



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 6, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Ballston Spa National Bank
Charter Number 1253**

**P.O. Box 70
87 Front Street
Ballston Spa, NY 12020**

**Comptroller of the Currency
ADC Upstate New York (Syracuse)
231 Salina Meadows Parkway, Suite 105
Syracuse, NY 13212**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING

This institution is rated “Satisfactory” based on the following:

- Ballston Spa National Bank’s (BSNB) average loan-to-deposit ratio of 74% meets the standards for satisfactory performance based on the bank’s financial condition, and assessment area credit needs.
- BSNB meets the standard for satisfactory performance for loans originated within the bank’s assessment area.
- BSNB’s lending performance meets the standard for satisfactory performance based on the distribution of credit to borrowers of different income levels and lending to businesses of different sizes.
- The geographic distribution of loan originations meets the standard for satisfactory performance based on the distribution of credit to borrowers and businesses in different geographies (i.e., a census tract or block numbering area).
- BSNB has not received any CRA related complaints during this evaluation period.

DESCRIPTION OF INSTITUTION

BSNB is a \$275 million community bank headquartered in Ballston Spa, New York, approximately 25 miles northwest of Albany, New York, and has 10 locations in Saratoga County in New York State. BSNB is wholly owned by Ballston Spa Bancorp., Inc., a one-bank holding company. As of June 30, 2003, the bank had total assets of \$275 million consisting mainly of \$152 million (55%) in loans and \$102 million (37%) in investments. The bank’s deposits totaled \$243 million.

BSNB’s assessment area (AA) includes 43 geographies in Saratoga County and one in Schenectady County. The one geography in Schenectady County is included due to the fact that the bank’s Burnt Hills Office, located in Saratoga County, is situated directly adjacent to the Schenectady County line. BSNB has 10 offices serving the AA and all 10 offices are located in middle- or upper-income geographies within the AA. All offices offer 24-hour ATM services. All offices except the Prestwick office offer drive thru and Saturday services. The Prestwick office is physically located within the Prestwick Chase Retirement Community and provides services primarily to those residents.

BSNB does not have any legal, financial or other factors that would impede its ability to help meet the credit needs in its defined AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate- income geographies. At the last CRA examination, dated March 15, 1999, BSNB demonstrated a satisfactory level of performance, meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The AA consists of 43 geographies in Saratoga County and one in Schenectady County. The 44 geographies are located in the Albany-Schenectady-Troy Metropolitan Statistical Area (MSA 0160). This AA contains no low-income, five moderate-income, 28 middle-income, and nine upper-income geographies and two are not designated for income (N/A). The AA has a total population of 187,478 consisting of 50,636 families and 68,747 households. The family income distribution in the AA consists of 14.39% low-income, 18.06% moderate-income, 25.64% middle-income and 41.91% upper-income. Of the 77,426 housing units in the AA, 64.73% are owner-occupied, 23.99% are renter-occupied and 11.28% are vacant. The median housing value in the AA is \$104,569 with a median housing age of 38 years.

The table below further describes the distribution of the population, families, and households based on geographic income categories.

<i>Selected Characteristics by Income Category of the Geography</i>					
<i>Geographic Income Category</i>	<i>Percentage</i>				
	<i>Geographies</i>	<i>Population</i>	<i>Families</i>	<i>Households</i>	<i>Owner-Occupied Units</i>
<i>Low</i>	0.00%	0.00%	0.00%	0.00%	0.00%
<i>Moderate</i>	11.36%	10.88%	9.85%	10.65%	9.70%
<i>Middle</i>	68.18%	68.03%	68.42%	69.44%	67.60%
<i>Upper</i>	20.46%	21.09%	21.73%	19.91%	22.70%
<i>Total</i>	100.00%	100.00%	100.00%	100.00%	100.00%

The 1990 U. S. Census Median Family Income for the Albany-Schenectady-Troy MSA is \$39,425. This figure is used to determine the income designation of the MSA's geographies. The Updated Median Family Income for this MSA is \$55,500. This figure was used to evaluate the income level of borrowers for consumer installment loans.

The New York State unemployment rate for September 2003 was 6.3%; the Albany-Schenectady-Troy MSA was 3.7%. The unemployment rate for Saratoga County was 3.1%. Employment is mostly in the services industry (33.99%), retail trade (17.24%) and manufacturing (16.06%). Competition is relatively strong from various global, regional and community financial institutions with offices in and around BSNB's AA. We conducted a community contact meeting with an organization whose primary mission is establishing affordable housing and general economic and neighborhood revitalization in the Capital District area. This contact indicated that financial assistance in affordable housing and affordable home repairs were the primary credit needs of the AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This evaluation of BSNB's loan performance covers the period from January 1, 1999 through December 31, 2002. The evaluation includes an analysis of the bank's performance lending in the AA.

