

OFFICERS

Salisbury Bancorp, Inc.

John F. Perotti, *Chairman & CEO*

Richard J. Cantele, Jr., *President & COO*

John F. Foley, *CFO, Treasurer & Secretary*

DIRECTORS

Salisbury Bancorp, Inc.

and Salisbury Bank and Trust Company

Louis E. Allyn II

Robert S. Drucker

John R. H. Blum, *Presiding Director*

Nancy F. Humphreys

Louise F. Brown

John F. Perotti, *Chairman*

Richard J. Cantele, Jr.

Holly J. Nelson

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

Toll Free 1-877-SBT-1212

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, Connecticut 06068

Facsimile (860) 435-4005

Fourth Quarter Report December 31, 2006



SALISBURY BANCORP, INC.

the holding company for

Salisbury Bank and Trust Company

To Our Shareholders, Customers and Friends:

Net income for the fourth quarter of 2006 totaled \$940,843 or \$.56 per average share outstanding. This compares to net income of \$793,194 or \$.47 per average share outstanding for the fourth quarter of 2005. For the year ended December 31, 2006, I am pleased to report continuing growth from core business development initiatives. Net loans outstanding at December 31, 2006 totaled \$252,768,430 which represents an increase of approximately 17% when compared to net loans outstanding of \$215,989,149 at December 31, 2005. Growth in the Trust and Investment Services division resulted in record revenues of \$1,980,500 in 2006. This is an increase of \$409,189 or 26.04% when compared to last year. Income before taxes, excluding income from net gains on sales of available-for-sale securities, improved by \$712,197 or 15.95% in 2006. Overall, net income for the year 2006 totaled \$4,253,618 or \$2.53 per average share outstanding. This compares to net income of \$4,561,341 for the year 2005. The decrease in earnings is primarily attributable to a decrease in noninterest income; specifically, reduced income from gains in securities transactions when comparing the two periods. A continuing inverted yield curve limited the number of opportunities to generate gains on sales of securities.

Your Board of Directors declared a fourth quarter cash dividend of \$.26 per common share. This compares to a fourth quarter cash dividend of \$.25 that was declared in 2005. Year-to-date dividends total \$1.04 per common share for the year 2006 and compare to total dividends of \$1.00 per common share in 2005. This represents an increase of \$.04 or 4%. The dividend was paid on January 31, 2007 to shareholders of record as of December 29, 2006.

On October 3, 2006, the Bank entered into a Purchase and Assumption Agreement with New York Community Bank to acquire certain assets and liabilities of a small branch of New York Community Bank. Management expects to consummate the transaction during the second quarter of 2007. We also continue to step up our efforts to improve customer service through development of new products and enhancement of our existing products in order to make banking at Salisbury Bank more convenient. We encourage you to visit our website (www.salisburybank.com), the Company's bulletin board for communicating important information to shareholders.

Thank you for your interest and confidence in Salisbury Bank and Trust Company. We strive to enhance shareholder value and improve customer satisfaction. Special thanks to the Bank's business partners, the Board of Directors, SBT Advisory Board, our officers and staff for their dedication to provide exemplary service to the Bank's various constituencies.


