



# SALISBURY BANCORP, INC.

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



Together  
Better Banking

## Investor Information

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## Forward Looking Statements

This presentation contains certain statements that may be considered “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Actual results, performance or achievements of Salisbury may differ materially from those discussed in these forward-looking statements. We refer you to the documents Salisbury files from time to time with the Securities and Exchange Commission, especially the Company’s last filed Form 10-K. These documents contain and identify important factors that could cause actual results to differ materially from those contained in our projections or forward- looking statements. You should carefully review all of these factors, and you should be aware that there may be other factors that could cause these differences. These forward-looking statements were based on information, plans and estimates at the date of this presentation, and Salisbury assumes no obligation to update forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

## Unaudited data

All of the financial data presented herein is unaudited.

Annualized, pro forma, projected and estimated numbers are used for illustrative purpose only, are not forecasts and may not reflect actual results.

## Corporate Overview

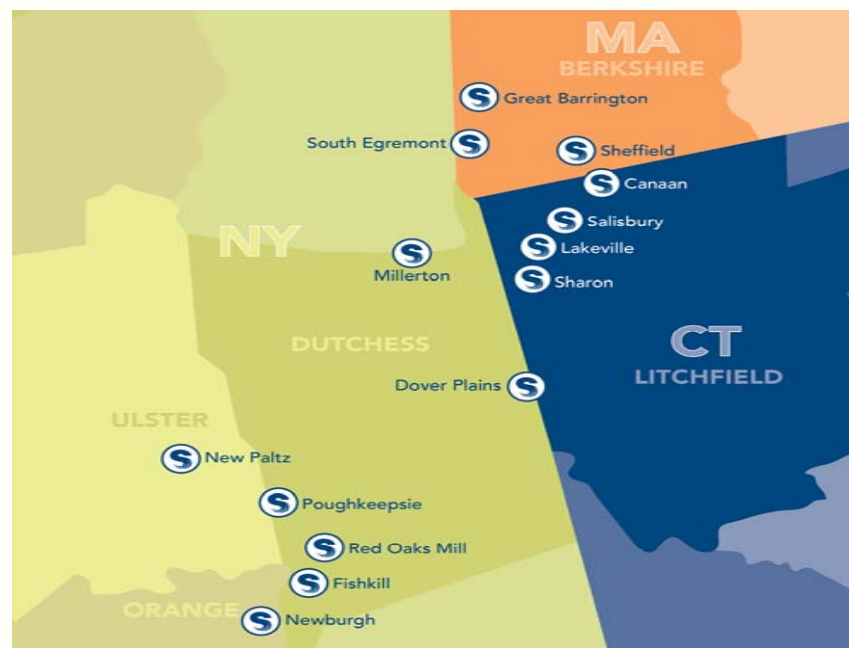
- Full service community banking institution offering consumer and business banking products and services as well as trust and wealth advisory services with roots dating back to 1848
- Operating footprint includes 14 banking locations in Litchfield County, CT, Berkshire County, MA, and Dutchess County, Orange County, and Ulster County, NY (“Operating Counties”)
- Franchise extends to within 50 miles of New York City
- 20 plus year history of dividend payments
- Seasoned and experienced management team

## Key Statistics

(as of December 31, 2017)

Total Assets (\$000)	986,984
Net Loans (\$000)	801,703
Total Deposits (\$000)	815,495
Total Shareholder’s Equity (\$000)	97,514
Tangible Book Value per Common Share (\$)	29.39
Wealth Assets Under Administration (\$000)	610,189
Net Income (\$000)	6,256
FTEs	180
Common Stock Price (\$)	44.65
Market Capitalization (\$MM)	124
Price / Tangible Book Value (%)	151.9

## Branch Footprint



## Core Businesses Serving Individuals, Families & Businesses

### Retail / Business Banking

- Retail / Business Deposits
- Electronic Banking Services
  - Mobile
  - Debit/Credit Card
  - Remote Capture
- Cash Management

### Business Lending

- Business Loans
- Commercial Mortgages
- Lines of Credit
- Government Guaranteed Loans
- Letters of Credit

- Investment Management
- Trust & Estate Services
- Financial Planning
- Retirement Plan Advisory
- Private Banking

### Trust & Wealth Advisory

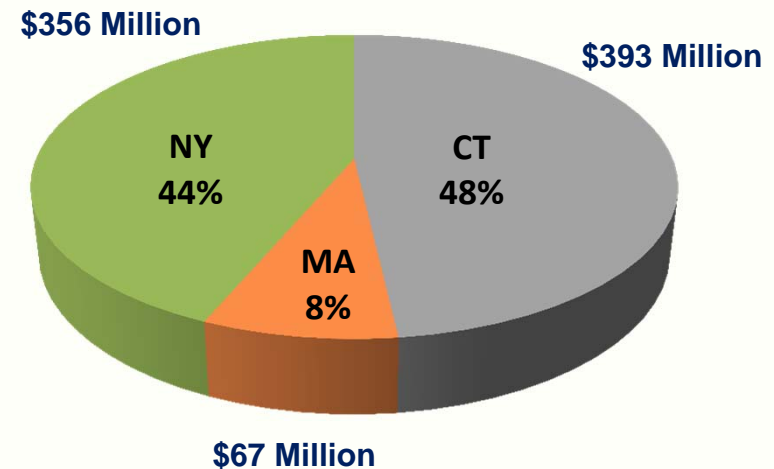
- Mortgage Loans
- Home Equity Loans
- Consumer Loans
- Construction Loans

### Retail Lending

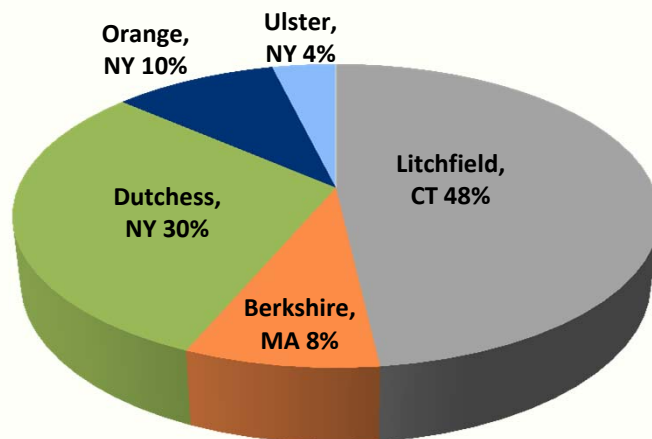
**Market Demographics**

- Litchfield County’s prestigious private and public school systems and Berkshire County’s cultural offerings attract affluent individuals
- Dutchess County’s median household income is 15% higher than the NY average
- Orange County’s median household income is 18% higher than the NY average
- New Paltz, NY branch provides new opportunities in Ulster County

