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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 Rennia

John P. Tuke

Transfer Agent

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

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

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

Louis E. Allyn II
President,
Allyndale Corporation

John R.H. Blum
Attorney (retired)

Louise F. Brown
Attorney, Partner,
Ackerly Brown LLP

Richard J. Cantele, Jr.
President and
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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Citibank, as Managing
Director and Treasurer
of Global Corporate
Investment Bank
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Holly J. Nelson
Tour Operator,
Horses North LLC,
Member in Oblong
Property Management, LLC

John F. Perotti
Chairman and
Chief Executive Officer,
Salisbury Bancorp, Inc.
and Salisbury Bank and
Trust Company

Michael A. Varet
Attorney,
Sr. Counsel, DLA Piper LLP (US),
Presiding Director,
Salisbury Bancorp, Inc.
and Salisbury Bank and
Trust Company

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South Egremont Office
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South Egremont,
MA 01258
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**Salisbury Trust Wealth
Advisory Services**
19 Bissell Street
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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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Fourth Quarter Report December 31, 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 net income for the fourth quarter of 2008 totaling \$953,639 which represents earnings per average outstanding share of \$.57. This compares to earnings of \$1,000,416 or \$.59 per average outstanding share for the fourth quarter of 2007. For the twelve months ended December 31, 2008, earnings totaled \$1,105,881 or \$.66 per average share outstanding, compared to \$3,800,048 or \$2.26 per average share outstanding, for the period ended December 31, 2007. During the year 2008, Salisbury Bancorp, Inc. declared four quarterly cash dividends totaling \$1.12 per common share outstanding. This compares to total dividends declared during 2007 of \$1.08 per common share outstanding and represents a 3.70% increase.

Earnings for the respective periods were significantly impacted as a result of the U.S. Government placing FHLMC (Freddie Mac) into conservatorship. This action necessitated the Company to take a write-down of Freddie Mac preferred stock during the quarter ended September 30th that totaled \$2,856,000 and an additional write-down of \$99,365 in the quarter ended December 31st for an overall total of \$2,955,365. The overall tax effected impact for the year ended December 31, 2008 resulted in a charge to earnings of \$1,950,541. However, the total tax benefit in the amount of \$1,004,824 was recognized as a result of these charges in the quarter ended December 31, 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 included 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.

Total interest and dividend income was \$6,586,276 for the fourth quarter compared to \$6,753,146 for the same period in 2007 and total interest expense decreased to \$2,520,510 from \$3,196,950. Total interest and dividend income was \$26,557,266 for the year ended December 31, 2008 which compares to \$26,152,145 for the corresponding period in 2007. Total interest expense decreased to \$10,825,107 from \$12,432,435 for the same period in 2007. Income from the Trust/Wealth Advisory Services Division for the year ended December 31, 2008 totaled \$2,263,735, an increase of \$213,735 or 10.43% when compared to 2007 income of \$2,050,000.

The Bank continually monitors the quality of the loan portfolio to ensure that loan quality will not be sacrificed for growth or otherwise compromise the Company's objectives. The Bank did not actively participate in sub-prime lending programs. Strong risk management policies and procedures relating to the loan portfolio have always been maintained by the Bank. However, the economy is in a deep recession and the northwest corner is beginning to feel these effects. The Bank's 2008 loan loss provision expense totaled \$1,279,099 compared to zero in 2007. Non-performing loans at December 31, 2008 totaled \$5,174,601 or 1.71% of total loans outstanding which compares to \$1,824,471 or 0.67% at

December 31, 2007. Net loans charged-off during 2008 totaled \$1,029,968 compared to net recoveries of just under \$1,000 in 2007. At December 31, 2008, the allowance for loan losses totaled \$2,724,024 which represented 0.90% of total loans outstanding. In addition, total loan delinquency for the period ending December 31, 2008 was 1.73% of total loans outstanding, of which 0.25% was over 90 days delinquent. This compares to year end 2007 which was 2.13% of total loans outstanding with 90 day delinquencies of 0.58%. At December 31, 2008, Other Real Estate Owned totaled \$204,534 and consisted of one property. That property has since been sold.

During the fourth quarter of 2008, the Bank prepaid a \$19 million advance from the Federal Home Loan Bank of Boston at a cost of \$674,173, net of tax. The Bank took such action as part of a program to restructure a portion of the Bank's borrowings. The borrowings which were at a rate of 5.97% will be replaced with new Federal Home Loan Bank advances that have much lower interest rates and a revised maturity schedule. While the prepayment resulted in a one time after tax expense in the fourth quarter of 2008, overall, the restructuring is expected to result in a decrease in future borrowing expense which is intended to positively impact earnings per share in 2009 and future years.

Core business initiatives continue to grow. Total deposits have increased \$27,183,963 or 8.56% to \$344,925,232 at December 31, 2008. This compares to total deposits of \$317,741,269 last year at this time. Total net loans including loans held-for-sale, have increased to \$299,681,684, an increase of 11.68% when compared to net loans of \$268,311,275 at December 31, 2007. The Company's assets at December 31, 2008 totaled \$495,754,160 which compares to total assets of \$461,960,398 for the corresponding period in 2007, an increase of 7.32%.

