



**Investor Presentation**  
**(Including Unaudited Information for 2015)**

**NASDAQ: SAL**

**enriching.**

## Investor Information

### **Richard J. Cantele, Jr.**

President

Chief Executive Officer

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### **Donald E. White**

Executive Vice President

Chief Financial Officer

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### **Shelly L. Humeston**

Senior Vice President

Secretary

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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 and Form 10-Q. 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

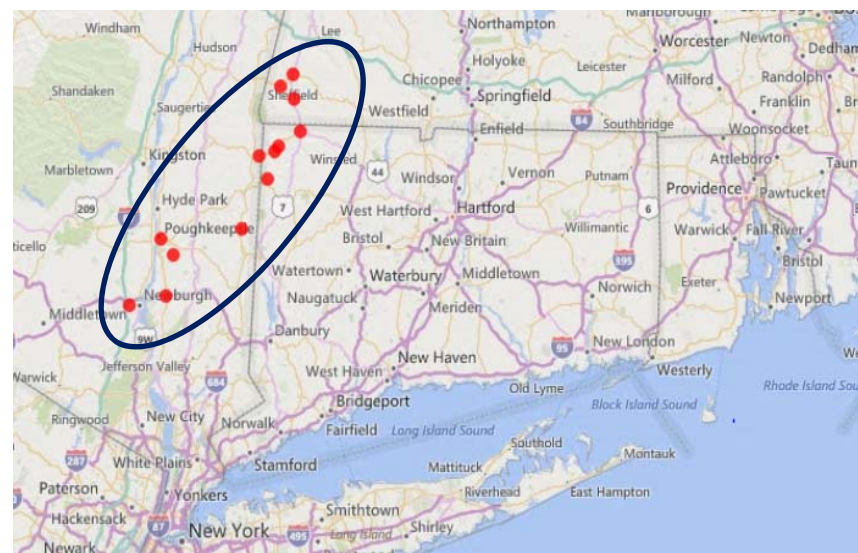
- Full service community banking institution offering consumer and business banking products and services as well as trust and wealth advisory services with roots dating back to 1848
- Operating footprint includes 13 banking locations across four counties in CT, MA and NY (“Operating Counties”)<sup>1</sup>
- #2 Community bank deposit market share in combined four counties served
- Franchise extends to within 50 miles of New York metropolitan market
- 20 plus year history of dividend payments
- Seasoned and experienced management team

## Key Statistics

### Financial Information (as of or for quarter ending December 31, 2015) (unaudited)

Total Assets (\$000s)	<b>\$891,192</b>
Net Loans (\$000s)	<b>\$699,018</b>
Total Deposits (\$000s)	<b>\$754,533</b>
Total Shareholder’s Equity (\$000s)	<b>\$90,574</b>
Tangible Book Value per Common Share (\$)	<b>\$27.69</b>
Wealth Assets Under Management (\$000s)	<b>\$371,012</b>
Net Income (\$000s)	<b>\$2,166</b>
FTEs	<b>158</b>
Common Stock Price (\$)	<b>\$33.48</b>
Market Capitalization (\$MMs)	<b>\$91.5</b>
Price / Tangible Book Value (%)	<b>120.9</b>