**Deposits by State**



**Deposits by County**



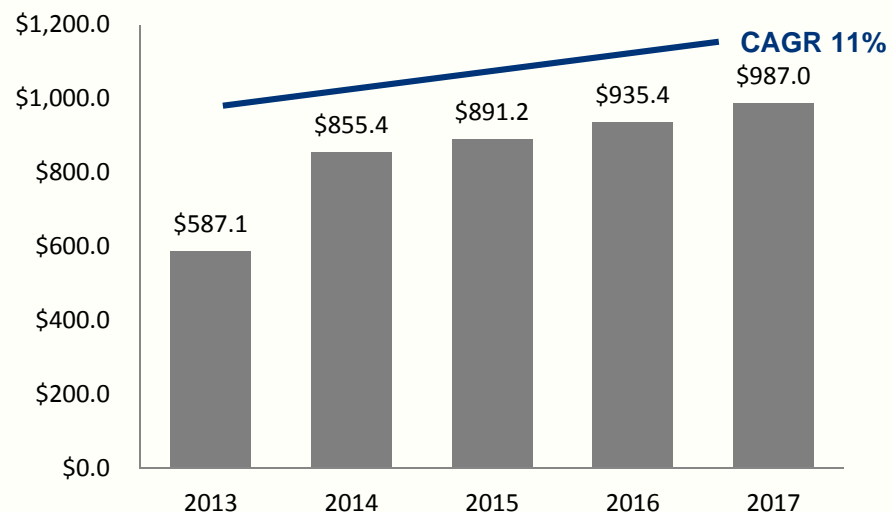
**County Market Share**

County	Market Share
Litchfield, CT	8%
Berkshire, MA	2%
Dutchess, NY	4%
Orange, NY	1%
Ulster, NY	1%

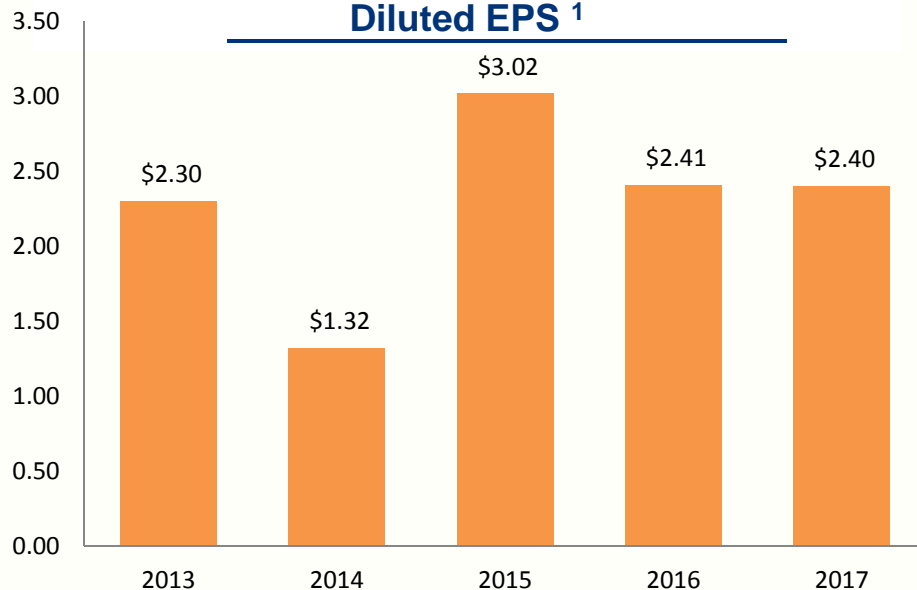
### Financial Overview

- Asset growth driven organically and through strategic acquisitions
- Acquired Riverside Bank (assets \$239 million) in 2014 to expand footprint and diversify loan portfolio
- Acquired branches in New Paltz and Fishkill, NY and relocated existing branches in Fishkill and Newburgh, NY
- Trust & Wealth Advisory business diversifies bank revenue streams

