



Fourth Quarter Shareholder Report | December 31, 2012

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

Salisbury Bancorp's fourth quarter earnings were significantly impacted by three non-recurring items:

- 1) loan charge-off of \$193,000 to facilitate the liquidation of a \$993,000 non-performing loan relationship;
- 2) OREO loss of \$99,000 to liquidate \$778,000 of OREO; and
- 3) prepayment fee of \$450,000 to prepay \$10 million FHLBB advance, which we will recoup in 2013 through interest expense savings.

Excluding these three items, adjusted earnings per share for the quarter would have been \$0.60. We believe these actions better position the Company for 2013.

Other highlights included:

- Record commercial loan originations of \$20 million for the quarter.
- Residential mortgage loan originations totaling \$27 million for the quarter.
- Trust and Wealth Advisory Services experienced fourth quarter year-over-year revenue growth of 13%.
- For the year ended December 31, 2012, earnings per common share increased \$0.16, or 7.5%, to \$2.28, from \$2.12 per share in 2011.

Financial Highlights

- **Net income available to common shareholders** was \$531,000, or \$0.31 per common share, for its fourth quarter ended December 31, 2012, compared with \$1,094,000, or \$0.65 per common share, for the third quarter ended September 30, 2012, and \$1,184,000, or \$0.70 per common share, for the fourth quarter ended December 31, 2011. Fourth quarter 2012 results included a \$450,000 non-recurring expense to the FHLBB that will be recovered in 2013 through reduced interest expense.
- **Earnings per common share** decreased \$0.34, or 52.3%, to \$0.31 versus third quarter 2012, and \$0.39, or 55.7%, versus fourth quarter 2011.
- **Tax equivalent net interest income** decreased \$142,000, or 2.9%, versus third quarter 2012, and decreased \$288,000, or 5.8%, versus fourth quarter 2011.
- **Non-interest income** decreased \$10,000, or 0.53%, versus third quarter 2012, and increased \$186,000, or 11.0%, versus fourth quarter 2011.
- **Non-interest expense** increased \$641,000, or 13.7%, versus third quarter 2012, and increased \$1,085,000, or 25.5%, versus fourth quarter 2011. Non-interest expense for fourth quarter 2012 includes a \$450,000 Federal Home Loan Bank of Boston advance prepayment fee.
- **Provision for loan losses** was \$380,000, versus \$330,000 for third quarter 2012, and \$580,000 for fourth quarter 2011. Net loan charge-offs were \$199,000, versus \$359,000 for third quarter 2012, and \$531,000 for fourth quarter 2011.
- **Preferred stock dividends paid** were \$46,000, versus \$48,000 third quarter 2012, and \$39,000 fourth quarter 2011.
- **Non-performing assets** increased \$0.2 million, or 2.37%, to \$10.1 million, or 1.68% of total assets, versus third quarter 2012 and decreased \$0.7 million, or 6.62%, versus fourth quarter 2011. Loans receivable 30 days or more past due increased \$1.8 million to \$13.6 million, or 3.47% of gross loans, versus third quarter 2012, and increased \$3.9 million versus fourth quarter 2011.
- The Board of Directors of Salisbury Bancorp, Inc. declared a \$0.28 per common share quarterly cash dividend at their January 25, 2013 meeting. The dividend will be paid on February 22, 2013 to shareholders of record as of February 8, 2013.

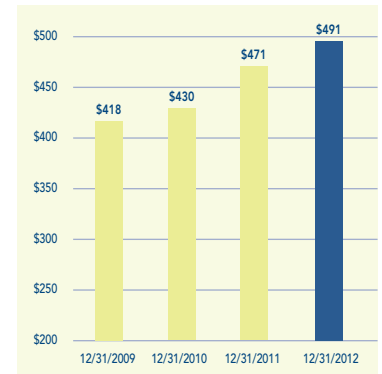
Happenings

In December Salisbury Bancorp, Inc. began trading on NASDAQ. By moving to NASDAQ Salisbury will be joining our banking peers, where approximately 81% of banks are listed. The move will make Salisbury potentially eligible for inclusion in the ABA NASDAQ Community Bank Index (ABAQ). This index is the most broadly representative stock index of the community bank industry and includes more than 400 banks with a market capitalization of approximately \$123 billion as of December 2012.

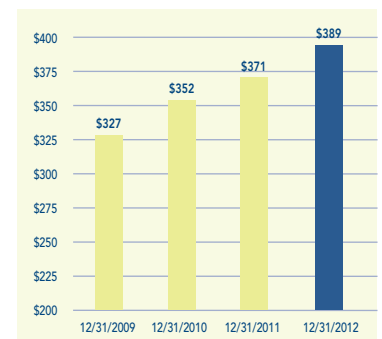
Recently, the U.S. Treasury announced the results of a federal program developed to stimulate small business loans. Salisbury Bank, one of only three Connecticut banks chosen to participate in the U.S. Treasury Department's Small Business Lending Fund, saw small business lending increase 35 percent, or \$27.5 million, to \$105.2 million since the program began in 2011. The program boosted the Bank's lending and also provided access to inexpensive capital.

During the quarter the Bank introduced an upgrade to our popular e-Banking service. "My View" allows customers to view and manage accounts and e-Statements, transfer funds, pay bills and much more from one easy screen. The interactive technology gives customers the option to design their own e-Banking home page and further builds upon the Bank's commitment to providing superior service, when online, on the telephone or in person.