Based on a discussion with management and a review of the new loan reports for 1999 through 2002, we determined the bank's primary products to be business loans (44.31% of dollar and 16.06% of total number of loans) and consumer installment loans (18.33% of dollar and 65.29% of total number of loans). Both products were weighted equally in our evaluation. The business loans consisted of all the banks business loans except those secured by commercial mortgages. The consumer installment loans were primarily indirect automobile loans. For the purpose of evaluating the bank's performance of lending within the AA, we chose a sample of 20 loans of each primary product type, or 40 loans total.

Loan-to-Deposit Ratio

BSNB's loan-to-deposit ratio meets the standard for satisfactory performance for similarly situated banks located in their AAs. Since the last CRA examination, BSNB has had an average loan-to-deposit ratio of 73.84%. Three similarly situated banks selected for comparison have loan-to-deposit ratios ranging from 67.35% to 73.86%.

Lending within the Assessment Area

Lending within the AA meets the standard for satisfactory performance. Our sample of consumer installment loans disclosed 15 loans (75.00%) were made in the bank's AA. Our sample of business loans disclosed 19 loans (95.00%) were made in the AA. Overall, our sample disclosed 34 loans (85.00%) were in the AA.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

BSNB's record of lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance.

The following table shows the consumer installment loan sample data compared to the AA household distribution data, by income level.

Consumer Installment Loans			
Borrower Income Level	Number of Loans	Percent to Total	Household Distribution Percentage
Low	3	15.00%	17.35%
Moderate	6	30.00%	15.00%
Middle	5	25.00%	20.93%
Upper	6	30.00%	46.72%
NA	0	0.00%	0.00%
Total	20	100.00%	100.00%

The borrower distribution of consumer installment loans to low-income borrowers in the AA meets the standard for satisfactory performance when compared to the distribution of low-income households. The borrower distribution of installment loans to moderate-income borrowers in the AA exceeds the standard for satisfactory performance when compared to the distribution of moderate-income households.

The following table shows the bank's lending to businesses of different sizes compared to the AA business demographics.

Business Loans	Number of Loans	Percent to Total	Distribution of Businesses
Loans with Rev<=\$1Million	16	80%	86.25%
Loans with Rev>\$1Million	4	20%	13.75%
Total	20	100.00%	100.00%

Lending to businesses of different sizes in the bank's AA meets the standards for satisfactory performance. The percentage of bank loans to businesses with gross annual revenues less than or equal to one million dollars is near to the distribution of these businesses in the AA.

The bank provided a few Community Development (CD) loans and lending related CD investments for our consideration. These CD activities consisted of \$210,000 in loans and \$45,000 in lending related investments, which are provided to qualified Community Development Financial Institutions for the purpose of re-lending them to borrowers at below market rates. These activities provided further support for the bank meeting the standards for satisfactory performance of lending to borrowers of different incomes.

Geographic Distribution of Loans

BSNB's geographic distribution of loans meets the standard for satisfactory performance.

The following table shows the geographic distribution of the bank's consumer installment loans compared to the owner occupied housing, by income level of geography.

Consumer Installment Loans			
Geography Income Level	Number of Loans	Percent to Total	Owner Occupied Housing
Low	0	0.00%	0.00%
Moderate	2	10.00%	9.70%
Middle	16	80.00%	67.60%
Upper	2	10.00%	22.70%
Total	20	100.00%	100.00%

The geographic distribution of consumer installment loans meets the standard for satisfactory performance. The geographic distribution for consumer installment loans in moderate-income geographies is near to the percentage of owner occupied housing in the AA. There are no low-income geographies in the AA.

The following table compares the sample of business loans by geography income to the percentage of businesses in those same geographies.

Business Loans			
Geography Income Level	Number of loans	Percent of Total	Percentage of Businesses
Low	0	0.00%	0.00%
Moderate	1	5.00%	9.09%
Middle	17	85.00%	64.56%
Upper	2	10.00%	26.35%
Total	20	100.00%	100.00%

The geographic distribution of consumer installment loans meets the standard for satisfactory performance. The geographic distribution for business loans made in moderate-income geographies is reasonable compared to the businesses located in moderate-income geographies. There are no low-income geographies in the AA.

Responses to Complaints

BSNB has not received any CRA-related complaints during this evaluation period.

Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.