

Officers of Salisbury Bancorp, Inc.

John F. Perotti
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

Mary Cooper

Edward O. Heacox

Mary T. Kirby

Eileen M. Mulligan

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.rtco.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

Robert S. Drucker
Proprietor,
Barrington Outfitters

Nancy F. Humphreys
Citigroup New York,
Citibank, as Managing
Director and Treasurer
of Global Corporate
Investment Bank
North America
(retired)

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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Lakeville, CT 06039
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Sharon Office
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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 Bill Pay: www.salisburybank.com
Bank-By-Phone: 860.824.8262 | 877.728.1212

First Quarter Report
March 31, 2009



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 first quarter of 2009 totaling \$1,081,175 which represents earnings per average outstanding share of \$.64. This compares to earnings of \$1,080,934 or \$.64 per average outstanding share for the first quarter of 2008. The Board of Directors has declared a first quarter cash dividend of \$.28 per common share, which is the same amount declared during the first quarter of 2008.

Total interest and dividend income was \$6,486,957 for the first three months of 2009 operations compared to \$6,667,897 for the corresponding period in 2008 and total interest expense decreased to \$2,284,126 from \$3,008,390 reflective of Federal Reserve rate reductions. Overall, net interest and dividend income before provision for loan losses totaled \$4,202,831 for the first quarter of 2009 and compared to \$3,659,507 for the same period in 2008. This is an increase of \$543,324 or 14.85%. Net interest margin was 3.86% in the first quarter of 2009 compared to 3.58% in the first quarter of 2008. Trust/Wealth Advisory Services Division revenue for the quarter ended March 31, 2009 totaled \$540,000, a decrease of \$60,000 or 10.00% when compared to 2008 first quarter income, primarily due to a decline in the value of assets under management due to prevailing market conditions.

Core business initiatives continue to improve. The Company's assets totaled \$506,139,980 at March 31, 2009 which compares to total assets of \$472,794,810 for the corresponding period in 2008, an increase of 7.05%. Total deposits have increased \$30,168,081 or 8.96% to \$366,763,527 at March 31, 2009. This was a record for deposit growth in one quarter, and is reflective of the current economic environment as many customers flee to the safety of insured deposits at community banks. We continue to lend actively in the market and extended a little over \$20 million in new credit originations to businesses and consumers during the quarter. This compared to new credit originations of approximately \$22 million during the first quarter of 2008. Total net loans including loans held-for-sale have increased to \$299,140,242, an increase of 8.30% when compared to net loans of \$276,220,839 for the same period in 2008.

Strong risk management policies and procedures relating to the loan portfolio have always been maintained by the Bank. However, the economy continues in a deep recession which is significantly impacting consumers and small businesses in the Bank's market area. The Bank's first quarter 2009 loan loss provision expense totaled \$430,000 compared to \$60,000 for the same period in 2008. Nonperforming loans, which include all loans that are on a nonaccrual status along with loans that are 90 days or more past due and still accruing, are closely monitored. At March 31, 2009, nonperforming loans totaled \$6,275,245 or 2.08% of total loans outstanding of \$301,338,380, which does not include loans held for sale. The allowance for loan losses totaled \$3,005,138 representing 47.89% of nonperforming loans. Nonperforming loans totaled \$5,174,601 at December 31, 2008. Net charge-offs for the first quarter of 2009 totaled \$148,886 compared to net recoveries of \$515 for the first quarter of 2008. While management estimates loan losses

using the best available information, no assurances can be given that future additions to the allowance will not be necessary based on changes in economic and real estate market conditions, further information obtained regarding problem loans, identification of additional problem loans or other factors. Additionally, future additions to the allowance may be necessary to maintain adequate coverage ratios. At March 31, 2009, the Bank had other real estate owned ("OREO") in the amount of \$418,024, which is one commercial property.

Following the October 14, 2008 announcement by the Treasury, the Company applied for and was approved to be a participant in the TARP CPP program under the Emergency Stabilization Act of 2008. The Company decided to participate in the Capital Purchase Program ("CPP") and closed the transaction on March 13, 2009 for the maximum amount of the preliminary approval that totaled \$8,816,000. The Company issued to the Treasury 8,816 shares of Preferred Stock with a par value of \$0.01 together with related warrants to purchase approximately 57,671 shares of the Company common stock at \$22.93 per share (based on an estimated exercise price of \$22.93 determined at the preliminary approval date.) The senior preferred stock will pay a cumulative dividend rate of 5% per annum. Maintaining strong capital is essential to Bank safety and soundness. However, the effective management of capital resources requires generating attractive returns on equity to build value for shareholders while maintaining appropriate levels of capital to fund growth, meet regulatory requirements and be consistent with prudent industry practices.

