

A Closer Look

BSNB is Big on Business

Over the years, BSNB has partnered with many local businesses. Each has a unique story to share regarding their banking relationship with BSNB. We are supporting their positive experiences by featuring customer testimonials on our website as well as in newspaper ads and branch signage. Visit www.bsnb.com to hear what our customers are saying about BSNB.



Go green with eStatements!

As part of our ongoing commitment to the environment and the communities we serve, BSNB is taking steps to lessen the amount of paper we produce. As a result, we are pleased to announce the availability of eStatements. Instead of receiving a paper statement, our customers can opt to view their BSNB account statements from a secure link on our website. Enrollment is quick and easy at www.bsnb.com.

Join our online communities:
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 | [facebook.com/YourBSNB](https://www.facebook.com/YourBSNB) | twitter.com/BSNB

Your bank. Your way.



Ballston Spa National Bank



Member FDIC

Consolidated Interim Financial Information

September 30, 2010

Your bank. Your way.



BALLSTON SPA BANCORP, INC.

President's Message

To our shareholders:

Ballston Spa Bancorp, Inc, parent company of BSNB, continues to deliver solid financial performance in the current fiscal year. Net income totaled \$1.9 million or \$2.56 per share for the nine-month period ending September 30, 2010, up 7.5% from the \$1.8 million or \$2.38 per share reported for the same period in 2009. The improved earnings performance is attributable to several factors including an increase in total deposits of over 10% and commercial loans of 6%. Over the same period, the Company was also able to reduce operating expenses by over 6%.

While very satisfied with our progress and performance, the difficult economic environment has impacted loan portfolio quality measures. Nonperforming loans increased to 1.87% of total loans at September 30, 2010, up from 1.52% a quarter earlier. Despite the increase, these assets remain at manageable levels and are well protected by supporting collateral. Moreover, in light of the deterioration in portfolio quality measures and current economic conditions, management provided an additional \$445 thousand to our reserve for loan losses during the first nine months of 2010. This reserve now stands at a very healthy 1.87% of total loans and 100% of nonperforming loans.

Our balance sheet strength is further exemplified by increased capital levels. The bank's Tier 1 capital ratio is 8.16% as of September 30, 2010, up from 7.98% for the same date in 2009. This trend compares favorably with the regulatory minimum of 5% that defines a well-capitalized institution in our industry.

In light of our solid financial position, the Company continues to progress with plans to develop a new sales and operations center in the Town of Ballston. We anticipate that upon completion in late 2011, the new facility will provide an additional and convenient sales location for our customers and will significantly enhance our visibility in the market. While we have several hurdles yet to clear, we believe the new facility will assist us in delivering superior service and value for our shareholders, customers, staff and community.

With an experienced staff, strong financial condition, and good prospects for regional economic growth, we are optimistic about our future financial success. 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 \$2.56, up 8% from September 2009.
- Commercial loans increased 6% and total deposits increased 10% since September 2009.
- Operating expenses declined over 6% from the same period in 2009.
- The allowance for loan losses represents 1.87% of total loans and 100% of nonperforming loans.
- The bank's Tier 1 capital ratio is 8.16% at September 30, 2010, up from 7.46% at year end.

Consolidated Balance Sheets

<i>(In thousands)</i>	September 30, 2010	December 31, 2009
Assets		
Cash and cash equivalents	\$ 67,321	\$ 29,533
Securities, at fair value	68,136	72,756
FHLB of NY & FRB stock, at cost	3,509	3,097
Loans	241,064	253,217
Allowance for loan losses	<u>(4,504)</u>	<u>(4,348)</u>
Net loans	<u>236,560</u>	<u>248,869</u>
Premises and equipment, net	4,146	4,097
Other assets	<u>8,923</u>	<u>7,427</u>
Total Assets	\$ <u>388,595</u>	\$ <u>365,779</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 309,396	\$ 288,825
Long-term FHLB borrowings	45,500	45,500
Junior subordinated debentures	5,155	5,155
Other liabilities	<u>3,604</u>	<u>3,269</u>
Total liabilities	<u>\$ 363,655</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	16,566	15,355
Accumulated other comprehensive loss	<u>(277)</u>	<u>(976)</u>
Total shareholders' equity	<u>\$ 24,940</u>	<u>\$ 23,030</u>
Total Liabilities & Shareholders' Equity	\$ <u>388,595</u>	\$ <u>365,779</u>

Consolidated Income Statements

(In thousands, except per share data)

For the nine months ended
September 30,

	2010	2009
Interest and fee income		
Loans, including fees	\$ 10,644	\$ 11,471
Securities available for sale	1,860	2,335
FHLB of NY & FRB stock	113	32
Short-term investments	<u>49</u>	<u>13</u>
Total interest and fee income	<u>\$ 12,666</u>	<u>\$ 13,851</u>
Interest expense		
Deposits	\$ 1,657	\$ 2,167
Short-term borrowings	-	14
Long-term FHLB borrowings	1,360	1,415
Junior subordinated debentures	<u>136</u>	<u>163</u>
Total interest expense	<u>\$ 3,153</u>	<u>\$ 3,759</u>
Net interest income	<u>9,513</u>	<u>10,092</u>
Provision for loan losses	<u>445</u>	<u>675</u>
Net interest income after provision for loan losses	<u>\$ 9,068</u>	<u>\$ 9,417</u>
Noninterest income		
Service charges on deposit accounts	\$ 448	\$ 472
Trust and investment services income	529	498
Net securities transactions	-	(15)
Gain on sale of loans	150	28
Other	<u>480</u>	<u>533</u>
Total noninterest income	<u>\$ 1,607</u>	<u>\$ 1,516</u>
Noninterest expense		
Compensation and benefits	\$ 4,868	\$ 4,824
Occupancy and equipment	771	787
FDIC and OCC assessment	387	808
Advertising and public relations	180	197
Legal and professional fees	255	255
Data processing fees	462	560
Other	<u>1,055</u>	<u>1,061</u>
Total noninterest expense	<u>\$ 7,978</u>	<u>\$ 8,492</u>
Income before income tax expense	<u>\$ 2,697</u>	<u>\$ 2,441</u>
Income tax expense	<u>795</u>	<u>671</u>
Net income	\$ <u>1,902</u>	\$ <u>1,770</u>
Basic earnings per share	\$ <u>2.56</u>	\$ <u>2.38</u>