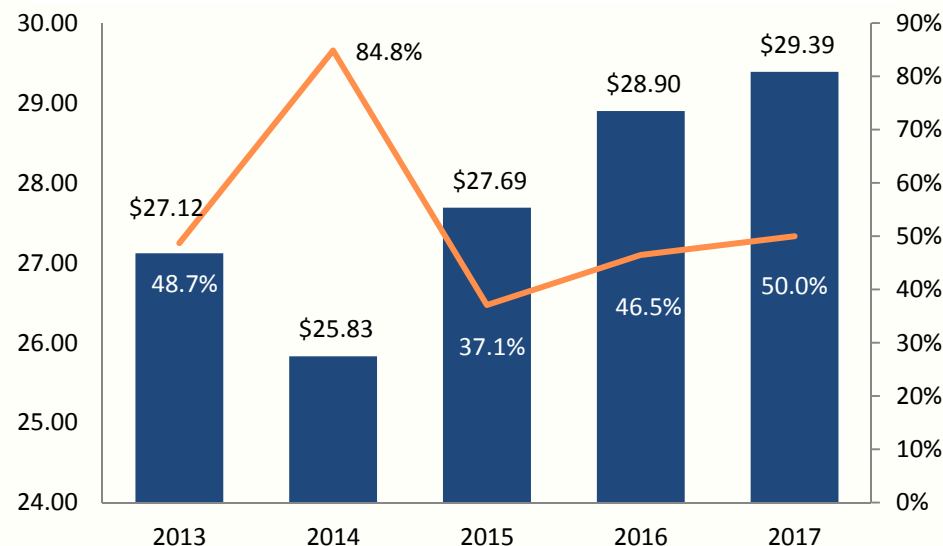
### Assets



### Diluted EPS <sup>1</sup>



### TBVPS and Dividend Payout Ratio



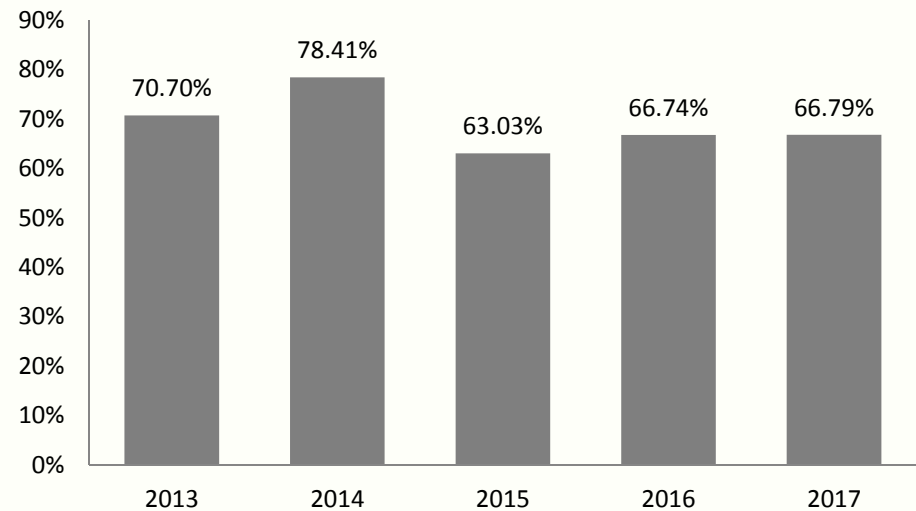
Source: Company SEC filings. <sup>1</sup> 2017 excludes DTA re-measurement charge of \$0.16 per share. Dividend payout ratio based on reported basic EPS.



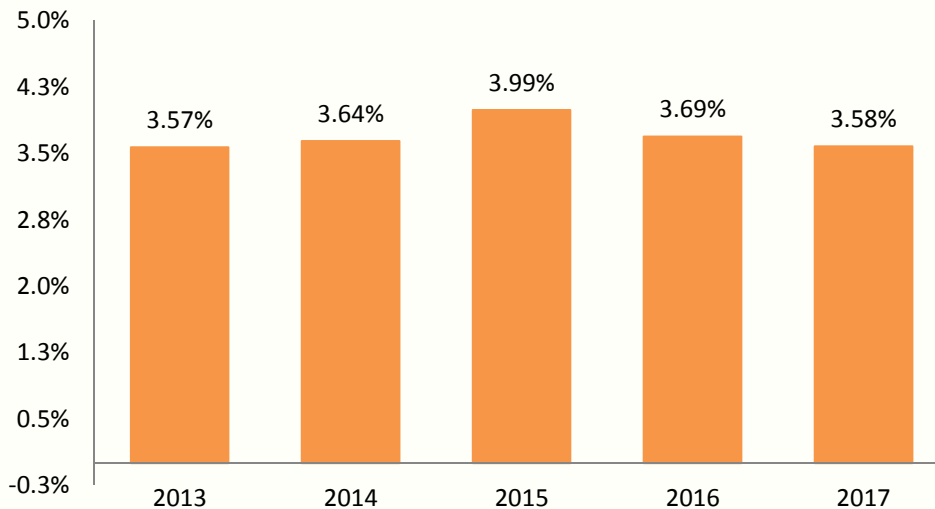
**Profitability Indicators**

- Net interest margin reflects favorable mix of non-interest bearing deposits
- Competition for deposits and loans will exert pressure on NIM until loans reprice
- Efficiency ratios in 2016 and 2017 reflected technology investment spend
- Declining ROAA reflects assets growth