The capital level of the Bank, which does not reflect the additional capital from the TARP CPP program, remains well above the highest regulatory capital level of "well capitalized." Capital levels at March 31, 2009 compared to Regulatory Capital Ratios are as follows:

	<u>Salisbury Bank</u>	<u>Well-Capitalized</u>
Total risk based capital	11.72%	≥10.00%
Tier 1 risk based capital	10.82%	≥ 6.00%
Leverage ratio	7.52%	≥ 5.00%

Your company performed reasonably well in a very challenging economic environment during the first quarter. The Management team and Board of Directors continue to strive to make Salisbury Bank and Trust Company the leading community bank in the tri-state area. We have been here for the consumers and small businesses in our market area for over 160 years, and I am confident that we will continue to complete our mission. The "glass is half-full!" The economy will improve and we are positioned well to take advantage of opportunities that will inevitably occur in the future. Your team is fully engaged and committed to enhancing shareholder value.


John F. Perotti
Chairman & CEO

Consolidated Statements of Condition

	March 31	
	2009	2008
	<i>(unaudited)</i>	
Assets		
Cash and due from banks	\$ 7,600,870	\$ 8,982,334
Federal funds sold	0	6,615,000
Money market mutual funds	10,267,027	1,360,992
Investments in available-for-sale securities at fair value	149,620,391	148,233,807
Investments in held-to-maturity securities at amortized cost	65,273	69,763
Federal Home Loan Bank stock	5,323,000	5,176,100
Loans, net	299,140,242	276,220,839
Investment in real estate	75,000	75,000
Other real estate owned	418,024	0
Premises & equipment	8,275,831	6,943,653
Goodwill	9,828,712	9,828,712
Core deposit intangible	1,124,014	1,288,230
Accrued interest receivable	2,445,102	2,266,812
Cash surrender value of life insurance policies	3,949,827	3,718,211
Due from broker	1,314,582	0
Other assets	6,692,085	2,015,357
Total assets	<u>\$506,139,980</u>	<u>\$472,794,810</u>
Liabilities		
Deposits:		
Demand	\$ 63,448,689	\$ 65,246,007
Savings, NOW	96,202,331	79,960,975
Money market	67,741,014	72,052,929
Time deposits	<u>139,371,493</u>	<u>119,335,535</u>
Total deposits	366,763,527	336,595,446
Borrowed funds	87,679,402	86,165,830
Due to broker	—	1,045,028
Other liabilities	5,439,507	4,045,255
Total liabilities	<u>459,882,436</u>	<u>427,851,559</u>
Shareholders' Equity		
Preferred stock, par value \$.01 per share Authorized: 25,000 shares Issued and outstanding shares 8,816 in 2009 and 0 in 2008	88	0
Common stock, par value \$.10 per share Authorized: 3,000,000 shares Issued and outstanding shares 1,685,861 in 2009 and 1,685,021 in 2008	168,586	168,502
Unissued common stock warrants outstanding	111,998	0
Paid-in capital	21,861,797	13,130,248
Retained earnings	35,127,465	35,909,506
Accumulated other comprehensive loss	<u>(11,012,390)</u>	<u>(4,265,005)</u>
Total shareholders' equity	<u>46,257,544</u>	<u>44,943,251</u>
Total liabilities and shareholders' equity	<u>\$506,139,980</u>	<u>\$472,794,810</u>

Consolidated Statements of Income

Three Months Ended March 31	2009	2008
	<i>(unaudited)</i>	
Interest & fees on loans	\$ 4,509,670	\$4,631,588
Interest & dividends on securities	<u>1,977,287</u>	<u>2,036,309</u>
Total interest and dividend income	6,486,957	6,667,897
Interest expense on deposits	1,483,582	1,973,229
Interest expense on borrowed funds	<u>800,544</u>	<u>1,035,161</u>
Total interest expense	<u>2,284,126</u>	<u>3,008,390</u>
Net interest and dividend income before provision for loan losses	4,202,831	3,659,507
Provision for loan losses	<u>430,000</u>	<u>60,000</u>
Net interest and dividend income after provision for loan losses	3,772,831	3,599,507
Trust Wealth Advisory Services	540,000	600,000
Gains on available-for-sale securities, net	427,338	317,970
Other noninterest income	738,046	514,681
Other noninterest expense	4,133,789	3,649,996
Provision for income taxes	<u>263,251</u>	<u>301,228</u>
Net income	<u>\$ 1,081,175</u>	<u>\$ 1,080,934</u>

Selected Financial Data

	At or for the three months ended March 31		
	2009	2008	2007
	<i>(unaudited)</i>		
Total risk based capital	14.55%	14.47%	13.38%
Tier 1 risk based capital	13.66%	13.55%	12.52%
Leverage ratio	9.54%	8.17%	8.28%
Earnings per average share outstanding	\$ 0.64	\$ 0.64	\$ 0.55

Dividends declared per share Year to Date

