

fourth quarter **shareholders' report** December 31, 2011

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



Dear Shareholders, Customers and Friends:

Our fourth quarter and full year 2011 results reflect the positive progress we have made. In addition to rigorously managing expenses, we saw growth in each of our business units, as well as significant improvement in credit metrics. We enter 2012 stronger, and focused on profitably growing Salisbury Bank and managing credit risk.

Following are selected financial highlights for our fourth quarter:

Net income available to common shareholders was \$1,183,000, or \$0.70 per common share, for the fourth quarter ended December 31, 2011, compared with \$864,000, or \$0.51 per common share, for the third quarter ended September 30, 2011, and \$1,123,000, or \$0.67 per common share, for the fourth quarter ended December 31, 2010.

Earnings per common share increased \$0.19, or 36.92%, to \$0.70 versus third quarter 2011, and \$0.03, or 5.09%, versus fourth quarter 2010.

Tax equivalent net interest income increased \$111,000, or 2.3%, versus third quarter 2011, and increased \$295,000, or 6.28%, versus fourth quarter 2010.

Non-interest income increased \$358,000, or 26.86%, versus third quarter 2011 and increased \$68,000, or 4.2%, versus fourth quarter 2010.

Non-interest expense decreased \$286,000, or 6.3%, versus third quarter 2011 and increased \$8,000, or 0.2%, versus fourth quarter 2010.

Provision for loan losses was \$580,000, versus \$180,000 for third quarter 2011 and \$380,000 for fourth quarter 2010. Net loan charge-offs were \$531,000, versus \$132,000 for third quarter 2011 and \$307,000 for fourth quarter 2010.

Non-performing assets decreased \$3.1 million, or 22.4%, to \$10.8 million, or 1.78% of total assets, versus third quarter 2011 and increased \$0.1 million versus fourth quarter 2010. Loans receivable 30 days or more past due increased \$0.5 million to \$9.6 million, or 2.59% of gross loans, versus third quarter 2011, and increased \$0.8 million versus fourth quarter 2010.

Following are some of our non-financial highlights:

Salisbury Bank cares about Main Street – Helped entrepreneurs with education.

Small businesses are the backbone of our local economy and Salisbury Bank is committed to their success. To that end, Salisbury Bank YOUiversity partnered with the Connecticut Small Business Development Center to offer a small business workshop series, "An Introduction to Starting and Operating a New Business." Workshops explored the pros and cons of owning a business, the characteristics of successful entrepreneurs, business structures, tax considerations, availability of financial assistance; and writing a business plan. The series was very well received by current business owners as well as those contemplating starting new businesses.

Customer security a top priority for Salisbury Bank.

During the quarter the Bank continued its communication program to educate customers about ways to protect themselves from financial and online scams. Our "10 Steps to protect your Credit and Debit Cards" explained how debit and credit card fraud can happen, provided ways to protect your cards, and offered advice on what to do if you are a victim of credit or debit card cloning. A very timely communication, "Do's and Don'ts of Password Creation" explained why it is critical to choose "strong" passwords and provided tips to help customers create complex passwords.

Salisbury Bank Offered Assistance to Residents and Businesses Affected by Winter Storm Alfred.

On October 29th our region experienced the fury of Winter Storm Alfred, one of the worst storms to hit our area in many years. We realized that many of our customers may have experienced damage to their homes and disruptions to their businesses. Salisbury Bank has been helping our communities weather storms big and small since 1848. As part of our commitment to our neighbors we offered reduced rates on our Home Improvement, Home Equity, and Salisbury Bank Business Smart loans to help them recover from the storm.

Salisbury Bank lent a helping hand to neighbors during the holiday season.

For the 26th consecutive year, Salisbury Bank sponsored its "We Believe" program providing holiday gifts to children in need. Customers and community members helped celebrate by placing new, unwrapped gifts beneath the trees at our eight branch offices. Additionally, the Bank once again partnered with local food pantries during our annual Fill the Basket campaign. Through the generosity of our customers, employees and community, we were able to provide our neighbors in need with life's basic necessities.

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

Sincerely,

Richard J. Cantele, Jr., President and CEO



According to Rick Cantele, President and CEO, "One of the more important services provided by Salisbury Bank is ongoing financial education on a wide variety of topics. The Connecticut Small Business Development Center assisted us with meeting a very specific need in our market with their small business workshop series. By offering these types of resources to our business clients, as well as those in our market with the entrepreneurial spirit, we see a benefit not only to their individual financial success, but a benefit to the community at large."



Educating customers about ways to protect themselves from financial and online scams is a critical part of the Bank's mission.