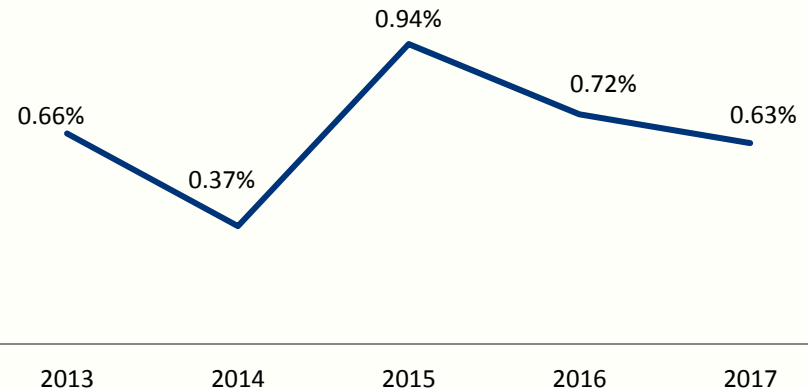
**Efficiency Ratio**



**Net Interest Margin <sup>1</sup>**

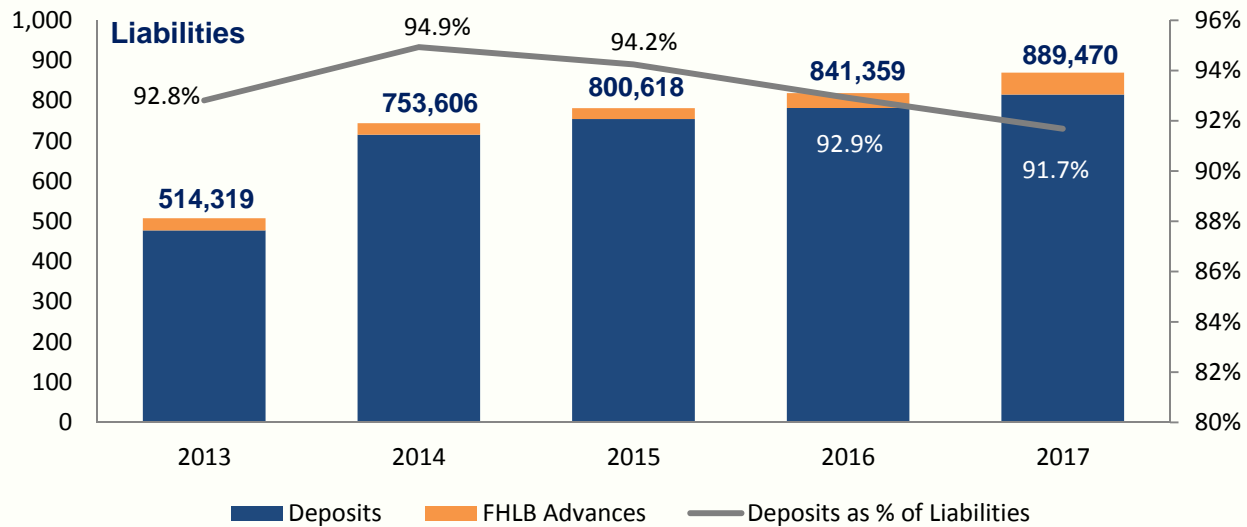
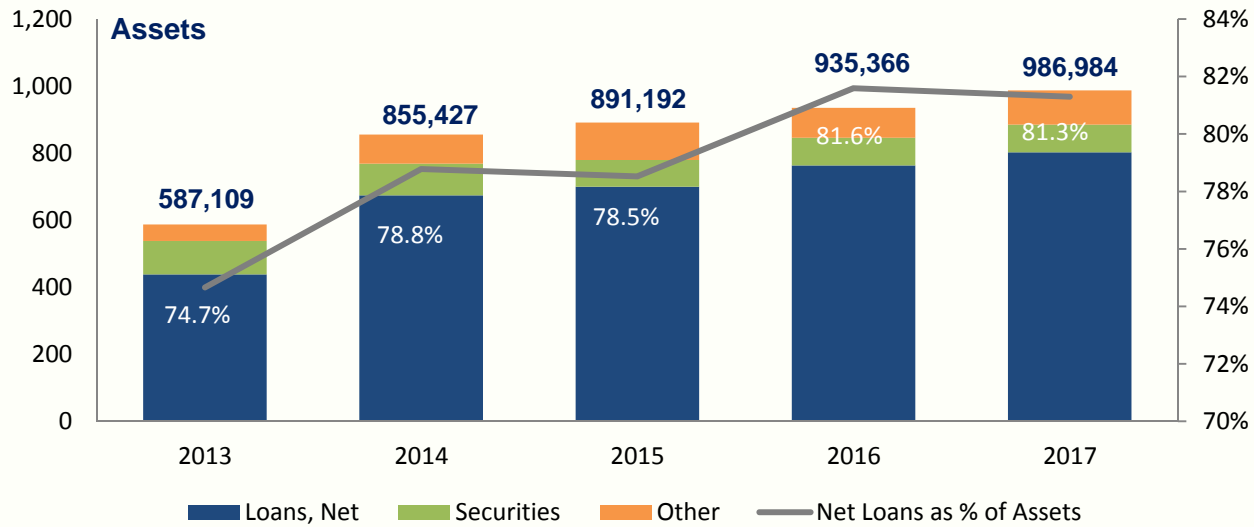


**Return on Average Assets**



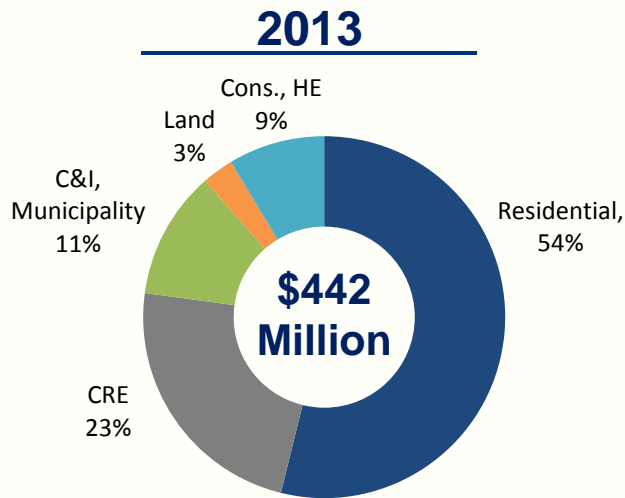
Source: Company SEC filings. <sup>1</sup> Tax equivalent basis.

**Balance Sheet Composition**

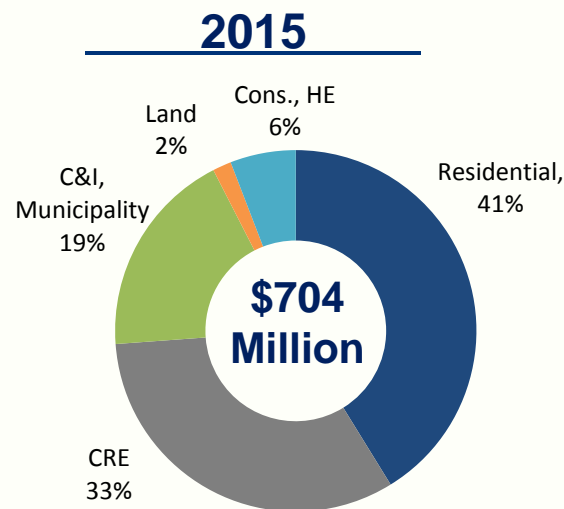




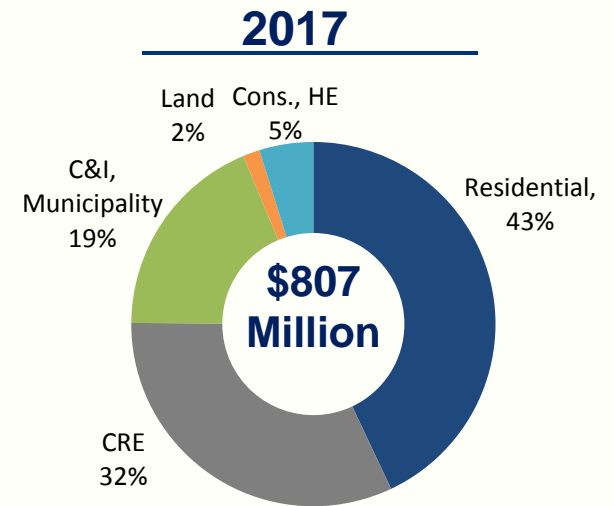
## Loan Composition



Loans (\$ millions)	2013	
Residential	\$237.8	53.8%
CRE	\$102.8	23.3%
C&I, Municipality	\$50.5	11.4%
Land	\$12.5	2.8%
Cons., HE	\$38.0	8.6%
Gross Loans	\$441.7	100.0%



