

Annual Meeting of Shareholders**May 12, 2010****Richard J. Cantele, Jr., President and CEO**

Good afternoon and thank you very much for being here.

2009 will be remembered as one of the most challenging years in the history of the Company. As a community banking institution, our success is inextricably linked to that of the customers and communities which we serve. Neither our customers nor our Company is immune to the economic challenges of the current recession.

During 2009, despite the recessionary challenges of the economy, we:

- grew total assets by \$66 million;
- grew net loans receivable by \$30 million;
- grew deposits by \$73 million;
- added to our capital cushion by issuing \$8.8 million of preferred stock pursuant to the Treasury's Capital Purchase Program and combined with internal capital growth we increased total equity by \$13.4 million; and
- were able to maintain our dividend.

In addition to these financial milestones, we invested in the future by improving and expanding the branch network through which we serve our customers and deliver our services, and we transitioned and fortified the Company's management team.

We made important investments in terms of strengthening our franchise for our future. We purchased a property in Sheffield, MA which is currently undergoing renovation and will soon be a full service, state of the art office, in contrast to our current location which is extremely limited in terms of space and functionality. The office, which is scheduled to open this summer affords us the ability to compete on a level playing field in that market. We also purchased a competitors branch in Canaan. The loans and deposits have been consolidated into our existing Canaan office and we have sold the real estate associated with this purchase. And finally, on January 19, 2010, we opened our brand new, and much anticipated office in Millerton, NY.

In July, we brought Cindy Bradley on board as Vice President of Credit Administration. Simply defined this means that Cindy is responsible for oversight of all aspects of the loan portfolio from the time a loan is approved until it is paid off. Cindy brings more than 20 years banking experience and she has previously held senior level credit positions with other well-respected banks.

In September we were fortunate to bring in Ian McMahon to fill the vacancy created by the sudden and untimely death of John Foley who had served as the CFO of the bank and the Company since 2005. Ian brings almost 30 years of accounting and banking experience with both community and regional financial institutions.

In today's financial services business and current economic climate, there is no opportunity to rest. The first calendar quarter of 2010 has ushered in a higher volume of credit quality concerns, weaker loan demand, and reduced yields on the banks investments, which, in the aggregate have resulted in earnings compression.

Loan credit quality showed some deterioration during the first calendar quarter as evidenced by the increase of non-performing assets from \$7.7 million at the end of 2009 to \$12.3 million at the end of the first quarter. While this increase is of concern it should be noted that approximately \$7.5 million or 61% of these non-performing assets are the aggregate of five customer relationships, all are secured by real estate, and two are current with their payments. Of total non-performing loans 69% were current with principal and interest payments and 93% are collateralized with real estate.

The increase of non-performing loans reflects the fact as I stated earlier, that our market and our customers are not immune from the weakness in the regional and national economies. While we are committed to maintaining strong underwriting and credit administration standards, we are willing to work with our long term customer relationships in order to find mutually beneficial financial solutions to their short term economic challenges.

The recent volatility in global economic matters and in the stock markets suggests that 2010 will be a very challenging year. The slower economy has reduced loan demand from many high quality borrowers. As we continue to address these challenges, we will rigorously focus on maintaining (and where appropriate, restoring) asset quality. We will seek prudent financial solutions to assist long term customers through their short term economic challenges, while protecting the interests of our shareholders. We will prudently manage expenses as we grow into our branch network.

We will endeavor to maintain a dividend to the extent prudent. However, our primary focus is on building long term total return on investment for our shareholders, not strictly the payment of dividends in the short term.

It appears that we will face challenges to these objectives during 2010. I can assure you that the management team and staff of Salisbury Bancorp will continue our long standing tradition of doing our best to serve our customers and build value for you, our shareholders.

We appreciate your support as we execute our mission and navigate your Company through these challenging times.

We have put together a [few slides](#) which we trust will better illustrate much of what I just said. We will be happy to entertain questions after that.