



# SALISBURY BANCORP, INC.

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

## Shareholder Report

December 31, 2018

### Board of Directors:

Michael A. Varet (Chairman),  
Louis E. Allyn II, Charles M. Andola,  
George E. Banta, Arthur J. Bassin,  
Richard J. Cantele, Jr., David B. Farrell,  
Michael D. Gordon, Polly Diane Hoe,  
Nancy F. Humphreys, Holly J. Nelson,  
John F. Perotti

### Stock Symbol: SAL

### Transfer Agent

Broadridge Corporate  
Issuer Solutions, Inc.  
P.O. Box 1342  
Brentwood, NY 11717  
888.520.5817  
investor.broadridge.com

### Common Share Data (unaudited)

At 12/31/18

Closing Price	\$36.18
Market Capitalization	\$102 M
Dividend Yield	3.10%
Common Shares Outstanding	2,806,781

### 2018 Dividend Calendar\*

Quarter	Declaration Date	Record Date	Payable Date
First	4/27/18	5/11/18	5/25/18
Second	7/27/18	8/17/18	8/31/18
Third	10/26/18	11/16/18	11/30/18
Fourth	1/25/19	2/8/19	2/22/19

\*Salisbury Bancorp, Inc. is not obligated to pay common stock dividends on these dates or at any other time.

## Dear Fellow Shareholders,

Net income available to common shareholders was \$2.5 million, or \$0.91 per common share, for Salisbury's fourth quarter ended December 31, 2018 (fourth quarter 2018), compared with \$2.3 million, or \$0.84 per common share, for the third quarter ended September 30, 2018 (third quarter 2018), and \$1.1 million, or \$0.39 per common share, for the fourth quarter ended December 31, 2017 (fourth quarter 2017).

Results for the fourth quarter and full year 2018 included a non-recurring non-taxable gain of \$341 thousand or \$0.12 per common share related to proceeds receivable from a bank-owned life insurance ("BOLI") policy due to the death of a covered former employee. Results for the fourth quarter and full year 2017 included a non-recurring charge of \$445 thousand or \$0.16 per share related to the remeasurement of net deferred tax assets due to the enactment of the Tax Cuts and Jobs Act during the quarter.

Despite challenging market conditions and an extremely competitive environment in 2018, we executed on several strategic priorities to better serve our customers and to prudently grow the Bank.

In March, we relocated our Newburgh, New York branch to an improved location. In April, we completed the acquisition of the Fishkill, New York branch of Orange Bank & Trust Company and consolidated our existing Fishkill branch into that new location.

Additionally, during 2018 we essentially grew our loan portfolio 13% organically while maintaining strong credit quality. As we enter 2019, we remain focused on enhancing both operating efficiency and profitability, while continuing to provide outstanding customer service.

Sincerely,

Richard J. Cantele, Jr.  
President and Chief Executive Officer



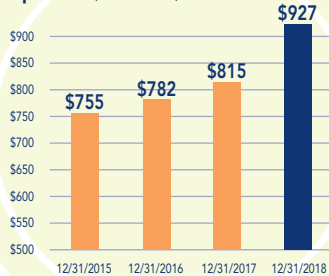
**Shareholder Relations** For more information visit [salisburybank.com](http://salisburybank.com) and click on Shareholder Relations or contact: Shelly L. Humeston, Secretary at [shumeston@salisburybank.com](mailto:shumeston@salisburybank.com) or 860.453.3432

**Forward-Looking Statements** Statements contained in this report contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the beliefs and expectations of management as well as the assumptions and estimates made by management using information currently available to management. Since these statements reflect the views of management concerning future events, these statements involve risks, uncertainties and assumptions, including among others: changes in market interest rates and general and regional economic conditions; changes in government regulations; changes in accounting principles; and the quality or composition of the loan and investment portfolios and other factors that may be described in Salisbury's quarterly reports on Form 10-Q and its annual report on Form 10-K, each filed with the Securities and Exchange Commission, which are available at the Securities and Exchange Commission's internet website ([www.sec.gov](http://www.sec.gov)) and to which reference is hereby made. Therefore, actual future results may differ materially from results discussed in the forward-looking statements.

