

OFFICERS

Salisbury Bancorp, Inc.

John F. Perotti, *Chairman & CEO*

Richard J. Cantele, Jr., *President & COO*

John F. Foley, *CFO, Treasurer & Secretary*

DIRECTORS

Salisbury Bancorp, Inc.

and Salisbury Bank and Trust Company

Louis E. Allyn II

Robert S. Drucker

John R. H. Blum

Nancy F. Humphreys

Louise F. Brown

John F. Perotti, *Chairman*

Richard J. Cantele, Jr.

Holly J. Nelson

Michael A. Varet, *Presiding Director*

SBT ADVISORY BOARD

Mary Cooper

Jean R. Perotti

Edward O. Heacox

Barclay Prindle

Mary T. Kirby

Richard Rennia

Eileen M. Mulligan

John P. Tuke

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SBT Link

Toll Free 1-877-SBT-1212

Local 824-8262

STOCK LISTING:

Salisbury Bancorp, Inc.'s common stock is traded on the American Stock Exchange under the symbol "SAL"

WEBSITE:

www.salisburybank.com

SHAREHOLDER INFORMATION

Stock Transfer Agent & Registrar

Registrar and Transfer Company

10 Commerce Drive

Cranford, New Jersey 07016

1-800-368-5948

MAIN OFFICE

5 Bissell Street

Lakeville, Connecticut 06039

Facsimile (860) 435-0631

CANAAN OFFICE

100 Main Street

Canaan, Connecticut 06018

Facsimile (860) 824-7506

SALISBURY OFFICE

18 Main Street

Salisbury, Connecticut 06068

Facsimile (860) 435-5216

SHARON OFFICE

29 Low Road

Sharon, Connecticut 06069

Facsimile (860) 364-4318

SOUTH EGREMONT OFFICE

51 Main Street

South Egremont, Massachusetts 01258-0313

Telephone (413) 528-5100

Facsimile (413) 528-8868

SHEFFIELD OFFICE

73 Main Street

Sheffield, Massachusetts 01257-1069

Telephone (413) 229-5000

Facsimile (413) 229-2388

SBT TRUST & INVESTMENT SERVICES OFFICE

19 Bissell Street

Lakeville, Connecticut 06039

Facsimile (860) 435-5224

SBT MORTGAGE MAKERS

18A Main Street

Salisbury, Connecticut 06068

Facsimile (860) 435-4005

Second Quarter Report June 30, 2007



SALISBURY BANCORP, INC.

the holding company for

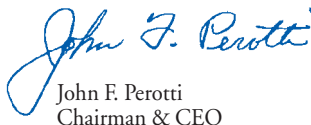
Salisbury Bank and Trust Company

To Our Shareholders, Customers and Friends:

Net income for the second quarter of 2007 totaled \$948,723, which represents earnings per average share outstanding of \$.56. This compares to net income of \$1,005,979 or \$.60 per average share outstanding for the second quarter of 2006. Net income for the first six months of 2007 totaled \$1,882,966 and represents earnings per average share outstanding of \$1.12. This compares to net income of \$2,152,901 or earnings per share outstanding of \$1.28 for the corresponding period in 2006. The decrease in earnings is primarily attributable to an increase in noninterest expense, specifically additional staffing, legal and consulting expenses to support our retail branch expansion into New York State, as well as increased interest expense due to the interest rate environment during the first half of the year. We recently received approval by the appropriate banking regulatory agencies to open our first full service, retail branch in the state of New York. Some of the financial impact of this initiative has been recognized during the first six months of 2007. There will be additional expenses related to the initiative that will impact the third quarter of 2007 as we complete the transaction with the opening of the branch in Dover Plains on August 1st. As we continue with our planning for controlled growth and enhanced long term profitability and shareholder value, I am pleased to report continuing progress on developing our core business. New business development efforts have resulted in growth of our net loan portfolio to \$251,486,586. This is an increase of \$23,031,766 or 10.08% when compared to net loans outstanding at June 30, 2006. The quality of the loan portfolio is consistently monitored to ensure that loan quality will not be sacrificed for growth. The portfolio does not include any sub-prime loans. Non-performing loans totaled .35% of total loans outstanding at June 30, 2007. Likewise, the Bank's Investment portfolio is of very high quality and has no sub-prime mortgage collateral in any of its securities. Total deposits have increased to \$308,552,996 and compares to total deposits of \$298,433,710 last year at this time. Our trust and wealth advisory services division continues to grow. The increase in assets under management has resulted in Trust/Investment services income for the six months ended June 30, 2007 totaling \$1,033,000. This is an increase of 10.48% when compared to the corresponding period in 2006. As of June 30, 2007, the most recent notification from the FDIC categorized the bank as "well capitalized".

Your Board of Directors has declared a second quarter cash dividend of \$.27 per common share outstanding. This compares to a second quarter cash dividend of \$.26 that was paid for the second quarter of 2006. Year-to-date dividends total \$.54 per common share for the year 2007. This compares to year-to-date dividends of \$.52 per common share one year ago. The dividend is payable on July 31, 2007 to shareholders of record as of June 29, 2007.

