

Officers of Salisbury Bancorp, Inc.

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Chairman and Chief
Executive Officer

Richard J. Cantele, Jr.
President and Chief
Operating Officer

John F. Foley
Chief Financial Officer,
Secretary and Treasurer

Lana J. Morrison
Assistant Secretary

Salisbury Bank and Trust Company Advisory Board

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Mary T. Kirby

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Jean R. Perotti

Barclay Prindle

Richard Renna

John P. Tuke

Transfer Agent

**Registrar and
Transfer Company**
10 Commerce Drive
Cranford, NJ 07016
1-800-368-5948
www.rtco.com

Stock Symbol: "SAL"
Salisbury Bancorp, Inc's
common stock is traded
under the symbol "SAL"
on the NYSE Alternext US.

Salisbury Bancorp, Inc. and Salisbury Bank and Trust Company Board of Directors

Louis E. Allyn II
President,
Allyndale Corporation

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Attorney (retired)

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Ackerly Brown LLP

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Chief Operating Officer,
Salisbury Bancorp, Inc.
and Salisbury Bank and
Trust Company

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Barrington Outfitters

Nancy F. Humphreys
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Director and Treasurer
of Global Corporate
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Holly J. Nelson
Tour Operator,
Horses North LLC,
Member in Oblong
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John F. Perotti
Chairman and
Chief Executive Officer,
Salisbury Bancorp, Inc.
and Salisbury Bank and
Trust Company

Michael A. Varet
Attorney,
Partner, DLA Piper US LLP,
Presiding Director,
Salisbury Bancorp, Inc.
and Salisbury Bank and
Trust Company

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South Egremont Office
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**Salisbury Trust Wealth
Advisory Services**
19 Bissell Street
Post Office Box 1868
Lakeville, CT 06039
860.435.9801

Off-site ATMs

Sharon Hospital
50 Hospital Hill Road
Sharon, CT 06069
*Located on the
first floor*

Geer Village
77 South Canaan Road
Canaan, CT 06018
*Located on the
first floor*



SALISBURY BANK
enriching.

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www.salisburybank.com

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Bank-By-Phone: 860.824.8262 | 877.728.1212

Third Quarter Report September 30, 2008



SALISBURY BANCORP, INC.

Salisbury Bancorp, Inc.
is the holding company for
Salisbury Bank and Trust Company

To Our Shareholders, Customers and Friends:

The Company reported a third quarter loss of \$1,912,244, or \$1.13 per average share outstanding, compared to earnings of \$916,666, or \$.54 per average share outstanding, in the third quarter of 2007. For the first nine months of 2008, earnings totaled \$152,242, or \$.09 per average share outstanding, compared to \$2,799,632, or \$1.66 per average share outstanding, for the period ended September 30, 2007.

Earnings for the respective periods were impacted by pre-tax charges of \$2,856,000 as a result of the U.S. Government placing FHLMC (Freddie Mac) into conservatorship, which necessitated the Company to take a write-down on Freddie Mac preferred stock during the quarter ended September 30, 2008. No tax benefit was recognized as a result of these charges for the quarter ended September 30, 2008, because applicable law at the time forced financial institutions to treat the loss as a capital loss. On October 3rd, the Emergency Economic Stabilization Act of 2008 was enacted, which includes a provision permitting banks to recognize losses relating to the Freddie Mac preferred stock as an ordinary loss, thereby allowing a tax benefit for both tax and financial reporting purposes. If the legislation permitting this action had been effective in the third quarter rather than the fourth quarter, the positive impact of the tax charge that would have been recorded would have resulted in September 30, 2008 year-to-date earnings of \$1,123,282, or \$.67 per average share outstanding. The Company will recognize the additional tax benefit totaling approximately \$971,040, or \$.58 per average share outstanding relating to the write-down of the Freddie Mac preferred stock in the quarter ending December 31, 2008. Earnings, not including the Freddie Mac preferred stock write-down, for the first nine months of 2008 totaled \$3,008,242, or \$1.78 per average share outstanding.

