

OFFICERS
Salisbury Bancorp, Inc.

John F. Perotti, *Chairman & CEO*
Richard J. Cantele, Jr., *President, COO & Secretary*
John F. Foley, *CFO & Treasurer*

DIRECTORS
Salisbury Bancorp, Inc.
and Salisbury Bank and Trust Company

Louis E. Allyn II	Nancy F. Humphreys
John R. H. Blum, <i>Presiding Director</i>	John F. Perotti, <i>Chairman</i>
Louise F. Brown	Walter C. Shannon, Jr.
Richard J. Cantele, Jr.	Holly J. Nelson
Robert S. Drucker	Michael A. Varet

SBT ADVISORY BOARD

Mary Cooper	Jean R. Perotti
Edward O. Heacox	Barclay Prindle
Mary T. Kirby	Richard Rennia
Eileen M. Mulligan	John P. Tuke

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SBT Link
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Local 824-8262

STOCK LISTING:

Salisbury Bancorp, Inc.'s common stock is traded on the American Stock Exchange under the symbol "SAL"

WEBSITE:

www.salisburybank.com

SHAREHOLDER INFORMATION

Stock Transfer Agent & Registrar
Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
1-800-368-5948

MAIN OFFICE
5 Bissell Street
Lakeville, Connecticut 06039
Facsimile (860) 435-0631

CANAAN OFFICE
100 Main Street
Canaan, Connecticut 06018
Facsimile (860) 824-7506

SALISBURY OFFICE
18 Main Street
Salisbury, Connecticut 06068
Facsimile (860) 435-5216

SHARON OFFICE
29 Low Road
Sharon, Connecticut 06069
Facsimile (860) 364-4318

SOUTH EGREMONT OFFICE
51 Main Street
South Egremont, Massachusetts 01258-0313
Telephone (413) 528-5100
Facsimile (413) 528-8868

SHEFFIELD OFFICE
73 Main Street
Sheffield, Massachusetts 01257-1069
Telephone (413) 229-5000
Facsimile (413) 229-2388

**SBT TRUST & INVESTMENT
SERVICES OFFICE**
19 Bissell Street
Lakeville, Connecticut 06039
Facsimile (860) 435-5224

SBT MORTGAGE MAKERS
18A Main Street
Salisbury, CT 06068
Facsimile (860) 435-4005

Fourth Quarter Report
December 31, 2005

SALISBURY BANCORP, INC.

the holding company for



**SALISBURY BANK
AND TRUST COMPANY**

**with offices in Canaan,
Lakeville, Salisbury and Sharon,
Connecticut, South Egremont and
Sheffield, Massachusetts**

Member FDIC  Equal Housing Lender

To Our Shareholders, Customers and Friends:

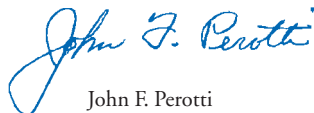
I am pleased to report that 2005 was the eleventh consecutive year that net income increased over the previous year. Net income totaled \$4,561,341 for the twelve month period ended December 31, 2005. This represents a 13.50% increase when comparing net income of \$4,018,942 for 2004. Earnings per average outstanding share for 2005 totaled \$2.71 and compares to \$2.67 for 2004.

The primary goal of our 2005 business plan was to ensure that the third quarter 2004 merger with The Canaan National Bank would result in accretion to earnings within one year. Our year of transition was, overall, successful. Community banking loan growth was 6.7%. Return on average assets remained consistent at 1.12% compared to 1.14% the previous year. Our capital-to-assets ratio remains strong at 10.29%. This provides us multiple opportunities for capital deployment while remaining a "well capitalized" bank by regulatory standards. Additionally, 2005 was a successful year for our Trust and Investment Services Division. Assets under management increased 4.2% to \$306 million and income increased 11.4% to \$1,571,000.

Your Board of Directors declared a fourth quarter cash dividend of \$.25 per common share. This compares to a fourth quarter cash dividend of \$.24 that was declared in 2004. Year-to-date dividends declared total \$1.00 per share for the year 2005, and compares to total dividends of \$.96 declared during the year 2004. This represents an increase of \$.04 or 4.2%. The dividend was paid on January 31, 2006 to shareholders of record as of December 30, 2005.

We continue to step up our efforts to enhance customer convenience and to providing easier access to their hometown bank from virtually anywhere they live or work. More than ever our customers enjoy our online banking and electronic bill-pay services and our telephone banking which features easy self service options. Through these channels we are able to offer a broad range of banking and investment services. We encourage you to visit our website (www.salisburybank.com), the Company's bulletin board for communicating important information to shareholders. Additionally, we welcome your thoughts and suggestions on how to improve communications to shareholders.

