

# first quarter **shareholders' report** March 31, 2011

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



## Dear Shareholders, Customers and Friends:

I am pleased to report our first quarter year-over-year earnings improvement, reflecting top line revenue growth and relatively stable operating expenses. Our first quarter 2011 earnings per share of \$0.49 represent a 75% increase over first quarter 2010 results. The improved earnings are reflective of the solid growth of our core business, primarily loans, deposits, and assets under management in our Wealth Advisory Division, as well as rigorous expense controls.

### Following are selected financial highlights for the first quarter:

**Net income available to common shareholders** was \$828,000, or \$0.49 per common share, for the first quarter ended March 31, 2011, compared with \$1,125,000, or \$0.67 per common share, for the fourth quarter ended December 31, 2010, and \$479,000, or \$0.28 per common share, for the first quarter ended March 31, 2010.

**Tax equivalent net interest income** increased \$67,000, or 1.4%, versus fourth quarter 2010, and increased \$470,000, or 10.9%, versus first quarter 2010.

**Non-interest income** decreased \$225,000, or 13.8%, versus fourth quarter 2010 and increased \$272,000, or 24.0%, versus first quarter 2010. This was primarily due to changes in the volume of loan sales, which were \$6.1 million for the first quarter 2011, \$16.2 million for the fourth quarter 2010 and \$4.2 million for the first quarter 2010.

**Provision for loan losses** was \$330,000, versus \$380,000 for fourth quarter 2010 and \$180,000 for first quarter 2010. Net loan charge-offs were \$272,000, versus \$307,000 for fourth quarter 2010 and \$4,000 for first quarter 2010.

**Non-interest expense** increased \$182,000, or 4.3%, versus fourth quarter 2010 and \$112,000, or 2.6%, versus first quarter 2010. This was primarily due to several expense-related items including compensation, FDIC insurance premiums, and premises and equipment.

**Non-performing assets** increased \$990,000 to \$11.7 million, or 2.03% of total assets, versus fourth quarter 2010 and decreased \$598,000 versus first quarter 2010. Loans receivable 30 days or more past due increased \$3.1 million to \$12.0 million, or 3.3% of gross loans, versus fourth quarter 2010 and increased \$33,000 versus first quarter 2010.

We remain acutely focused on managing credit risk. The slight increase in non-performing assets compared to the fourth quarter reflects the persistent weakness in the local economy and the seasonal challenges facing many local businesses. As a "main street" community bank we are committed to supporting our small business and retail customers during these difficult economic times while managing our credit risk.

### Following are some of our non-financial highlights:

#### Back Office Reorganization Enhances Efficiencies

During the quarter the Bank implemented a reorganization of backroom operations to create efficiencies by consolidating departments and reducing redundant functions through realigning and standardizing our business processes. Two of the most important results of this reorganization have been an increase in staff productivity and enhanced customer service.

#### Automation Improves Customer Experience

In March we upgraded our branch platform automation software, which has improved branch efficiency while enhancing the customer experience. Our frontline staff can easily access a complete view of customer relationships assisting them in making relevant sales recommendations, thereby increasing sales, revenue and retention.

#### Trust and Wealth Advisory Services

Our Trust and Wealth Advisory Services Division enjoyed a very successful quarter. The positive growth in this division is attributable to significant growth in assets under management resulting from new relationships and strong equity performance for the quarter.

#### Enhanced Shareholder Relations Website

We are pleased with the feedback we have received about our enhanced Shareholder Relations website which we unveiled in January. Powered by SNL IR Solutions, the site is accessible through Salisbury Bank's home page at [www.salisburybank.com](http://www.salisburybank.com), and provides comprehensive company news and financial information, including up-to-the-minute market data, current and historic stock information, a stock basis calculator, and SEC filings.

On behalf of the entire management team, I thank you for your continued support.

Sincerely,

Richard J. Cantele, Jr., President and CEO



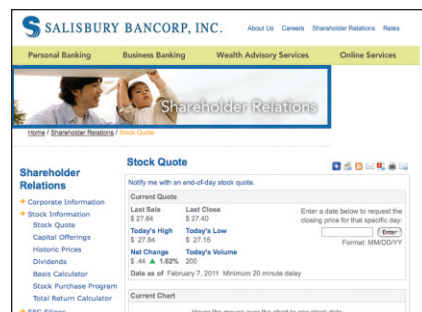
The reorganization of backroom operations has resulted in an increase in staff productivity and enhanced customer service.



Our Trust and Wealth Advisory Services Division enjoyed a very successful quarter.



