

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

Nancy F. Humphreys

Louise F. Brown

John F. Perotti, *Chairman*

Richard J. Cantele, Jr.

Holly J. Nelson

Michael A. Varet, *Presiding Director*

SBT ADVISORY BOARD

Mary Cooper

Jean R. Perotti

Edward O. Heacox

Barclay Prindle

Mary T. Kirby

Richard Rennia

Eileen M. Mulligan

John P. Tuke

TELEPHONE NUMBERS

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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

DOVER PLAINS OFFICE

5 Dover Village Plaza

Dover Plains, New York 12522

Telephone (845) 877-9850

Facsimile (845) 877-9858

WEALTH ADVISORY 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, 2007



SALISBURY BANCORP, INC.

the holding company for

Salisbury Bank and Trust Company

To Our Shareholders, Customers and Friends:

The Company's net income for the fourth quarter of 2007 totaled \$1,000,416 which represents earnings per average share outstanding of \$.59. This compares to net income of \$940,843 or \$.56 per average share outstanding for the fourth quarter of 2006. The increase is primarily attributable to an increase in earning assets.

For the year ended December 31st, I am pleased to report continuing growth from our core business development initiatives. Net loans outstanding at year end totaled \$268,311,275. Our loan portfolio is in good shape and this is borne out by our year-end asset quality numbers. The portfolio does not include any sub-prime loans. Non-performing assets totaled .40% of total assets at year end. Our Allowance for Loan Loss Reserve is .91% of total loans outstanding. Loans charged off during the year totaled \$102,789 while recoveries were \$103,565.

The Bank's investment portfolio is of very high quality and has no sub-prime mortgage collateral or collateralized debt obligations in any of its securities. It is important that you understand that we only originate loans and purchase investments that we would be comfortable holding on our balance sheet from a safety and quality perspective.

Our trust and wealth advisory services division continues to grow. The increase in assets under management to \$353 million has resulted in an increase in income to \$2,050,000 for the year. Overall, Company net income for the year totaled \$3,800,048. Earnings per average share outstanding were \$2.26. Dividends declared for the year totaled \$1.08 per share which represents a dividend payout ratio of approximately 48%. The decrease in earnings for the year ended December 31, 2007 is primarily attributable to a decrease in noninterest income; specifically, reduced income from gains in securities transactions when comparing the two periods. In addition, the year 2007 includes some one-time, nonrecurring expense in conjunction with the start-up of our Dover Plains office in New York State.

We continue to experience challenging credit and market conditions as a result of the sub-prime lending debacle and the downturn in housing. We are pleased, however, with continuing growth in both deposits and loans in our new Dover Plains office, as well as the Bank overall. We are confident that our New York state initiative will position us well for the continued long term growth of Salisbury Bank.

Thank you for your confidence in us, and please continue to refer us to your friends and neighbors. Thanks also to our business partners, the SBT Advisory Board and the Board of Directors for their continuing efforts and dedication. The Officers and Staff exhibit an abundance of esprit de corps which enables enhanced relationships and new business opportunities. They continue to work as a cohesive team providing exemplary service to the Bank's various constituencies. I continue to be impressed with their accomplishments and feel privileged to have them on my team.


