

A Closer Look

Home Equity

Your home is more than your castle. It's a trip to Europe, college tuition, your daughter's wedding, a new car....and



more. With a BSNB home equity loan, there's virtually no limit to what your home can be. This fall, BSNB is offering low fixed-rates and a variety of terms on home equity loans....and making customers feel like royalty.



Personal Service

In our continued effort to deliver customer service excellence, we conducted a survey of BSNB clients. Our customers confirmed that the service they are receiving meets or exceeds the

standards we have set for our staff members. We learned that our customers feel valued as they are greeted by name and given personal attention. They notice and appreciate our focus on community as we emphasize employee support, and the fact that we have remained a local independent bank for more than 170 years.

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



Ballston Spa Bancorp, Inc.

Your bank. Your way.



Consolidated Interim Financial Information

September 30, 2009

Your bank. Your way.



BALLSTON SPA BANCORP, INC.

President's Message

To our shareholders:

We are pleased to report that the financial performance for Ballston Spa Bancorp, Inc., parent company of Ballston Spa National Bank, remains strong. Net income for the nine months ending September 30, 2009 totaled \$1.8 million or \$2.38 per share, down modestly from the \$2.0 million reported for the same period in 2008. A 4.6% increase in net interest income helped offset a more than \$1.1 million increase in FDIC insurance premiums and pension costs experienced during the nine-month period ending September 30, 2009. Effective utilization of wholesale funding sources, coupled with solid growth in our commercial loan portfolio and our deposit balances led to the increase in net interest income. While the national economic downturn has and will continue to negatively impact our cost structure, management is encouraged by the financial results for the period and believes that there are ample growth opportunities for well-capitalized and financially strong community banks in this market.

With this in mind, we are pleased to report on the continued strength of our capital position. As of September 30, 2009, our tier-one leverage capital ratio totaled 7.98%, up from 7.32% reported a year earlier. This level compares favorably to the regulatory minimum of 5.0% to be considered a well-capitalized institution in the industry.

Asset quality also remains strong. Nonperforming loan levels equaled 1.21% of total loans as of September 30, 2009, essentially on par with the 1.17% reported at year-end 2008 and well below industry averages for this period. The allowance for loan losses represented a very healthy 1.67% of total loans as of September 30, 2009, up from 1.26% a year earlier.

While there remains a great deal of economic uncertainty nationally, we foresee additional growth opportunities regionally due to the impact of the Global Foundries Technology Campus development and the widespread disruption in the financial services industry. Our investment in technological solutions and staffing resources continues to yield positive returns and, coupled with our financial strength, positions the Bank well to meet the expanding needs of this market. Consistent with our long-term plan, we expect to further deploy our capital and funding resources in support of the prudent expansion of our community banking model.

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

Christopher R. Dowd
President and Chief Executive Officer

Consolidated Balance Sheets

Consolidated Income Statements

(In thousands)

(In thousands, except per share data)

	September 30, 2009	December 31, 2008
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	For the nine months ended September 30,	
	2009	2008

Assets

Cash and due from banks	\$ 27,511	\$ 4,180	Loans, including fees	\$ 11,471	\$ 12,216
Securities, at fair value	<u>67,826</u>	73,003	Securities available for sale	<u>2,335</u>	2,294
Federal funds sold	<u>3,000</u>	-	FHLB of NY & FRB stock	<u>32</u>	148
FHLB of NY & FRB stock, at cost	<u>3,097</u>	4,007	Due from banks	<u>7</u>	5
Loans	<u>251,138</u>	268,565	Federal funds sold	<u>6</u>	<u>3</u>
Allowance for loan losses	<u>(4,202)</u>	<u>(3,766)</u>	Total interest and fee income	<u>\$ 13,851</u>	\$ 14,666
Net loans	<u>246,936</u>	<u>264,799</u>			
Premises and equipment, net	<u>4,152</u>	4,141			
Accrued interest receivable	<u>1,447</u>	1,539			
Goodwill	<u>1,595</u>	1,595			
Other assets	<u>2,754</u>	<u>3,373</u>			
Total Assets	\$ 358,318	\$ 356,637			

Liabilities and Shareholders' Equity

Liabilities:

Deposits	\$ 280,016	\$ 260,428
Short-term borrowings	-	16,850
Long-term FHLB borrowings	<u>45,500</u>	49,500
Junior subordinated debentures	<u>5,155</u>	5,155
Other liabilities	<u>5,400</u>	<u>4,982</u>
Total liabilities	<u>\$ 336,071</u>	<u>\$ 336,915</u>

Shareholders' Equity:

Common stock	\$ 9,600	\$ 9,600
Additional paid-in capital	<u>42</u>	42
Treasury stock, at cost	<u>(991)</u>	<u>(991)</u>
Retained earnings	<u>15,011</u>	13,828
Accumulated other comprehensive loss	<u>(1,415)</u>	<u>(2,757)</u>
Total shareholders' equity	<u>\$ 22,247</u>	<u>\$ 19,722</u>

Total Liabilities & Shareholders' Equity **\$ 358,318** **\$ 356,637**

Interest and fee income

Deposits	\$ 2,167	\$ 3,121
Short-term borrowings	<u>14</u>	337
Long-term FHLB borrowings	<u>1,415</u>	1,307
Junior subordinated debentures	<u>163</u>	256
Total interest expense	<u>\$ 3,759</u>	<u>\$ 5,021</u>
Net interest income	<u>10,092</u>	9,645
Provision for loan losses	<u>675</u>	845
Net interest income after provision for loan losses	<u>\$ 9,417</u>	<u>\$ 8,800</u>

Noninterest income

Service charges on deposit accounts	\$ 472	\$ 516
Trust and investment services income	<u>498</u>	643
Net securities transactions	<u>(15)</u>	52
Other	<u>561</u>	353
Total noninterest income	<u>\$ 1,516</u>	<u>\$ 1,564</u>

Noninterest expense

Compensation and benefits	\$ 4,824	\$ 4,445
Occupancy and equipment	<u>787</u>	898
FDIC and OCC assessment	<u>808</u>	98
Advertising and public relations	<u>197</u>	167
Legal and professional fees	<u>255</u>	242
Data processing fees	<u>560</u>	510
Other	<u>1,061</u>	1,052
Total noninterest expense	<u>\$ 8,492</u>	<u>\$ 7,412</u>
Income before income tax expense	<u>2,441</u>	2,952
Income tax expense	<u>671</u>	930
Net income	\$ 1,770	\$ 2,022

Basic earnings per share

Basic earnings per share	\$ 2.38	\$ 2.72
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