Thank you for your interest and confidence in Salisbury Bank. Special thanks to the Bank's business partners, the SBT Advisory Board and the Board of Directors for their hard work and dedication. I am especially pleased with the efforts of our Officers and Staff during the first half of 2007. They are a very focused group of individuals working as a cohesive team to provide exemplary service to the Bank's various constituencies.


John F. Perotti
Chairman & CEO

CONSOLIDATED STATEMENTS OF CONDITION

	June 30	
	2007	2006
	<i>(unaudited)</i>	
Assets		
Cash and due from banks	\$ 6,950,214	\$ 7,513,326
Federal funds sold	200,000	0
Money market mutual funds	1,292,644	823,527
Investments in available-for-sale securities at fair value	150,847,516	145,191,100
Investments in held-to-maturity securities at amortized cost	72,840	76,986
Federal Home Loan Bank Stock	5,082,900	4,553,000
Loans, net	251,486,586	228,454,820
Investment in real estate	75,000	75,000
Premises & equipment	6,626,497	6,318,732
Goodwill	9,509,305	9,509,305
Core deposit intangible	1,411,391	1,575,607
Accrued interest receivable	2,505,297	2,391,613
Cash surrender value of life insurance policies	3,615,205	3,484,090
Other assets	2,777,780	3,198,338
Total assets	<u>\$442,453,175</u>	<u>\$413,165,444</u>
Liabilities		
Deposits:		
Demand	\$ 66,554,006	\$ 67,991,454
Savings, NOW	69,834,687	70,395,042
Money market	51,763,384	53,034,214
Time deposits	120,400,919	107,013,000
Total deposits	308,552,996	298,433,710
Federal Home Loan Bank advances	87,216,829	70,413,205
Due to broker	0	1,099,776
Other liabilities	4,072,750	2,214,187
Total liabilities	<u>399,842,575</u>	<u>372,160,878</u>
Shareholders' Equity		
Common stock, par value \$.10 per share		
Authorized: 3,000,000 shares		
Issued and outstanding shares		
1,685,021 in 2007		
and 1,684,181 in 2006	168,502	168,418
Paid-in capital	13,130,247	13,099,881
Retained earnings	34,576,273	32,378,048
Accumulated other comprehensive loss	(5,264,422)	(4,641,781)
Total shareholders' equity	<u>42,610,600</u>	<u>41,004,566</u>
Total liabilities and shareholders' equity	<u>\$442,453,175</u>	<u>\$413,165,444</u>

CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended	
	2007	2006
	June 30	
Interest & fees on loans	\$ 8,735,826	\$ 7,471,379
Interest & dividends on securities	4,060,718	3,778,004
Total interest and dividend income	<u>12,796,544</u>	<u>11,249,383</u>
Interest expense on deposits	4,021,549	2,957,172
Interest expense on borrowed funds	2,046,220	1,740,592
Total interest expense	<u>6,067,769</u>	<u>4,697,764</u>
Net interest and dividend income	6,728,775	6,551,619
Provision for loan losses	0	0
Net interest and dividend income after provision for loan losses	6,728,775	6,551,619
Trust/Investment services income	1,033,000	935,000
Gains on sales and writedowns of available-for-sale securities, net	180,347	60,682
Other noninterest income	1,026,058	1,030,361
Other noninterest expense	6,624,464	5,828,951
Provision for income taxes	460,750	595,810
Net income	<u>\$ 1,882,966</u>	<u>\$ 2,152,901</u>

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended	
	2007	2006
	June 30	
	<i>(unaudited)</i>	
Interest & fees on loans	\$4,348,281	\$3,843,463
Interest & dividends on securities	2,011,247	1,945,702
Total interest and dividend income	<u>6,359,528</u>	<u>5,789,165</u>
Interest expense on deposits	1,991,681	1,619,589
Interest expense on borrowed funds	1,005,485	911,643
Total interest expense	<u>2,997,166</u>	<u>2,531,232</u>
Net interest and dividend income	3,362,362	3,257,933
Provision for loan losses	0	0
Net interest and dividend income after provision for loan losses	3,362,362	3,257,933
Trust/Investment services income	503,000	450,000
Gains (losses) on sales and writedowns of available-for-sale securities, net	63,283	(13,685)
Other noninterest income	548,731	563,907
Other noninterest expense	3,304,997	2,991,583
Provision for income taxes	223,656	260,593
Net income	<u>\$ 948,723</u>	<u>\$1,005,979</u>

SELECTED FINANCIAL DATA

	At or for the six months ended June 30		
	2007	2006	2005
	<i>(unaudited)</i>		
Total risk based capital	15.67%	16.13%	15.14%
Tier 1 risk based capital	14.69%	15.00%	13.89%
Leverage ratio	8.51%	8.54%	7.58%
Earnings per average share outstanding	\$1.12	\$ 1.28	\$ 1.57

Dividends declared per share Year to Date