Loans (\$ millions)	2015	
Residential	\$289.8	41.2%
CRE	\$229.7	32.6%
C&I, Municipality	\$131.0	18.6%
Land	\$11.8	1.7%
Cons., HE	\$41.3	5.9%
Gross Loans	\$703.5	100.0%



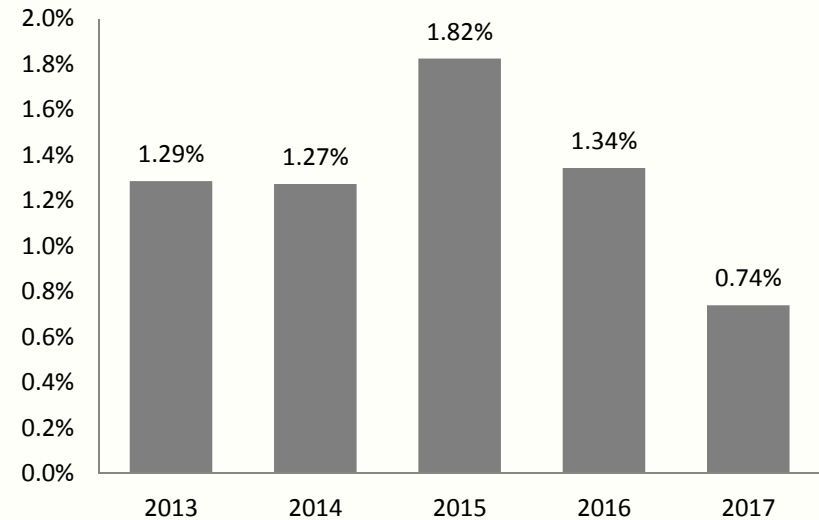
Loans (\$ millions)	2017	
Residential	\$346.9	43.0%
CRE	\$259.3	32.1%
C&I, Municipality	\$150.2	18.6%
Land	\$12.2	1.5%
Cons., HE	\$38.6	4.8%
Gross Loans	\$807.2	100.0%

**2013 – 2017 Loan CAGR: 13%**

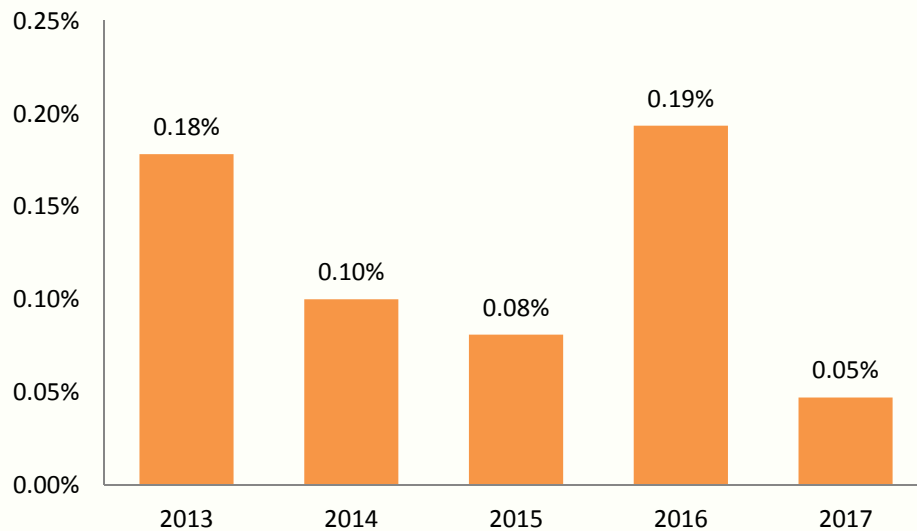
**Credit Quality**

- Continued improvements in credit quality with significant reduction in NPAs in 2017
- NPA ratio significantly reduced in 2017 on the sale of OREO and payoff of NPLs
- NCO improvement in 2017 reflected higher recoveries

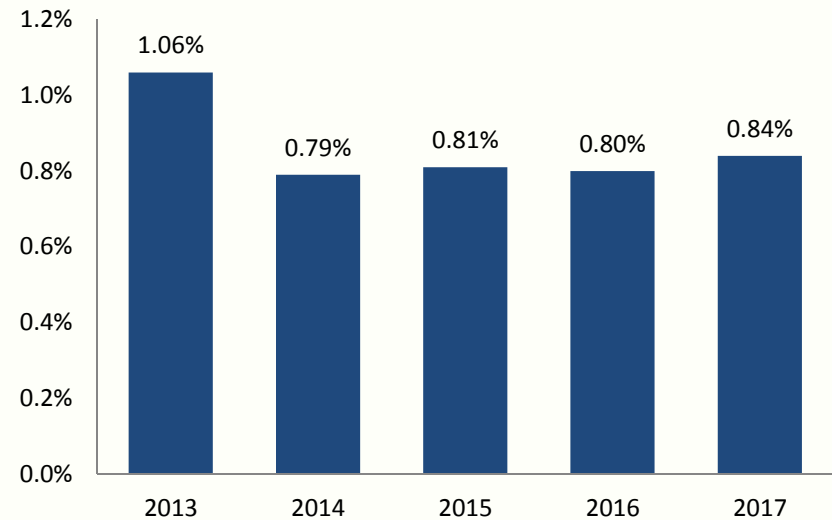
**NPAs / Assets**



**NCOs / Average Loans**

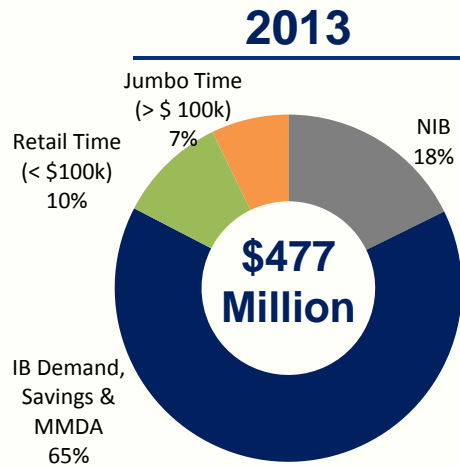


**Loan Loss Reserves / Gross Loans**



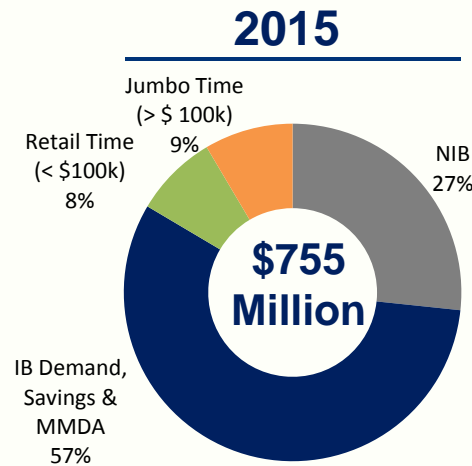
Source: S&P Global and Company SEC filings.