Installation of upgraded platform automation software improved branch efficiency while enhancing the customer experience.



Investors can sign up for Salisbury Bancorp, Inc. email notifications at our enhanced shareholder relations website, accessible through the Bank's website, [www.salisburybank.com](http://www.salisburybank.com).

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## Shareholder Information

### 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 Equities.

### Dividend Reinvestment and Stock Purchase Plan

For more information and enrollment form, visit [www.salisburybank.com](http://www.salisburybank.com) and click on Shareholder Relations.

### For our Annual Report or Other Information

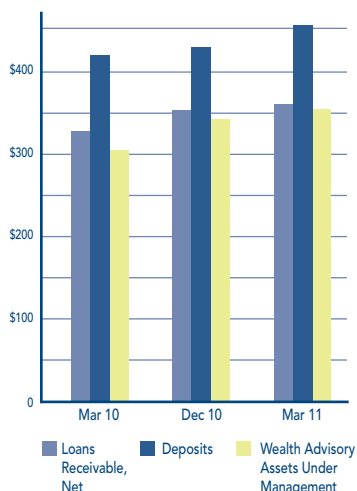
Visit [www.salisburybank.com](http://www.salisburybank.com) and click on Shareholder Relations.

Shelly L. Humeston, Secretary  
Salisbury Bancorp, Inc.  
PO Box 1868  
Lakeville, CT 06039-1868  
860.435.9801

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Visit [www.salisburybank.com](http://www.salisburybank.com) and click on Shareholder Relations.

### Bank Growth (in millions)



## Selected Consolidated Financial Data (in thousands except ratios and per share amounts) (unaudited)

STATEMENT OF INCOME	Three month period ended March 31,	
	2011	2010
Interest and dividend income	\$6,039	\$6,019
Interest expense	1,532	1,983
Net interest income	4,507	4,036
Provision for loan losses	330	180
Gains on securities, net	11	-
Trust and wealth advisory	667	545
Service charges and fees	499	453
Gains on sales of mortgage loans, net	133	42
Mortgage servicing, net	32	33
Other	59	56
Non-interest income	1,401	1,129
Compensation	2,363	2,201
Premises and equipment	583	515
Data processing	377	408
Professional fees	280	402
FDIC insurance	223	171
Marketing and community contributions	68	62
Amortization of core deposit intangibles	56	56
Other	474	497
Non-interest expense	4,424	4,312
Income before income taxes	1,154	673
Income tax provision	211	79
Net income	943	594
Net income available to common shareholders	828	479
<b>Per common share</b>		
Basic and diluted earnings	\$0.49	\$0.28
Common dividends paid	0.28	0.28
<b>Statistical data</b>		
Net interest margin (fully tax equivalent)	3.56%	3.25%
Efficiency ratio (fully tax equivalent)	69.77	78.07
Return on average assets	0.59	0.34
Return on average common shareholders' equity	7.24	4.40
Weighted average equivalent common shares outstanding, diluted	1,688	1,687

FINANCIAL CONDITION	March 31, 2011	December 31, 2010	March 31, 2010
Total assets	\$576,894	\$575,470	\$563,118
Loans receivable, net	361,243	354,449	329,599
Allowance for loan losses	3,978	3,920	3,649
Securities	131,310	153,510	172,271
Cash and cash equivalents	43,091	26,908	19,729
Goodwill and intangible assets, net	11,015	11,071	11,238
Demand (non-interest bearing)	74,690	71,565	68,852
Demand (interest bearing)	59,311	63,258	50,148
Money market	106,468	77,089	68,317
Savings and other	97,407	93,324	88,699
Certificates of deposit	114,503	125,053	146,473
Deposits	452,379	430,289	422,489
Federal Home Loan Bank advances	55,888	72,812	75,356
Repurchase agreements	8,241	13,190	7,973
Shareholders' equity	55,948	55,016	53,023
Non-performing assets	11,741	10,751	12,339
<b>Per common share</b>			
Book value	\$27.92	\$27.37	\$26.21
Tangible book value	21.39	20.81	19.55
<b>Statistical data</b>			
Non-performing assets to total assets	2.03%	1.87%	2.19%
Allowance for loan losses to total loans	1.10	1.10	1.10
Allowance for loan losses to non-performing loans	36.58	38.65	30.25
Common shareholders' equity to assets	9.70	9.56	9.42
Tangible common shareholders' equity to assets	6.26	6.10	5.85
Tier 1 leverage capital	8.58	8.39	8.40
Total risk-based capital	13.99	13.91	12.75
Common shares outstanding, net (period end)	1,688	1,688	1,687