Many of the holders of the Freddie Mac preferred stock are regional and community banking institutions. The Bank purchased the Freddie Mac preferred shares in the belief that they were extremely safe, long-term, conservative investments. Approximately 2,400 banks nationwide supported Freddie Mac, a quasi-federal agency that provided liquidity to lenders to help support homeownership in America.

The amortized cost basis of the Freddie Mac investment was \$2,975,000, or approximately 1.8% of the total investment portfolio and approximately 7.1% of total capital. After the accounting adjustments, the capital level of the Bank remains well above the highest regulatory capital level of "well capitalized." Capital levels for the nine months ended September 30, 2008 compared to Regulatory Capital Ratios are as follows:

	Salisbury Bank	Well-Capitalized
Total risk based capital	13.15%	≥ 10.00%
Tier 1 risk based capital	12.08%	≥ 6.00%
Leverage ratio	7.54%	≥ 5.00%

Our strong capital levels place us among the best capitalized companies of our size in the tri-state area. We intend

to use our capital strength to assist our customers in coping with the challenges they face in the difficult economic environment ahead. The Bank has shown improvement this quarter, as well as in the year-to-date period, in core operating results.

Results of Continuing Operations

Total interest and dividend income was \$6,711,775 for the third quarter compared to \$6,602,455 in the 2007 period. Total interest expense decreased to \$2,586,769 from \$3,167,716 for the same period. The provision for loan losses increased by \$520,000 when compared to the period ended September 30, 2007. Income from Trust/Wealth Advisory Services increased to \$543,000 from \$475,000.

Total interest and dividend income was \$19,970,990 for the first nine months of 2008 operations compared to \$19,398,999 for the year-ago period. Total interest expense decreased to \$8,304,597 from \$9,235,485 for the same period. The provision for loan losses increased by \$690,000 when compared to the same period in 2007 and the allowance for loan losses amounted to \$3,105,000, or 1.05% of total loans outstanding at September 30, 2008. Net charge-offs of loans for the nine month period ended September 30, 2008 totaled \$59,913, compared to \$19,536 for the corresponding period in 2007. Income from Trust/Wealth Advisory Services increased to \$1,683,735 from \$1,508,000.

Core business initiatives continued to grow. Total net loans including loans-held-for-sale have increased \$31,551,667, or 12.03%, to \$293,861,858 at September 30, 2008 compared to net loans including loans-held-for-sale totaling \$262,310,191 at September 30, 2007. Non-performing assets totaled \$1,796,000, or .37% of total assets at September 30, 2008, which compares to non-performing assets totaling \$1,103,000, or .24% of total assets in the corresponding period in 2007. The Bank does not have any sub-prime loans in its portfolio. In addition, the Bank's securities portfolio which totaled \$149,872,581 at September 30, 2008, has no sub-prime loans or collateralized debt obligations in any of its securities.

Total deposits increased to \$344,608,538 at September 30, 2008 compared to \$313,088,487 a year ago. Total assets have increased to \$485,649,523 at September 30, 2008 from \$456,486,055 a year ago. Net interest income, a key component of profitability, improved each quarter this year compared to the comparable quarter of the prior year, and the Bank's net interest margin has expanded for each of the last six quarters.

As previously announced, the Directors of Salisbury Bancorp, Inc. declared a third quarter dividend of \$.28 per common share outstanding that will be paid to shareholders on October 31, 2008. This compares to \$.27 per share cash dividend that was declared during the third quarter of 2007. Year-to-date dividends total \$.84 per common share outstanding for the year 2008. This compares to total year-to-date dividends of \$.81 per common share for the year-ago period.