## Deposit Composition



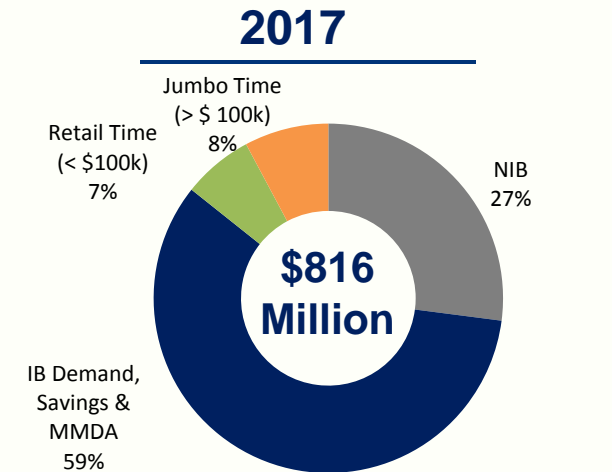
Deposits (\$ millions)	2013	
NIB	\$ 84.7	17.7%
IB Demand, Savings & MMDA	\$ 309.7	64.9%
Retail Time (< \$100k)	\$ 48.7	10.2%
Jumbo Time (> \$ 100k)	\$ 34.4	7.2%
<b>Total</b>	<b>\$ 477.4</b>	<b>100%</b>

**Core Deposits: 82.6%**  
**Cost of Deposits: 0.46%**



Deposits (\$ millions)	2015	
NIB	\$ 201.3	26.7%
IB Demand, Savings & MMDA	\$ 428.9	56.8%
Retail Time (< \$100k)	\$ 60.2	8.0%
Jumbo Time (> \$ 100k)	\$ 64.2	8.5%
<b>Total</b>	<b>\$ 754.5</b>	<b>100%</b>

**Core Deposits: 83.5%**  
**Cost of Deposits: 0.33%**

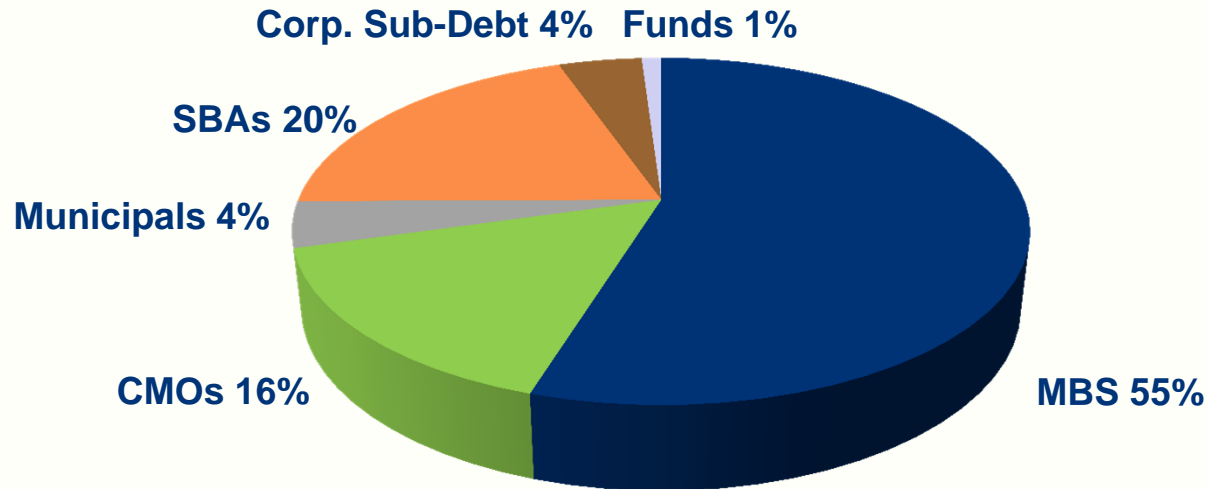


Deposits (\$ millions)	2017	
NIB	\$ 220.5	27.0%
IB Demand, Savings & MMDA	\$ 478.1	58.6%
Retail Time (< \$100k)	\$ 53.2	6.5%
Jumbo Time (> \$ 100k)	\$ 63.6	7.8%
<b>Total</b>	<b>\$ 815.5</b>	<b>100%</b>

**Core Deposits: 85.7%**  
**Cost of Deposits: 0.42%**

**2013 – 2017 Deposit CAGR: 11%**

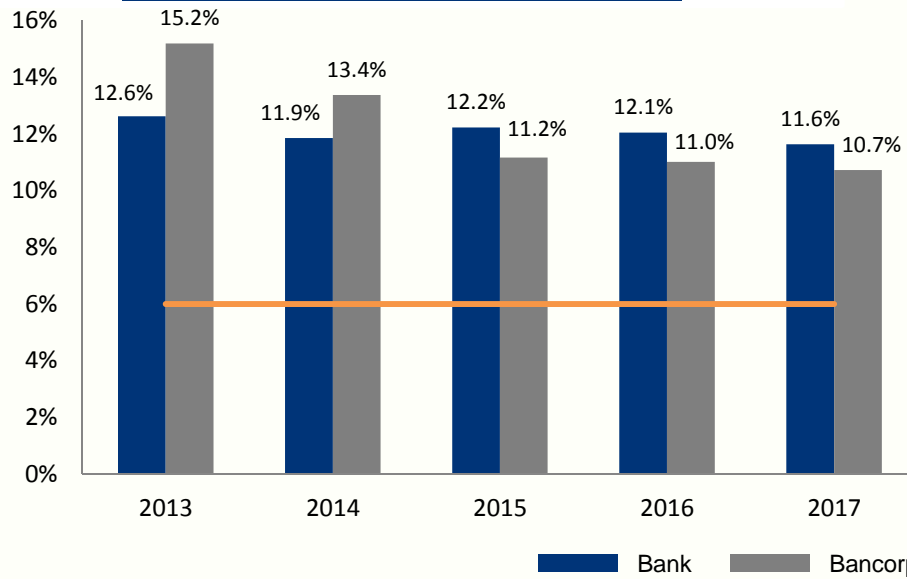
## Securities AFS Portfolio (2017)