John F. Perotti
Chairman & CEO

CONSOLIDATED STATEMENTS OF CONDITION

	December 31	
	2007	2006
Assets		
Cash and due from banks	\$ 13,537,304	\$ 9,557,302
Federal funds sold	300,000	1,000,000
Money market mutual funds	1,340,891	1,199,881
Investments in available-for-sale securities at fair value	147,377,154	156,492,547
Investments in held-to-maturity securities at amortized cost	70,798	74,931
Federal Home Loan Bank Stock	5,176,100	4,663,700
Loans, net	268,311,275	252,768,430
Investment in real estate	75,000	75,000
Premises & equipment	6,803,198	6,135,546
Goodwill	9,828,712	9,509,305
Core deposit intangible	1,329,283	1,493,499
Accrued interest receivable	2,538,607	2,483,547
Cash surrender value of life insurance policies	3,688,021	3,554,995
Other assets	1,584,055	1,330,987
Total assets	<u>\$461,960,398</u>	<u>\$450,339,670</u>
Liabilities		
Deposits:		
Demand	\$ 69,214,697	\$ 70,502,249
Savings, NOW	76,268,000	65,707,338
Money market	56,209,949	57,015,340
Time deposits	116,048,623	120,361,354
Total deposits	317,741,269	313,586,281
Federal Home Loan Bank advances	95,011,155	87,093,402
Due to broker	0	1,579,611
Other liabilities	3,644,376	3,731,195
Total liabilities	<u>416,396,800</u>	<u>405,990,489</u>
Shareholders' Equity		
Common stock, par value \$.10 per share		
Authorized: 3,000,000 shares		
Issued and outstanding shares		
1,685,021 in 2007	168,502	168,418
and 1,684,181 in 2006		
Paid-in capital	13,130,247	13,099,881
Retained earnings	35,583,443	33,602,991
Accumulated other comprehensive loss	(3,318,594)	(2,522,109)
Total shareholders' equity	<u>45,563,598</u>	<u>44,349,181</u>
Total liabilities and shareholders' equity	<u>\$461,960,398</u>	<u>\$450,339,670</u>

CONSOLIDATED STATEMENTS OF INCOME

	Twelve Months Ended	
	2007	2006
December 31		
Interest & fees on loans	\$ 17,968,801	\$ 15,686,978
Interest & dividends on securities	8,183,344	8,042,615
Total interest and dividend income	<u>26,152,145</u>	<u>23,729,593</u>
Interest expense on deposits	8,200,214	6,885,893
Interest expense on borrowed funds	4,232,221	3,573,052
Total interest expense	<u>12,432,435</u>	<u>10,458,945</u>
Net interest and dividend income	13,719,710	13,270,648
(Benefit) provision for loan losses	0	(87,488)
Net interest and dividend income after (benefit) provision for loan losses	13,719,710	13,358,136
Trust/Investment services income	2,050,000	1,980,500
Gains on sales and writedowns of available-for-sale securities, net	294,984	517,326
Other noninterest income	2,119,679	2,084,751
Other noninterest expense	13,514,319	12,245,160
Provision for income taxes	870,006	1,441,935
Net income	<u>\$ 3,800,048</u>	<u>\$ 4,253,618</u>

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	2007	2006
December 31		
<i>(unaudited)</i>		
Interest & fees on loans	\$4,695,385	\$4,216,506
Interest & dividends on securities	2,057,761	2,152,106
Total interest and dividend income	<u>6,753,146</u>	<u>6,368,612</u>
Interest expense on deposits	2,091,245	2,042,790
Interest expense on borrowed funds	1,105,705	964,461
Total interest expense	<u>3,196,950</u>	<u>3,007,251</u>
Net interest and dividend income	3,556,196	3,361,361
Benefit for loan losses	0	(87,488)
Net interest and dividend income after benefit for loan losses	3,556,196	3,448,849
Trust/Investment services income	542,000	570,000
Gains (losses) on sales and writedowns of available-for-sale securities, net	72,695	223,694
Other noninterest income	550,239	550,185
Other noninterest expense	3,489,038	3,315,220
Provision for income taxes	231,676	536,665
Net income	<u>\$1,000,416</u>	<u>\$ 940,843</u>

SELECTED FINANCIAL DATA

	At or for the twelve months ended December 31		
	2007	2006	2005
<i>(unaudited)</i>			
Total risk based capital	15.00%	15.28%	15.76%
Tier 1 risk based capital	14.06%	14.28%	14.58%
Leverage ratio	8.24%	8.43%	8.27%
Earnings per average share outstanding	\$2.26	\$ 2.53	\$ 2.71

Dividends declared per share Year to Date