The capital level of the Bank remains well above the highest regulatory capital level of "well capitalized". Capital levels for the year ended December 31, 2008 compared to Regulatory Capital Ratios are as follows:

	Salisbury Bank	Well-Capitalized
Total risk based capital	11.34%	≥ 10.00%
Tier 1 risk based capital	10.53%	≥ 6.00%
Leverage ratio	7.52%	≥ 5.00%

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	
	2008	2007
Assets		
Cash and due from banks	\$ 7,982,804	\$ 13,537,304
Federal funds sold	200,000	300,000
Money market mutual funds	1,476,999	1,340,891
Investments in available-for-sale securities at fair value	150,526,964	147,377,154
Investments in held-to-maturity securities at amortized cost	66,443	70,798
Federal Home Loan Bank stock	5,323,000	5,176,100
Loans, net	299,681,684	268,311,275
Investment in real estate	75,000	75,000
Other Real Estate Owned	204,534	0
Premises & equipment	7,123,671	6,803,198
Goodwill	9,828,712	9,828,712
Core deposit intangible	1,165,068	1,329,283
Accrued interest receivable	2,704,385	2,538,607
Cash surrender value of life insurance policies	3,824,653	3,688,021
Other assets	5,570,243	1,584,055
Total assets	<u>\$495,754,160</u>	<u>\$461,960,398</u>
Liabilities		
Deposits:		
Demand	\$ 65,479,271	\$ 69,214,697
Savings, NOW	96,278,016	76,268,000
Money market	57,648,106	56,209,949
Time deposits	125,519,839	116,048,623
Total deposits	344,925,232	317,741,269
Borrowed funds	99,116,956	95,011,155
Due to broker	7,631,919	0
Other liabilities	5,140,721	3,644,376
Total liabilities	<u>456,814,828</u>	<u>416,396,800</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	34,518,331	35,583,443
Accumulated other comprehensive loss	(8,905,468)	(3,318,594)
Total shareholders' equity	<u>38,939,332</u>	<u>45,563,598</u>
Total liabilities and shareholders' equity	<u>\$495,754,160</u>	<u>\$461,960,398</u>

Consolidated Statements of Income

Twelve Months Ended December 31	2008	2007
	Interest & fees on loans	\$ 18,448,530
Interest & dividends on securities	8,108,736	8,183,344
Total interest and dividend income	<u>26,557,266</u>	<u>26,152,145</u>
Interest expense on deposits	6,633,358	8,200,214
Interest expense on borrowed funds	4,191,749	4,232,221
Total interest expense	<u>10,825,107</u>	<u>12,432,435</u>
Net interest and dividend income before provision for loan losses	15,732,159	13,719,710
Provision for loan losses	<u>1,279,099</u>	<u>0</u>
Net interest and dividend income after provision for loan losses	14,453,060	13,719,710
Trust Wealth Advisory Services	2,263,735	2,050,000
(Write-down) gains on available-for-sale securities, net	(2,355,034)	294,984
Other noninterest income	2,332,272	2,119,679
Other noninterest expense	16,009,437	13,514,319
Provision for income taxes	(421,285)	870,006
Net income	<u>\$ 1,105,881</u>	<u>\$ 3,800,048</u>

Consolidated Statements of Income

Three Months Ended December 31	2008	2007
	<i>(unaudited)</i>	
Interest & fees on loans	\$ 4,530,910	\$ 4,695,385
Interest & dividends on securities	2,055,366	2,057,761
Total interest and dividend income	<u>6,586,276</u>	<u>6,753,146</u>
Interest expense on deposits	1,509,207	2,091,245
Interest expense on borrowed funds	1,011,303	1,105,705
Total interest expense	<u>2,520,510</u>	<u>3,196,950</u>
Net interest and dividend income before provision for loan losses	4,065,766	3,556,196
Provision for loan losses	<u>589,099</u>	<u>0</u>
Net interest and dividend income after provision for loan losses	3,476,667	3,556,196
Trust Wealth Advisory Services	580,000	542,000
(Write-down) gains on available-for-sale securities, net	(38,169)	72,695
Other noninterest income	458,128	550,239
Other noninterest expense	4,826,933	3,489,038
Benefit provision for income taxes	(1,303,946)	231,676
Net income	<u>\$ 953,639</u>	<u>\$ 1,000,416</u>

Selected Financial Data

	At or for the Twelve months ended December 31		
	2008	2007	2006
	<i>(unaudited)</i>		
Total risk based capital	11.59%	15.00%	15.28%
Tier 1 risk based capital	10.78%	14.06%	14.28%
Leverage ratio	7.74%	8.24%	8.43%
Earnings per average share outstanding	\$ 0.66	\$ 2.26	\$ 2.53

Dividends declared per share Year to Date