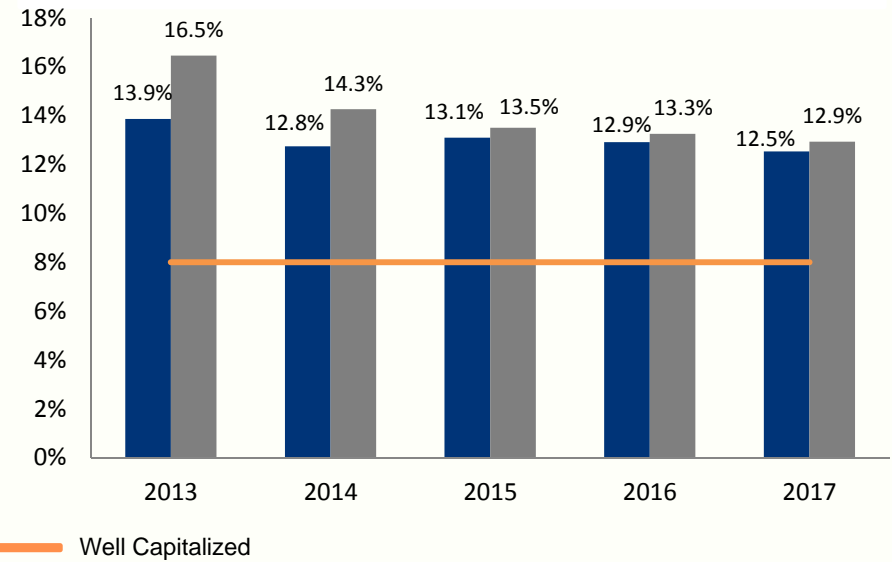
### Highlights

- \$79 million or 8% of total assets
- Primarily collateralizes deposits and provides liquidity
- Mostly MBS, SBAs and Municipals
- Average yield: 2.61%
- Weighted Average Maturity: 4.36 years