John F. Perotti
Chairman & CEO

Consolidated Statements of Condition

	September 30	
	2008	2007
	<i>(unaudited)</i>	
Assets		
Cash and due from banks	\$ 8,360,286	\$ 7,070,756
Federal funds sold	2,958,000	547,000
Money market mutual funds	1,422,463	1,322,484
Investments in available-for-sale securities at fair value	144,481,985	153,233,886
Investments in held-to-maturity securities at amortized cost	67,596	71,816
Federal Home Loan Bank stock	5,323,000	5,158,800
Loans, net	293,861,858	262,310,191
Investment in real estate	75,000	75,000
Other Real Estate Owned	204,534	0
Premises & equipment	7,269,020	6,874,961
Goodwill	9,828,712	9,824,512
Core deposit intangible	1,206,122	1,370,337
Accrued interest receivable	2,394,844	2,586,450
Cash surrender value of life insurance policies	3,779,910	3,645,760
Other assets	4,416,193	2,394,102
Total assets	<u>\$485,649,523</u>	<u>\$456,486,055</u>
Liabilities		
Deposits:		
Demand	\$ 69,197,742	\$ 65,669,703
Savings, NOW	96,844,239	71,440,739
Money market	60,578,216	54,297,575
Time deposits	117,988,341	121,680,470
Total deposits	344,608,538	313,088,487
Borrowed funds	98,860,319	95,142,685
Other liabilities	3,461,335	4,215,024
Total liabilities	<u>446,930,192</u>	<u>412,446,196</u>
Shareholders' Equity		
Common stock, par value \$.10 per share		
Authorized: 3,000,000 shares		
Issued and outstanding shares		
1,685,861 in 2008		
and 1,685,021 in 2007	168,586	168,502
Paid-in capital	13,157,883	13,130,247
Retained earnings	34,036,732	35,037,982
Accumulated other comprehensive loss	(8,643,870)	(4,296,872)
Total shareholders' equity	<u>38,719,331</u>	<u>44,039,859</u>
Total liabilities and shareholders' equity	<u>\$485,649,523</u>	<u>\$456,486,055</u>

Consolidated Statements of Income

Nine Months Ended	2008		2007	
	<i>(unaudited)</i>			
September 30				
Interest & fees on loans	\$ 13,917,620	\$ 13,273,416		
Interest & dividends on securities	6,053,370	6,125,583		
Total interest and dividend income	<u>19,970,990</u>	<u>19,398,999</u>		
Interest expense on deposits	5,124,151	6,108,969		
Interest expense on borrowed funds	3,180,446	3,126,516		
Total interest expense	<u>8,304,597</u>	<u>9,235,485</u>		
Net interest and dividend income before provision for loan losses	11,666,393	10,163,514		
Provision for loan losses	<u>690,000</u>	<u>0</u>		
Net interest and dividend income after provision for loan losses	10,976,393	10,163,514		
Trust/Wealth Advisory Services	1,683,735	1,508,000		
(Losses) gains on available-for-sale securities, net	(2,316,865)	222,289		
Other noninterest income	1,874,144	1,569,441		
Other noninterest expense	11,182,504	10,025,281		
Provision for income taxes	882,661	638,331		
Net income	<u>\$ 152,242</u>	<u>\$ 2,799,632</u>		

Consolidated Statements of (Loss) Income

Three Months Ended	2008		2007	
	<i>(unaudited)</i>			
September 30				
Interest & fees on loans	\$ 4,685,933	\$ 4,537,590		
Interest & dividends on securities	2,025,842	2,064,865		
Total interest and dividend income	<u>6,711,775</u>	<u>6,602,455</u>		
Interest expense on deposits	1,484,666	2,087,420		
Interest expense on borrowed funds	1,102,103	1,080,296		
Total interest expense	<u>2,586,769</u>	<u>3,167,716</u>		
Net interest and dividend income before provision for loan losses	4,125,006	3,434,739		
Provision for loan losses	<u>520,000</u>	<u>0</u>		
Net interest and dividend income after provision for loan losses	3,605,006	3,434,739		
Trust/Wealth Advisory Services	543,000	475,000		
(Losses) gains on available-for-sale securities, net	(2,671,270)	41,942		
Other noninterest income	783,376	543,383		
Other noninterest expense	3,835,564	3,400,817		
Provision for income taxes	336,792	177,581		
Net (loss) income	<u>\$(1,912,244)</u>	<u>\$ 916,666</u>		

Selected Financial Data

	At or for the Nine months ended September 30		
	2008	2007	2006
	<i>(unaudited)</i>		
Total risk based capital	13.15%	15.23%	16.36%
Tier 1 risk based capital	12.08%	14.27%	15.23%
Leverage ratio	7.54%	8.37%	8.46%
Earnings per average share outstanding	\$ 0.09	\$ 1.66	\$ 1.97

Dividends declared per share Year to Date

