

Salisbury Bancorp, Inc.  
Selected Consolidated Financial Data

(in thousands except ratios and per share amounts)  
(unaudited)

<b>FINANCIAL CONDITION</b>	December 31	
	2009	2008
Total assets	\$562,347	\$495,754
Loans, net	327,922	296,974
Allowance for loan losses	3,473	2,724
Securities	151,125	155,916
Cash and cash equivalents	43,298	9,660
Intangible assets	11,293	10,994
Demand (non-interest bearing)	70,026	65,479
Demand (interest bearing)	43,845	24,873
Money market	64,477	57,648
Savings and other	86,316	71,405
Certificates of deposit	153,539	125,520
Deposits	418,203	344,925
Federal Home Loan Bank advances	76,364	87,914
Repurchase agreements	11,415	11,203
Shareholders' equity	52,355	38,939
Non-performing assets	7,720	5,379
<b>Per common share</b>		
Book value	\$ 25.81	\$ 23.10
Tangible book value	19.12	16.58
<b>Statistical data</b>		
Non-performing assets to total assets	1.37%	1.09%
Allowance for loan losses to total loans	1.05	0.91
Allowance for loan losses to non-performing loans	46.64	52.64
Common shareholders' equity to assets	9.31	7.85
Tangible common shareholders' equity to assets	5.73	5.64
Tier 1 leverage capital	8.39	7.74
Total risk-based capital	12.86	11.59
Common shares outstanding, net (period end)	1,687	1,686

## Shareholder Information

### Transfer Agent

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

**Dividend Reinvestment  
and Stock Purchase Plan**  
For more information and  
enrollment form, visit  
www.salisburybank.com  
and click on Shareholder  
Relations.

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

## branch offices:

**Lakeville Office**  
5 Bissell Street  
Post Office Box 1868  
Lakeville, CT 06039  
860.435.9801

**Canaan Office**  
100 Main Street  
Post Office Box 757  
Canaan, CT 06018  
860.824.5423

**Dover Plains Office**  
5 Dover Village Plaza  
Post Office Box 693  
Dover Plains, NY 12522  
845.877.9850

**Millerton Office**  
87 Main Street  
Post Office Box 768  
Millerton, NY 12546  
518.789.9802

**Salisbury Office**  
18 Main Street  
Post Office Box 407  
Salisbury, CT 06068  
860.435.9801

**Sharon Office**  
29 Low Road  
Post Office Box 7  
Sharon, CT 06069  
860.364.0500

**Sheffield Office**  
73 Main Street  
Post Office Box 1069  
Sheffield, MA 01257  
413.229.5000

**South Egremont Office**  
51 Main Street  
Post Office Box 313  
South Egremont,  
MA 01258  
413.528.5100

**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.

860.435.9801 | 800.222.9801  
www.salisburybank.com

e-banking and e-pay: www.salisburybank.com  
bank-by-phone: 860.824.8262 | 877.728.1212

# Fourth Quarter Report December 31, 2009



**SALISBURY BANCORP, INC.**

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

To Our Shareholders, Customers and Friends:

Net income available to common shareholders was \$734,000, or \$0.43 per common share, for the fourth quarter ended December 31, 2009 compared with \$954,000, or \$0.57 per common share, for the fourth quarter of 2008. The decrease in earnings was primarily due to the recognition of a tax benefit in the fourth quarter of 2008 arising from the Freddie Mac preferred stock loss recognized in the third quarter of 2008, offset in part by a lower provision for loan losses, lower non-interest expense, higher net interest income and higher non-interest income.

Net interest and dividend income for the current quarter increased slightly, by \$68,000. Average earning assets grew \$67.3 million, or 14%, as a result of significant deposit growth, while the net interest margin declined 24 basis points to 3.29% compared with 3.50% a year ago. The lower net interest margin was mostly due to the dilutive effect of carrying \$44 million in short term funds reflecting a more conservative liquidity management strategy. The provision for loan losses for the quarter was \$60,000 compared with \$589,000 for the fourth quarter of 2008. Non-interest income increased \$272,000 due to higher service charges and fees, gains on mortgage sales, and from the inclusion in the 2008 quarter of a security write-down and a mortgage servicing rights impairment charge. Non-interest expense decreased \$363,000 due primarily to the inclusion in the fourth quarter of 2008 of a prepayment fee, net of tax, of \$674,000 for the early redemption of \$19 million of Federal Home Loan Bank of Boston advances to restructure a portion of the Bank's wholesale borrowings. Offsetting this benefit were higher FDIC insurance and data processing expenses, and an OREO loss in the current quarter.

For the year ended December 31, 2009 net income available to common shareholders was \$2,102,000, or \$1.25 per common share, compared with \$1,106,000, or \$.66 per common share, for the year ended December 31, 2008. Return on average common shareholders' equity was 5.13% for 2009 compared with 2.59% for 2008. Net interest and dividend income increased \$1,129,000 due primarily to a \$60.5 million increase in average earning assets, made possible by significant deposit growth, which more than offset a 22 basis point decrease in the net interest margin to 3.51% from 3.73%. As noted in the quarterly comparison, the decline in the net interest margin was mostly due to carrying significantly larger balances of low yielding short term investments. The provision for loan losses for 2009 was \$985,000 compared with \$1,279,000 for 2008.

