

A Closer Look

COMMITMENT TO YOUTH

BSNB is proud to support area students by providing access to enrichment programs as well as scholarship opportunities. Working together with our schools, we are confident that we can make a positive difference.



Robotics Team - BSNB is the proud financial sponsor of Team Robonator, an enthusiastic group of Ballston Spa High School students that competed in the *FIRST* Robotics Competition earlier this year. The team created the robot pictured above.

Scholarship Program –Through its Charitable Foundation, BSNB established scholarship programs in the Ballston Spa, Burnt Hills-Ballston Lake, Galway and Stillwater school districts. Scholarships will be awarded each year to graduating seniors who have demonstrated a record of academic achievement in the areas of math, science, engineering or business while also exemplifying a commitment to community service.

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

Your bank. Your way.



Ballston Spa Bancorp, Inc.

Member FDIC 

Consolidated Interim Financial Information

June 30, 2009

Your bank. Your way.



BALLSTON SPA BANCORP, INC.

To our shareholders:

Ballston Spa Bancorp, Inc.'s financial performance continues to benefit from the execution of our long-term plan. We are very pleased to report on the solid growth experienced in net interest income, the growth in commercial loans and deposits, and the overall strength of our balance sheet. However, as previously reported, the economic downturn nationally has resulted in a substantial increase in premiums assessed by the FDIC and an increase in our provision for loan loss expense. As a result, net income for the six months ended June 30, 2009 totaled \$1.2 million, down from the \$1.4 million reported for the same period in 2008.

Like all FDIC-insured institutions, our FDIC insurance premiums increased in 2009 due to the FDIC's efforts to replenish their depleted reserve fund. Including a \$165 thousand special assessment, the cost of FDIC insurance premiums has increased \$451 thousand for the first six months of 2009 as compared to the same period in 2008.

Despite the economic downturn, our asset quality remains strong. Nonperforming loans as of June 30, 2009 totaled 1.16% of total loans. This level is down modestly from December 31, 2008 and continues to compare favorably to our peers. Management, however, continues to closely monitor economic activity and the impact on loan portfolio quality. In light of the uncertain economic conditions nationally, management has increased the provision for loan losses to \$525 thousand for the first six months of 2009, up \$195 thousand from the same period in 2008. As a result, our allowance for loan losses increased to a very healthy 1.62% of total loans as of June 30, 2009.

We are pleased that our efforts to manage the balance sheet in these challenging times have placed us in a strong position to further pursue a growth strategy. With strong loan quality and capital levels, we are well-positioned to execute our long-term plan and have continued to experience solid growth in the commercial banking market. As of June 30, 2009, commercial and commercial real estate loans totaled \$71.3 million, an increase of 16.4% from June 30, 2008. The positioning of our balance sheet has also resulted in an 8.7% jump in net interest income for the six months ending June 30, 2009 as compared to the same period in 2008. While we do expect some margin contraction with an anticipated rise in short-term interest rates in 2010, in light of our experienced staff and enhanced market position, we look forward to continued financial success in the coming months.

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

Christopher R. Dowd
President and Chief Executive Officer

(In thousands)

	June 30, 2009	December 31, 2008
Assets		
Cash and due from banks	\$ 7,646	\$ 4,180
Securities, at fair value	63,726	73,003
Federal Funds sold	3,000	-
FHLB of NY & FRB stock, at cost	3,100	4,007
Loans	257,576	268,565
Allowance for loan losses	(4,168)	(3,766)
Net loans	253,408	264,799
Premises and equipment, net	4,025	4,141
Accrued interest receivable	1,636	1,539
Goodwill	1,595	1,595
Other assets	4,541	3,373
Total Assets	\$ 342,677	\$ 356,637
Liabilities and Shareholders' Equity		
Liabilities:		
Deposits	\$ 265,834	\$ 260,428
Short-term borrowings	-	16,850
Long-term FHLB borrowings	45,500	49,500
Junior subordinated debentures	5,155	5,155
Other liabilities	5,507	4,982
Total liabilities	\$ 321,996	\$ 336,915
Shareholders' Equity:		
Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	42	42
Treasury stock, at cost	(991)	(991)
Retained earnings	14,635	13,828
Accumulated other comprehensive loss	(2,605)	(2,757)
Total shareholders' equity	\$ 20,681	\$ 19,722
Total Liabilities & Shareholders' Equity	\$ 342,677	\$ 356,637

(In thousands, except per share data)

	For the six months ended June 30,	
	2009	2008
Interest and fee income		
Loans, including fees	\$ 7,732	\$ 8,135
Securities available for sale	1,601	1,501
FHLB of NY & FRB stock	21	84
Due From banks	1	4
Federal funds sold	3	3
Total interest and fee income	\$ 9,358	\$ 9,727
Interest expense		
Deposits	\$ 1,506	\$ 2,319
Short-term borrowings	14	115
Long-term FHLB borrowings	946	881
Junior subordinated debentures	115	176
Total interest expense	\$ 2,581	\$ 3,491
Net interest income	6,777	6,236
Provision for loan losses	525	330
Net interest income after provision for loan losses	\$ 6,252	\$ 5,906
Noninterest income		
Service charges on deposit accounts	\$ 314	\$ 343
Trust and investment services income	339	403
Net securities transactions	(15)	51
Other	375	243
Total noninterest income	\$ 1,013	\$ 1,040
Noninterest expense		
Compensation and benefits	\$ 3,200	\$ 2,916
Occupancy and equipment	549	620
FDIC and OCC Assessment	516	63
Advertising and public relations	152	101
Legal and professional fees	181	171
Data processing fees	371	338
Other	681	713
Total noninterest expense	\$ 5,650	\$ 4,922
Income before income tax expense	\$ 1,615	\$ 2,024
Income tax expense	444	668
Net income	\$ 1,171	\$ 1,356
Basic earnings per share		
	\$ 1.58	\$ 1.83