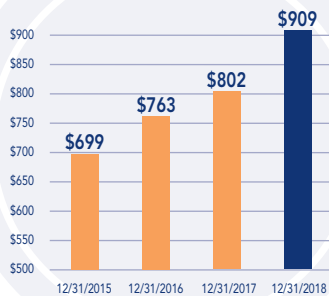


## Selected Quarterly Highlights

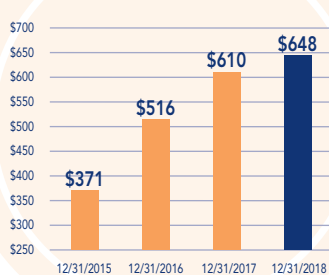
Deposits (in millions)



Loans Receivable, Net (in millions)



Wealth Advisory Assets (in millions)



## 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	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Total assets	\$1,121,554	\$1,098,715	\$1,096,780	\$1,014,934	\$986,984
Loans receivable, net	909,279	898,625	872,796	830,370	801,703
Total securities	97,150	101,591	90,870	84,878	82,860
Deposits	926,739	902,161	897,481	831,837	815,495
FHLBB advances	67,154	67,596	79,538	62,480	54,422
Shareholders' equity	103,459	100,767	99,180	98,097	97,514
Wealth assets under administration	648,027	690,448	667,933	600,256	610,218
Discretionary wealth assets under administration	398,287	435,357	397,637	390,248	394,673
Non-Discretionary wealth assets under administration	249,740	255,091	270,296	210,008	215,545
Non-performing loans	6,514	8,173	5,881	5,094	6,635
Non-performing assets	8,324	8,513	6,359	5,761	7,354
Accruing loans past due 30-89 days	2,165	1,784	1,507	3,362	3,536
Net interest and dividend income	8,615	8,500	8,043	7,993	8,025
Net interest and dividend income, tax equivalent	8,736	8,615	8,155	8,112	8,231
Provision for loan losses	558	378	467	325	67
Non-interest income	2,824	2,088	2,058	1,975	2,182
Non-interest expense	7,909	7,329	7,417	7,180	8,052
Income before income taxes	2,972	2,881	2,217	2,463	2,088
Income tax provision	408	537	318	446	1,011
Net income	2,564	2,344	1,899	2,017	1,077
Net income allocated to common shareholders	2,528	2,311	1,877	1,997	1,065
<b>Per share data</b>					
Basic earnings per common share	\$0.91	\$0.84	\$0.68	\$0.72	\$0.39
Diluted earnings per common share	0.91	0.83	0.68	0.71	0.38
Dividends per common share	0.28	0.28	0.28	0.28	0.28
Book value per common share	36.86	35.93	35.38	35.20	35.01
Tangible book value per common share - Non-GAAP	31.45	30.47	29.88	29.63	29.39
<b>Common shares outstanding at end of period (in thousands)</b>					
	2,807	2,805	2,803	2,787	2,785
<b>Weighted average common shares outstanding, to calculate basic earnings per share (in thousands)</b>					
	2,766	2,764	2,761	2,759	2,757
<b>Weighted average common shares outstanding, to calculate diluted earnings per share (in thousands)</b>					
	2,779	2,779	2,779	2,780	2,778
<b>Profitability ratios</b>					
Net interest margin (tax equivalent)	3.34%	3.29%	3.31%	3.46%	3.58%
Efficiency ratio <sup>1</sup>	69.13	66.91	70.87	69.35	64.90
Effective income tax rate <sup>2</sup>	13.74	18.65	14.35	18.09	48.42
Return on average assets	0.92	0.85	0.69	0.81	0.43
Return on average common shareholders' equity	9.99	9.26	7.68	8.33	4.38
<b>Credit quality ratios</b>					
Non-performing loans to loans receivable, gross	0.71	0.90	0.67	0.61	0.82
Accruing loans past due 30-89 days to loans receivable, gross	0.24	0.20	0.17	0.40	0.44
Allowance for loan losses to loans receivable, gross	0.85	0.85	0.84	0.84	0.84
Allowance for loan losses to non-performing loans	120.21	94.77	125.51	138.56	102.12
Non-performing assets to total assets	0.74	0.77	0.58	0.57	0.74
<b>Capital ratios</b>					
Common shareholders' equity to assets	9.22%	9.17%	9.04%	9.67%	9.88%
Tangible common shareholders' equity to tangible assets - Non-GAAP	7.98	7.89	7.75	8.26	8.43
Tier 1 leverage capital	8.25	8.02	8.30	8.56	8.53
Total risk-based capital	12.51	12.26	12.27	12.70	12.94
Common equity tier 1 capital	10.43	10.17	10.18	10.54	10.73

<sup>1</sup> Calculated as follows: 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 litigation expenses.

<sup>2</sup> The effective tax rate for 4Q 2017 includes the discrete charge related to the remeasurement of net deferred tax assets. Excluding this charge, the effective tax rate for the quarter was 27.12%.