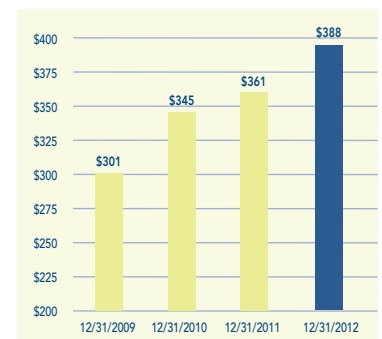
Deposits (in millions)



Loans Receivable, Net (in millions)



Wealth Advisory Assets (in millions)



Common Share Data (unaudited)

At 1/31/13

Closing Price	\$25.16
Market Capitalization	\$42.2 mm
Dividend Yield	4.39%
Common Shares Outstanding	1,689,691
Institutional Ownership	11.02%

About Salisbury Bank

Connecticut state-chartered bank and trust company.

Formed in 1925 by a merger of the Salisbury Savings Society, founded in 1848, and the Robbins Burrall Trust Company founded in 1874.

Provides personal banking, commercial banking and wealth management services.

Eight banking offices serving:

- Litchfield County, CT
- Berkshire County, MA
- Dutchess County, NY

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 NASDAQ.

Dividend Reinvestment and Stock Purchase Plan

For more information and enrollment form, visit www.salisburybank.com and click on Shareholder Relations.

For our Annual Report or Other Information

Visit www.salisburybank.com and click on Shareholder Relations.

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Visit www.salisburybank.com and click on Shareholder Relations.

Salisbury Bancorp, Inc. and Subsidiary

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

At or for the three month periods ended	12/31/12	9/30/12	6/30/12	3/31/12	12/31/11
Total assets	\$ 600,813	\$ 611,037	\$ 600,857	\$ 598,950	\$ 609,284
Loans receivable, net	388,758	377,377	377,212	371,709	370,766
Total securities	132,034	131,412	141,409	151,666	161,876
Deposits	491,215	490,206	477,910	472,686	471,306
FHLBB advances	31,980	42,392	42,801	43,207	54,615
Shareholders' equity	71,997	70,374	69,126	68,067	66,862
Wealth assets under management	388,113	388,807	372,506	377,259	360,700
Non-performing loans	9,860	9,229	8,409	7,606	8,076
Non-performing assets	10,104	9,870	8,409	7,606	10,820
Accruing loans past due 30-89 days	5,629	3,152	2,459	4,180	2,460
Net interest and dividend income	4,434	4,572	4,687	4,683	4,738
Net interest and dividend income, tax equivalent	4,705	4,847	4,983	4,962	4,993
Provision for loan losses	380	330	180	180	580
Non-interest income	1,877	1,887	1,890	1,659	1,691
Non-interest expense	5,334	4,693	5,026	4,500	4,249
Income before income taxes	597	1,436	1,370	1,661	1,600
Income tax provision	26	296	254	412	352
Net income	571	1,140	1,116	1,250	1,248
Net income available to common shareholders	531	1,094	1,069	1,167	1,184
Per share data					
Basic and diluted earnings per common share	\$ 0.31	\$ 0.65	\$ 0.63	\$ 0.69	\$ 0.70
Dividends per common share	0.28	0.28	0.28	0.28	0.28
Book value per common share	33.14	32.18	31.44	30.83	30.12
Tangible book value per common share - Non-GAAP ⁽¹⁾	26.85	25.86	25.09	24.44	23.69
Weighted average equivalent common shares outstanding, diluted	1,690	1,690	1,689	1,689	1,689
Common shares outstanding at end of period	1,690	1,690	1,690	1,689	1,689
Profitability ratios					
Net interest margin (tax equivalent)	3.32%	3.39%	3.58%	3.54%	3.49%
Efficiency ratio ⁽¹⁾	71.45	66.05	66.39	66.86	62.83
Non-interest income to operating revenue	29.74	29.21	25.73	26.02	26.30
Effective income tax rate	4.32	20.63	18.54	24.82	22.01
Return on average assets	0.35	0.71	0.72	0.78	0.77
Return on average common shareholders' equity	3.85	8.05	8.10	9.05	9.20
Credit quality ratios					
Net charge-offs to average loans receivable, gross	0.21%	0.38%	0.15%	0.10%	0.57%
Non-performing loans to loans receivable, gross	2.51	2.43	2.21	2.03	2.16
Accruing loans past due 30-89 days to loans receivable, gross	1.44	0.83	0.65	1.12	0.66
Allowance for loan losses to loans receivable, gross	1.11	1.10	1.11	1.11	1.09
Allowance for loan losses to non-performing loans	44.22	45.28	50.04	54.77	50.47
Non-performing assets to total assets	1.68	1.62	1.40	1.27	1.78
Capital ratios					
Common shareholders' equity to assets	9.32%	8.90%	8.84%	8.69%	8.35%
Tangible common shareholders' equity to assets - Non-GAAP ⁽¹⁾	7.69	7.28	7.18	7.02	6.69
Tier 1 leverage capital	9.87	9.78	9.92	9.69	9.45
Total risk-based capital	16.63	17.00	16.65	16.34	15.97

¹ Calculated using SNL's methodology: Noninterest expense before OREO expense, amortization of intangibles, and goodwill impairments as a percent of net interest income (fully taxable equivalent) and noninterest revenues, excluding gains from securities transactions and nonrecurring pension plan curtailment, litigation expenses, and FHLBB prepayment fee.