I would like to take this opportunity to thank our shareholders and customers for their confidence in Salisbury Bank and Trust Company. Special thanks to the Board of Directors, SBT Advisory Board, our officers and staff. We have assembled a great team that is dedicated to developing and delivering products to meet the financial needs of our customers and to providing exemplary service to our customers. Together the results of our efforts will continue to enhance shareholder value.



John F. Perotti
Chairman & CEO

CONSOLIDATED STATEMENTS OF CONDITION

	December 31	
	2005 (audited)	2004 (audited)
Assets		
Cash and due from banks	\$ 9,084,651	\$ 8,464,604
Federal funds sold	0	2,271,000
Money market mutual funds	1,119,724	941,890
Investments in available-for-sale securities at fair value	145,608,297	178,654,748
Investments in held-to-maturity securities at amortized cost	146,856	218,374
Federal Home Loan Bank Stock	5,413,200	5,413,200
Loans, net	215,989,149	202,353,499
Investment in real estate	75,000	75,000
Premises & equipment	6,451,979	5,933,978
Goodwill	9,509,305	9,509,305
Core deposit intangible	1,657,715	1,822,131
Accrued interest receivable	2,362,924	2,256,499
Cash surrender value of life insurance policies	3,424,186	3,293,548
Other assets	2,079,307	1,893,029
Total assets	<u>\$402,922,293</u>	<u>\$423,100,805</u>
Liabilities		
Deposits:		
Demand	\$ 63,995,665	\$ 65,017,207
Savings, NOW	77,466,958	93,156,430
Money market	57,400,698	49,206,281
Time deposits	88,407,881	91,461,928
Total deposits	287,271,202	298,841,846
Federal Home Loan Bank advances	71,015,614	79,213,283
Due to broker	0	1,083,331
Other liabilities	3,193,154	3,262,745
Total liabilities	<u>361,479,970</u>	<u>382,401,205</u>
Shareholders' Equity		
Common stock, par value \$.10 per share		
Authorized: 3,000,000 shares		
Issued and outstanding shares		
1,683,341 in 2005		
and 1,682,401 in 2004	168,334	168,240
Paid-in capital	13,068,045	13,031,573
Retained earnings	31,100,702	28,222,466
Accumulated other comprehensive loss	(2,894,758)	(722,679)
Total shareholders' equity	<u>41,442,323</u>	<u>40,699,600</u>
Total liabilities and shareholders' equity	<u>\$402,922,293</u>	<u>\$423,100,805</u>

CONSOLIDATED STATEMENTS OF INCOME

	Twelve Months Ended December 31	
	2005 (audited)	2004 (audited)
Interest & fees on loans	\$ 13,319,930	\$ 9,592,478
Interest & dividends on securities	7,496,453	6,958,540
Total interest and dividend income	<u>20,816,383</u>	<u>16,551,018</u>
Interest expense on deposits	4,171,360	2,738,680
Interest expense on borrowed funds	3,180,591	2,920,316
Total interest expense	<u>7,351,951</u>	<u>5,658,996</u>
Net interest and dividend income	13,464,432	10,892,022
Provision for loan losses	210,000	250,000
Net interest and dividend income after provision for loan losses	<u>13,254,432</u>	<u>10,642,022</u>
Trust/Investment services income	1,571,311	1,410,814
Other non interest income	3,293,793	3,344,367
Other non interest expense	12,443,782	10,603,313
Provision for income taxes	1,114,413	774,948
Net income	<u>\$4,561,341</u>	<u>\$ 4,018,942</u>

CONSOLIDATED STATEMENTS OF INCOME

Three Months Ended December 31	2005 (unaudited)		2004 (unaudited)	
Interest & fees on loans	\$ 3,508,893	\$ 2,892,584		
Interest & dividends on securities	1,931,644	1,983,831		
Total interest and dividend income	<u>5,440,537</u>	<u>4,876,415</u>		
Interest expense on deposits	1,209,438	862,391		
Interest expense on borrowed funds	847,251	865,224		
Total interest expense	<u>2,056,689</u>	<u>1,727,615</u>		
Net interest and dividend income	3,383,848	3,148,800		
(Benefit) provision for loan losses	(60,000)	70,000		
Net interest and dividend income after benefit for loan losses	<u>3,443,848</u>	<u>3,078,800</u>		
Trust/Investment services income	452,182	403,414		
Other non interest income	522,869	1,013,514		
Other non interest expense	3,384,417	3,280,309		
Provision for income taxes	241,288	160,193		
Net income	<u>\$ 793,194</u>	<u>\$ 1,055,226</u>		

SELECTED FINANCIAL DATA

	At or for the twelve months ended December 31		
	2005	2004	2003
	(audited)	(audited)	(audited)
Total risk based capital	15.76%	12.13%	16.44%
Tier 1 risk based capital	14.58%	11.12%	15.35%
Leverage ratio	8.27%	7.22%	8.05%
Earnings per average share outstanding	\$2.71	\$2.67	\$2.70

Dividends declared per share Year to Date

