not adequately addressing the shortcomings in the large bank and mortgage banking regulatory structure. To be clear, these factors combined with recent forecasts for an extended low rate environment have caused us to lower earnings expectations for the coming periods.

Nevertheless, given the strength of our staff, an enhanced platform of products and services, and our financial progress and performance, we are confident that we can overcome these challenges and continue to build value for our shareholders. On behalf of the Board, staff and management, we thank you for your continued support.

Christopher R. Dowd
President and Chief Executive Officer

Financial Highlights

- Commercial loans increased 18.1% and total deposits increased 14.8% since June 2010
- Net interest margin was 3.25% for period ended June 30, 2011, down from 3.56% from the same period in 2010
- Noninterest income increased 10.2% from the same period in 2010
- Non performing loans to total loans declined from 2.64% at December 2010 to 2.56% at June 2011
- The banks Tier 1 Capital ratio is 7.51% at June 30, 2011

Consolidated Balance Sheets

<i>(In thousands)</i>	June 30, 2011	December 31, 2010
Assets		
Cash and due from banks	\$ 1,206	\$ 1,278
Short term investments	58,050	50,766
Securities available for sale, at fair value	80,970	85,816
FHLB of NY & FRB stock, at cost	3,685	3,670
Loans	244,046	234,544
Allowance for loan losses	<u>(4,458)</u>	<u>(4,595)</u>
Net loans	<u>239,588</u>	<u>229,949</u>
Premises and equipment, net	6,030	4,158
Other assets	<u>8,706</u>	<u>9,901</u>
Total Assets	\$ <u>398,235</u>	\$ <u>385,538</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 319,054	\$ 307,576
Long-term FHLB borrowings	45,500	45,500
Junior subordinated debentures	5,155	5,155
Other liabilities	<u>3,350</u>	<u>3,237</u>
Total liabilities	\$ <u>373,059</u>	\$ <u>361,468</u>
Shareholders' Equity:		
Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	42	42
Treasury stock, at cost	(991)	(991)
Retained earnings	17,551	16,806
Accumulated other comprehensive loss	<u>(1,026)</u>	<u>(1,387)</u>
Total shareholders' equity	\$ <u>25,176</u>	\$ <u>24,070</u>
Total Liabilities & Shareholders' Equity	\$ <u>398,235</u>	\$ <u>385,538</u>

Consolidated Income Statements

<i>(In thousands, except per share data)</i>	For the six months ended June 30,	
	2011	2010
Interest and fee income		
Loans, including fees	\$ 6,429	\$ 7,161
Securities available for sale	1,365	1,225
FHLB of NY & FRB stock	104	78
Short term investments	<u>82</u>	<u>31</u>
Total interest and fee income	\$ <u>7,980</u>	\$ <u>8,495</u>
Interest expense		
Deposits	\$ 828	\$ 1,192
Long-term FHLB borrowings	801	923
Junior subordinated debentures	<u>88</u>	<u>87</u>
Total interest expense	\$ <u>1,717</u>	\$ <u>2,202</u>
Net interest income	6,263	6,293
Provision for loan losses	<u>180</u>	<u>230</u>
Net interest income after provision for loan losses	\$ <u>6,083</u>	\$ <u>6,063</u>
Noninterest income		
Service charges on deposit accounts	\$ 268	\$ 303
Trust and investment income	401	328
Other	<u>389</u>	<u>329</u>
Total noninterest income	\$ <u>1,058</u>	\$ <u>960</u>
Noninterest expense		
Compensation and benefits	\$ 3,290	\$ 3,175
Occupancy and equipment	506	525
FDIC and OCC assessment	317	254
Advertising and public relations	214	101
Legal and professional fees	209	166
Data processing	304	306
Other	<u>681</u>	<u>697</u>
Total noninterest expense	\$ <u>5,521</u>	\$ <u>5,224</u>
Income before income tax expense	\$ 1,620	\$ 1,799
Income tax expense	<u>413</u>	<u>522</u>
Net income	\$ <u>1,207</u>	\$ <u>1,277</u>
Basic earnings per share		
	\$ <u>1.63</u>	\$ <u>1.72</u>