Non-interest income increased \$2,190,000 for 2009, of which improvement of \$1,700,000 related to lower securities losses. In June 2009 the Bank recognized a \$1,128,000 write-down for other than temporary impairment on five non-agency issued CMO securities. In 2008 the Bank recognized a \$2,856,000 write-down on Freddie Mac preferred stock. Excluding securities losses, all other non-interest income increased \$490,000 for the year due primarily to increased gains on mortgage sales, up \$399,000 from significantly higher loan origination activity, increased income from bank-owned life insurance, up \$228,000 due to a death payout and a 1035 policy exchange, and higher mortgage servicing income, up \$204,000 due to a 2008 impairment charge, offset in part by lower trust and wealth advisory fees, down \$286,000 due mostly to a decline in the value of managed assets during 2008, and credit card fees, down \$263,000 due to the sale of the credit card portfolio during 2008.

Non-interest expense increased \$1,881,000 due primarily to higher salaries, up \$566,000, partially due to higher mortgage loan origination commissions, higher pension expense, up \$561,000 due in part to the former CEO's early retirement, benefits and payroll taxes, up \$108,000, data processing, up \$273,000 excluding credit card processing, professional fees, up \$239,000, OREO expense, up \$185,000, and FDIC insurance, up \$854,000 due to higher premium rates, the 2009 special assessment and deposit growth, offset in part by the inclusion in 2008 of the Federal Home Loan Bank advance prepayment fee, net of tax, of \$674,000, lower credit card processing fees, down \$139,000 due to the sale of the portfolio, and lower marketing expense, down \$115,000.

During 2009, Salisbury's assets grew \$67 million to \$562 million at December 31, 2009. Total net loans, including loans held for sale, grew \$31 million, or 10.28%, to \$328 million. Non-performing assets increased \$.5 million during the quarter and \$2.3 million for the year to \$7.7 million at December 31, 2009. A single loan relationship accounts for \$3.0 million non-performing assets. Reserve coverage, as measured by the ratio of the allowance for loan losses to gross loans decreased slightly to 1.05% at December 31, 2009 compared with 1.10% at September 30, 2009, although it is higher than 0.91% at December 31, 2008.

Deposits grew \$73 million to \$418 million from \$345 million at December 31, 2008. This significant growth in deposits stems from customer preference for the safety of insured deposits and a concerted effort by the Bank's staff to expand deposit relationships with customers, and, from the acquisition of \$11 million in deposits from the Canaan branch of Webster bank in December 2009.

At December 31, 2009, book value per common share was \$25.81 and tier 1 leverage and total risk-based capital ratios were 8.39% and 12.86%, respectively. In March 2009 Salisbury issued \$8.8 million of preferred stock pursuant to the U.S. Treasury's Capital Purchase Program.

The Board of Directors of Salisbury Bancorp, Inc. declared a \$.28 per common share quarterly cash dividend at their January 29, 2010 meeting. The dividend will be paid on February 26, 2010 to shareholders of record as of February 12, 2010.

Despite the challenges presented by current economic conditions, income from core operations remains stable. The growth in both loans and deposits primarily reflects our focus on doing what we do best, making loans and gathering deposits in the communities we serve. I believe the fundamentals of our core business remain solid and are reflected in the growth of our balance sheet.

Richard J. Cantele, Jr.  
President & CEO

**Salisbury Bancorp, Inc.**  
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(in thousands except ratios and per share amounts)  
(unaudited)

	Three month period ended December 31		Twelve month period ended December 31	
	2009	2008	2009	2008
<b>STATEMENT OF INCOME</b>				
Interest and dividend income	\$6,317	\$6,586	\$25,893	\$26,557
Interest expense	<u>2,183</u>	<u>2,520</u>	<u>9,032</u>	<u>10,825</u>
Net interest income	4,134	4,066	16,861	15,732
Provision for loan losses	60	589	985	1,279
Gains (losses) on securities, net	37	(38)	(655)	(2,355)
Trust and wealth advisory	545	580	1,978	2,264
Service charges and fees	475	437	1,818	1,930
Gains on sales of mortgage loans	140	69	743	344
Mortgage servicing	4	(102)	80	(124)
Other	<u>71</u>	<u>54</u>	<u>467</u>	<u>182</u>
Non-interest income	1,272	1,000	4,431	2,241
Compensation	2,193	2,105	9,524	8,330
Premises and equipment	494	487	1,939	1,859
Data processing	432	334	1,473	1,339
Professional fees	399	347	1,508	1,269
FDIC assessment	173	74	914	60
Marketing and community contributions	106	154	342	457
Insurance	35	57	126	218
Printing and stationery	73	76	298	277
FHLB advance prepayment fee	-	864	-	864
OREO	168	5	191	6
Amortization of core deposit intangible	41	41	164	164
Other	<u>350</u>	<u>283</u>	<u>1,411</u>	<u>1,166</u>
Non-interest expense	4,464	4,827	17,890	16,009
Income (loss) before income taxes	882	(350)	2,417	685
Provision (benefit) for income taxes	<u>33</u>	<u>(1,304)</u>	<u>(49)</u>	<u>(421)</u>
Net income	<u>849</u>	<u>954</u>	<u>2,466</u>	<u>1,106</u>
Net income available to common shareholders	<u>\$ 734</u>	<u>\$ 954</u>	<u>\$ 2,102</u>	<u>\$ 1,106</u>
<b>Per common share</b>				
Diluted earnings	\$ 0.43	\$ 0.57	\$ 1.25	\$ 0.66
Cash dividends	0.28	0.28	1.12	1.12
<b>Statistical data</b>				
Net interest margin	3.29%	3.48%	3.51%	3.74%
Efficiency ratio	83.14	94.57	81.51	78.75
Return on average assets	0.48	0.75	0.39	0.23
Return on average common shareholders' equity	6.27	9.53	5.13	2.59
Weighted average equivalent common shares outstanding, diluted	1,687	1,686	1,686	1,685