Salisbury Bank offered assistance to residents and businesses affected by Winter Storm Alfred.

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Shareholder Information

Transfer Agent

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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 and click on Shareholder Relations.

For our Annual Report or Other Information

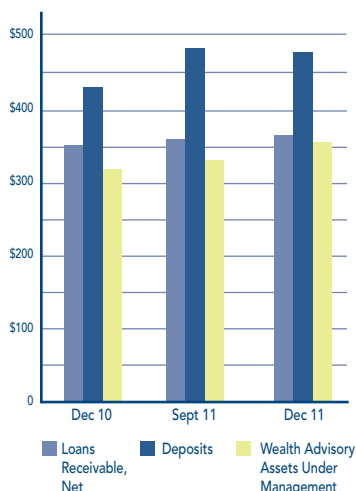
Visit www.salisburybank.com and click on Shareholder Relations.

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Bank Growth (in millions)



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

STATEMENT OF INCOME	Three month period ended Dec. 31,		Twelve month period ended Dec. 31,	
	2011	2010	2011	2010
Interest and dividend income	\$6,029	\$6,200	\$24,044	\$24,656
Interest expense	1,292	1,758	5,559	7,497
Net interest and dividend income	4,737	4,442	18,485	17,159
Provision for loan losses	580	380	1,440	1,000
Trust and wealth advisory	686	595	2,548	2,102
Service charges and fees	534	523	2,090	2,006
Gains on sales of mortgage loans, net	318	373	687	816
Mortgage servicing, net	74	71	65	97
Gain on securities, net	-	-	11	16
Other	79	61	255	270
Non-interest income	1,691	1,623	5,656	5,307
Salaries	1,768	1,827	6,970	6,816
Employee benefits	574	516	2,493	2,253
Premises and equipment	597	528	2,330	2,099
Data processing	382	372	1,410	1,452
Professional fees	212	115	1,099	1,364
Collections and OREO	70	128	590	191
FDIC insurance	55	186	596	735
Marketing and community contributions	98	119	343	319
Amortization of core deposit intangibles	56	56	222	222
Other	437	394	1,586	1,662
Non-interest expense	4,249	4,241	17,639	17,113
Income before income taxes	1,599	1,444	5,062	4,353
Income tax provision	352	206	950	693
Net income	\$1,247	\$1,238	\$4,112	\$3,660
Net income available to common shareholders	\$1,183	\$1,123	\$3,643	\$3,198
Per common share				
Basic and diluted earnings	\$0.70	\$0.67	\$2.16	\$1.89
Common dividends paid	0.28	0.28	1.12	1.12
Statistical data				
Tax equivalent net interest and dividend income	4,993	4,698	19,516	18,193
Net interest margin (tax equivalent)	3.48%	3.44%	3.51%	3.37%
Efficiency ratio (tax equivalent)	62.83	65.55	68.16	71.56
Return on average assets	0.77	0.77	0.62	0.56
Effective tax rate	22.01	14.27	18.77	15.92
Return on average common shareholders' equity	9.21	9.25	7.38	6.93
Weighted average equivalent common shares outstanding, diluted	1,689	1,688	1,689	1,688

FINANCIAL CONDITION	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Total assets	\$609,284	\$575,470	\$562,347
Loans receivable, net	370,766	352,449	327,257
Allowance for loan losses	4,076	3,920	3,473
Securities	155,794	153,511	151,125
Cash and cash equivalents	36,886	26,908	43,298
Goodwill and intangible assets, net	10,849	11,071	11,293
Demand (non-interest bearing)	82,202	71,565	70,026
Demand (interest bearing)	66,332	63,258	45,633
Money market	124,566	77,089	64,477
Savings and other	94,503	93,324	84,528
Certificates of deposit	103,703	125,053	153,539
Deposits	471,306	430,289	418,203
Federal Home Loan Bank advances	54,615	72,812	76,364
Repurchase agreements	12,148	13,190	11,415
Shareholders' equity	66,862	55,016	52,355
Non-performing assets	10,819	10,751	7,720
Per common share			
Book value	\$30.12	\$27.37	\$25.81
Tangible book value	23.69	20.81	19.12
Statistical data			
Non-performing assets to total assets	1.78%	1.87%	1.37%
Allowance for loan losses to total loans	1.09	1.10	1.05
Allowance for loan losses to non-performing loans	50.47	38.65	46.64
Common shareholders' equity to assets	10.97	9.56	7.74
Tangible common shareholders' equity to assets	6.57	6.10	5.73
Tier 1 leverage capital	9.45	8.39	8.39
Total risk-based capital	15.88	13.87	12.86
Common shares outstanding, net (period end)	1,689	1,688	1,687