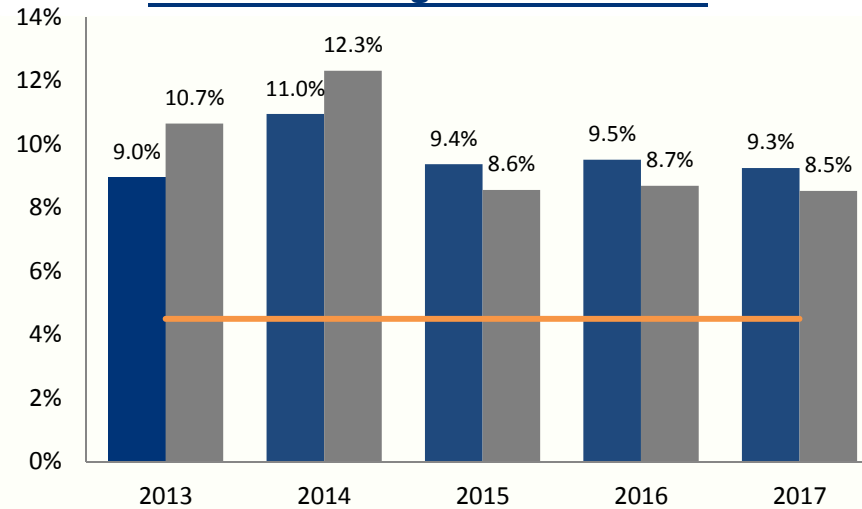
**Tier 1 Capital Ratio <sup>1</sup>**



**Total Capital Ratio <sup>2</sup>**



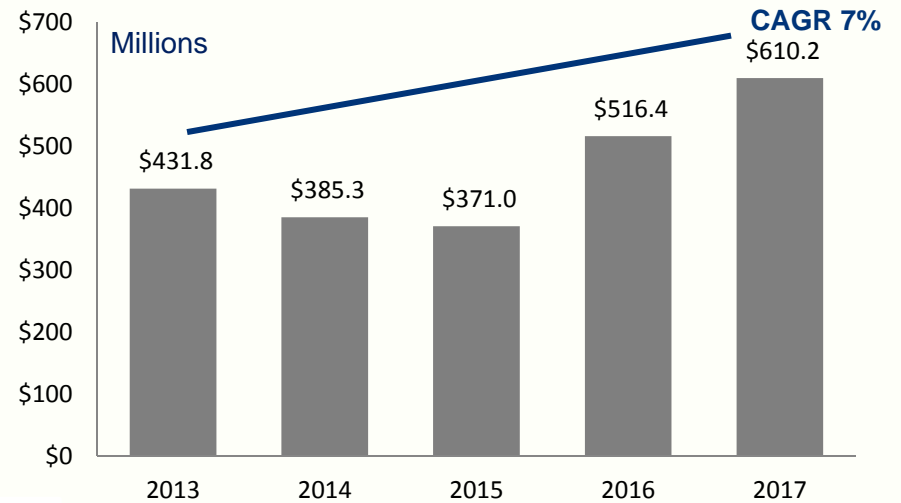
**Leverage Ratio <sup>3</sup>**



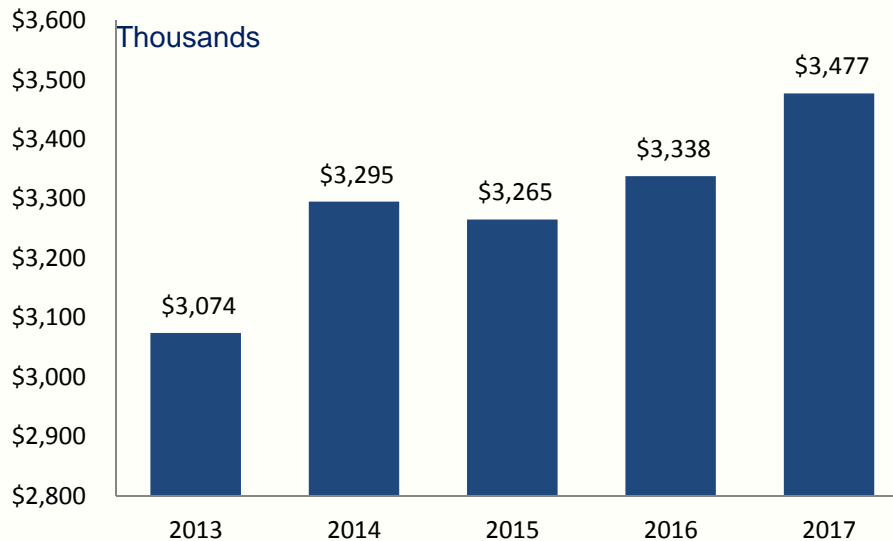
**Trust & Wealth Advisory**

- Trust & Wealth Advisory provides a source of diversified revenues
- This business differentiates us from our community banking peers
- Services include Trust and Estate Administration, Asset Management, 401k Advisory and Financial Planning
- Expansion into Hudson Valley continued with Trust office opening in Newburgh, NY

**Assets Under Administration**



**Gross Revenues**



### Common Stock Price: NASDAQ: SAL

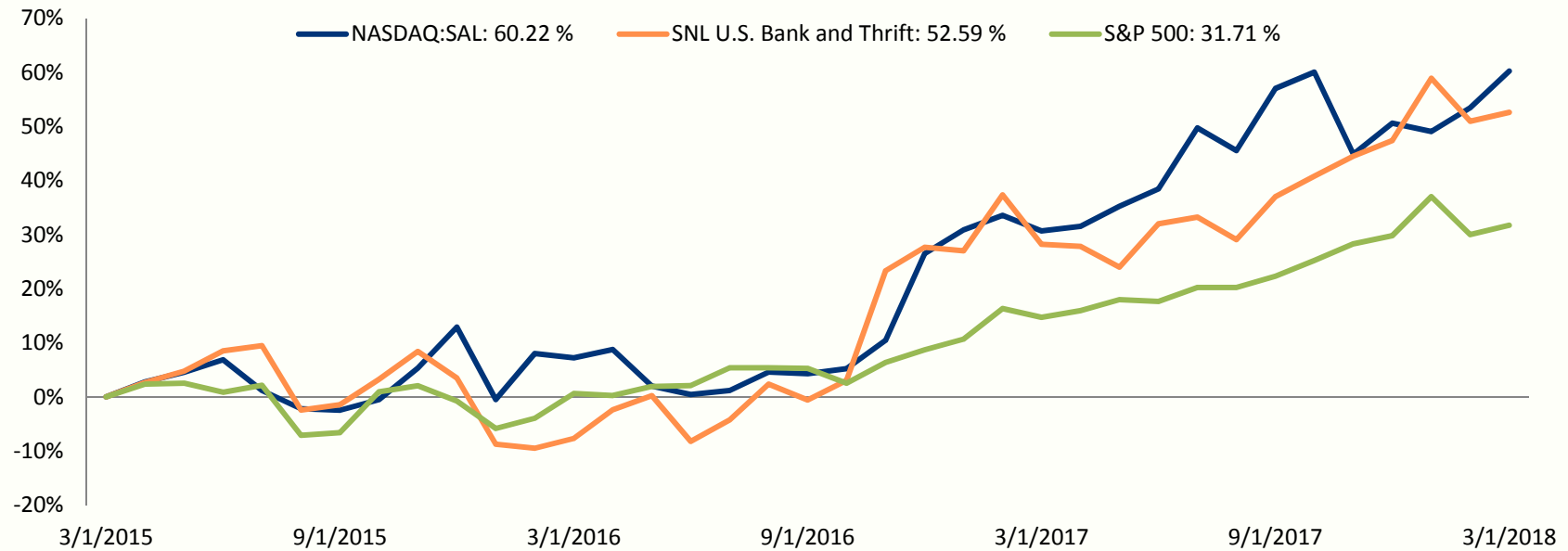


Period Ending	2014	2015	2016	2017
Tangible BV per common share (\$)	25.83	27.69	28.90	29.39
Price/Book (%)	86.7	101.0	110.0	127.5
Market capitalization (\$ in millions)	74.4	91.5	103.4	124.4
Common shares outstanding (000s)	2,721	2,734	2,758	2,785
Insider Ownership (%)	18.4	18.7	19.1	12.08 <sup>1</sup>
Institutional Ownership (%)	6.65	9.12	8.68	11.33
Highs / Lows (\$)	30.98 / 25.88	33.70 / 26.60	38.15 / 29.51	48.35 / 37.30

Source: S&P Global and Company SEC filings. <sup>1</sup> In April 2017, Salisbury Director Rudolph P. Russo died. Mr. Russo held approximately 6% of Salisbury's shares.



### Relative Stock Price Performance



### Highlights:

- Outperformed S&P 500 and SNL U.S. Banks & Thrifts over three year period
- 20 + years of dividend payments
- Current dividend yield of 2.36%

## Strategic Priorities:

- Organic growth and strategic acquisitions
  - ✓ Wealth advisory
  - ✓ Branches
  - ✓ Whole bank
- Enhance profitability of current footprint
- Deepen penetration of existing markets
- Establish new client relationships

## Why invest in Salisbury Bank.....

1

### ***Steady Performance***

Salisbury has delivered stable earnings, consistently paid a dividend and is well-capitalized.

2

### ***Experienced Management***

Salisbury's management team has extensive banking and financial services experience as well as in-depth local market knowledge.

3

### ***Growth Potential***

Salisbury has a proven track record for growing organically and through strategic acquisitions. Salisbury also has consolidated new and exiting branches to realize efficiencies and savings.

4

### ***Strong Governance***

Salisbury's Board of Directors is actively engaged, experienced and holds management accountable.



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