John F. Perotti
Chairman & CEO

CONSOLIDATED STATEMENTS OF CONDITION

	December 31	
	2006	2005
Assets		
Cash and due from banks	\$ 9,557,302	\$ 9,084,651
Federal funds sold	1,000,000	0
Money market mutual funds	1,199,881	1,119,724
Investments in available-for-sale securities at fair value	156,492,547	145,608,297
Investments in held-to-maturity securities at amortized cost	74,931	146,856
Federal Home Loan Bank stock	4,663,700	5,413,200
Loans, net	252,768,430	215,989,149
Investment in real estate	75,000	75,000
Premises & equipment	6,135,546	6,451,979
Goodwill	9,509,305	9,509,305
Core deposit intangible	1,493,499	1,657,715
Accrued interest receivable	2,483,547	2,362,924
Cash surrender value of life insurance policies	3,554,995	3,424,186
Other assets	1,330,987	2,079,307
Total assets	<u>\$450,339,670</u>	<u>\$402,922,293</u>
Liabilities		
Deposits:		
Demand	\$ 70,502,249	\$ 63,995,665
Savings, NOW	65,707,338	77,466,958
Money market	57,015,340	57,400,698
Time deposits	120,361,354	88,407,881
Total deposits	313,586,281	287,271,202
Federal Home Loan Bank advances	87,093,402	71,015,614
Due to broker	1,579,611	0
Other liabilities	3,731,195	3,193,154
Total liabilities	<u>405,990,489</u>	<u>361,479,970</u>
Shareholders' Equity		
Common stock, par value \$.10 per share		
Authorized: 3,000,000 shares		
Issued and outstanding shares		
1,684,181 in 2006		
and 1,683,341 in 2005	168,418	168,334
Paid-in capital	13,099,881	13,068,045
Retained earnings	33,602,991	31,100,702
Accumulated other comprehensive loss	(2,522,109)	(2,894,758)
Total shareholders' equity	<u>44,349,181</u>	<u>41,442,323</u>
Total liabilities and shareholders' equity	<u>\$ 450,339,670</u>	<u>\$ 402,922,293</u>

CONSOLIDATED STATEMENTS OF INCOME

Twelve Months Ended	December 31	
	2006	2005
Interest & fees on loans	\$ 15,686,978	\$ 13,319,930
Interest & dividends on securities	8,042,615	7,496,453
Total interest and dividend income	<u>23,729,593</u>	<u>20,816,383</u>
Interest expense on deposits	6,885,893	4,171,360
Interest expense on borrowed funds	3,573,052	3,180,591
Total interest expense	<u>10,458,945</u>	<u>7,351,951</u>
Net interest and dividend income	13,270,648	13,464,432
(Benefit) provision for loan losses	(87,488)	210,000
Net interest and dividend income after (benefit) provision for loan losses	13,358,136	13,254,432
Trust/Investment services income	1,980,500	1,571,311
Gains on sales and writedowns of available-for-sale securities, net	517,326	1,209,724
Other noninterest income	2,084,751	2,084,069
Other noninterest expense	12,245,160	12,443,782
Provision for income taxes	1,441,935	1,114,413
Net income	<u>\$ 4,253,618</u>	<u>\$ 4,561,341</u>

CONSOLIDATED STATEMENTS OF INCOME

Three Months Ended December 31	2006		2005	
	(unaudited)			
Interest & fees on loans	\$4,216,506		\$3,508,893	
Interest & dividends on securities	2,152,106		1,931,644	
Total interest and dividend income	<u>6,368,612</u>		<u>5,440,537</u>	
Interest expense on deposits	2,042,790		1,209,438	
Interest expense on borrowed funds	964,461		847,251	
Total interest expense	<u>3,007,251</u>		<u>2,056,689</u>	
Net interest and dividend income	3,361,361		3,383,848	
Benefit for loan losses	(87,488)		(60,000)	
Net interest and dividend income after benefit for loan losses	3,448,849		3,443,848	
Trust/Investment services income	570,000		452,182	
Gains (losses) on sales and writedowns of available-for-sale securities, net	223,694		(17,712)	
Other noninterest income	550,185		540,581	
Other noninterest expense	3,315,220		3,384,417	
Provision for income taxes	536,665		241,288	
Net income	<u>\$ 940,843</u>		<u>\$ 793,194</u>	

SELECTED FINANCIAL DATA

	At or for the twelve months ended December 31		
	2006	2005	2004
Total risk based capital	15.28%	15.76%	12.13%
Tier 1 risk based capital	14.28%	14.58%	11.12%
Leverage ratio	8.43%	8.27%	7.22%
Earnings per average share outstanding	\$2.53	\$ 2.71	\$ 2.67

Dividends declared per share Year to Date