## Branch Footprint

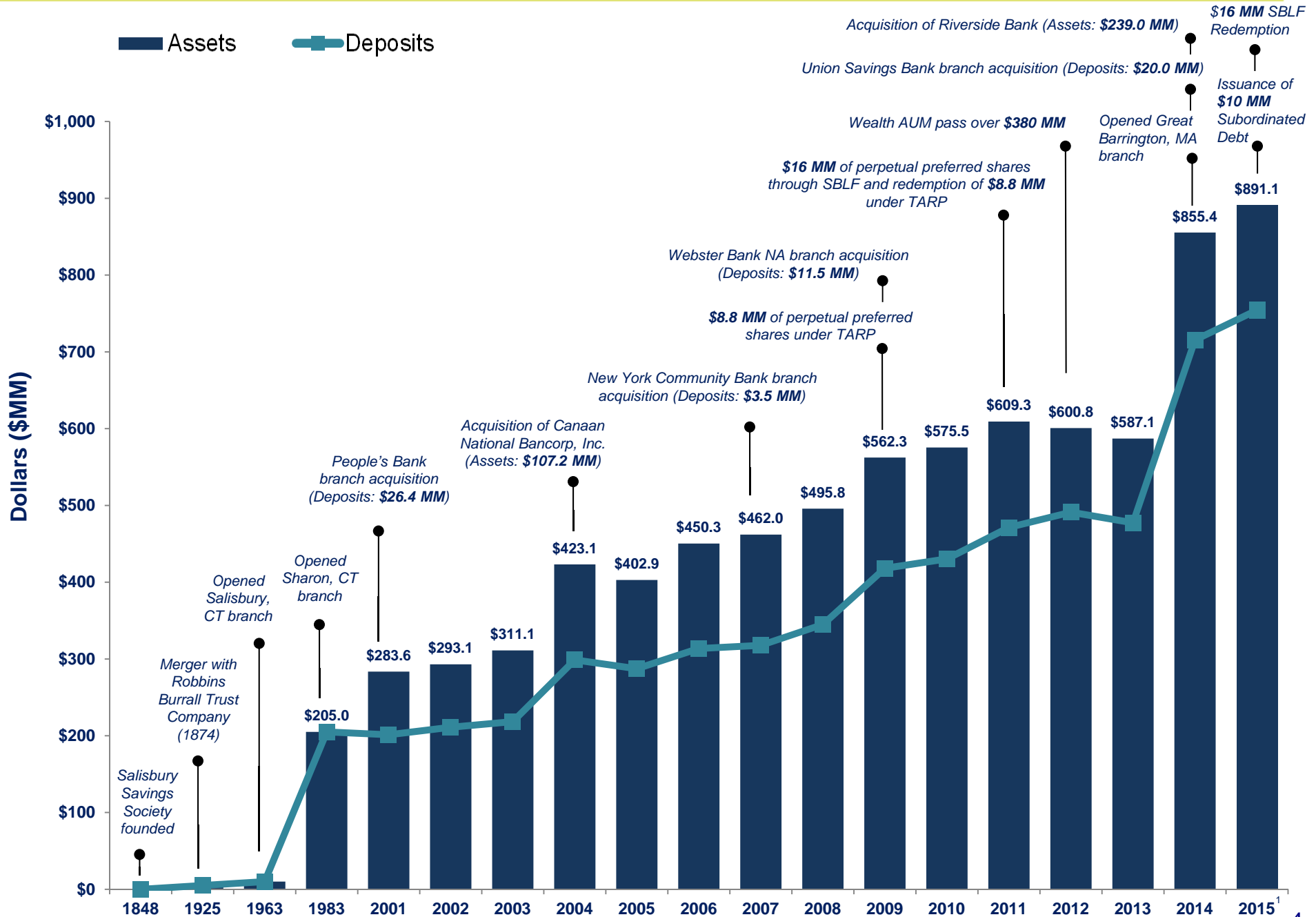


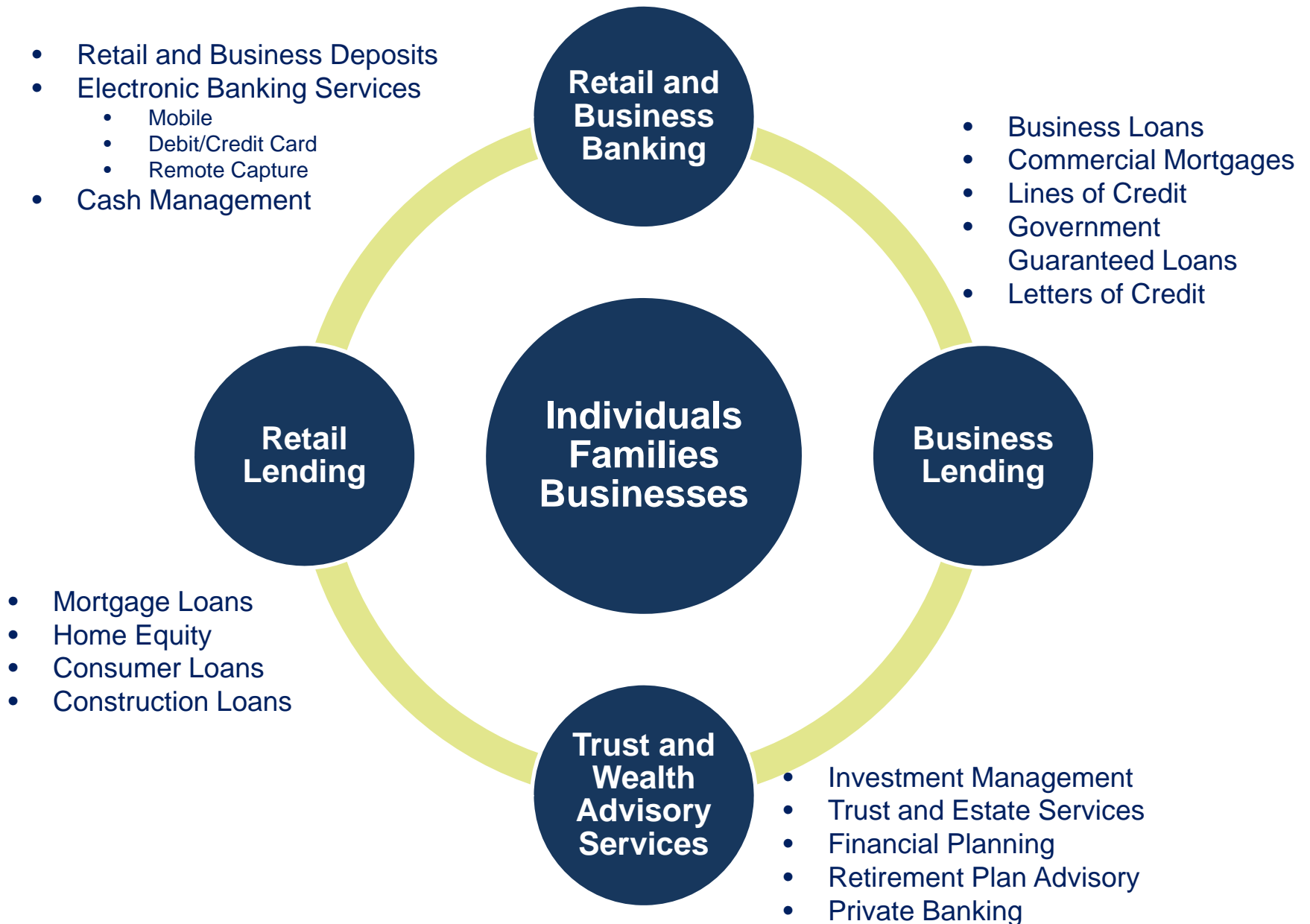
## Operating Counties – Deposit Market Share

Rank	Company Name	June 30, 2015 (%)
1	Toronto-Dominion Bank	9.50
2	Berkshire Hills Bancorp Inc. (MA)	9.34
3	KeyCorp (OH)	8.50
4	JPMorgan Chase & Co. (NY)	8.43
5	Citizens Financial Group Inc. (RI)	5.90
6	Bank of America Corp. (NC)	5.19
7	M&T Bank Corp. (NY)	5.13
8	Salisbury Bancorp Inc. (CT)	3.78
9	Webster Financial Corp. (CT)	3.68
10	Wells Fargo & Co. (CA)	3.35
11	Orange County Bancorp Inc. (NY)	2.97
12	Rhinebeck Bancorp MHC (NY)	2.95

(1) Operating Counties consist of Litchfield County, CT; Dutchess and Orange Counties in NY; and Berkshire County in MA  
Source: SNL Financial - Note: Deposit Market Share as of June 30, 2015 (Grey italics indicate super regional and money center institutions)

# History of Our Business





## Key Highlights

- #2 market share among local banks in combined four counties of operation (excluding money center and super regional institutions).
- Significant opportunities exist to gain market share from larger banking institutions.
- Continually improving efficiency ratio each quarter following the completion of the acquisition of Riverside Bank last December.
- Earnings per share of \$3.04 increased \$1.72, or 130%, as compared with 2014 (2015 information unaudited).
- Successful completion of the sale of \$10 million in subordinated debt proceeds, plus cash on hand, used for full redemption of \$16 million of senior non-cumulative perpetual preferred stock (issued through participation in U.S. Treasury's SBLF Program).
- Compared to December 2014, book value of \$33.13 increased 5%, or \$1.59, and tangible book value of \$27.69 increased 7%, or \$1.85 during 2015 (2015 information unaudited).

## Key Highlights

- **Experienced Senior Management Team**
  - ✓ Average of 34 years in banking and over 11 years with the Company
  - ✓ Significant insider ownership, with directors and management owning nearly 19%
  
- **Excellent Regional Demographics**
  - ✓ Affluent market demographics, high level of projected household income growth compared to national aggregate and low unemployment rate relative to the national aggregate
  
- **Strong Market Share and Brand Recognition**
  - ✓ Well-known name coupled with relationship-focused banking has established customer loyalty and a constantly growing customer base
  
- **Quality Growth**
  - ✓ Successful history of organic growth
  - ✓ Completed two bank acquisitions and four separate branch acquisitions since 2001

# Executive Management Team

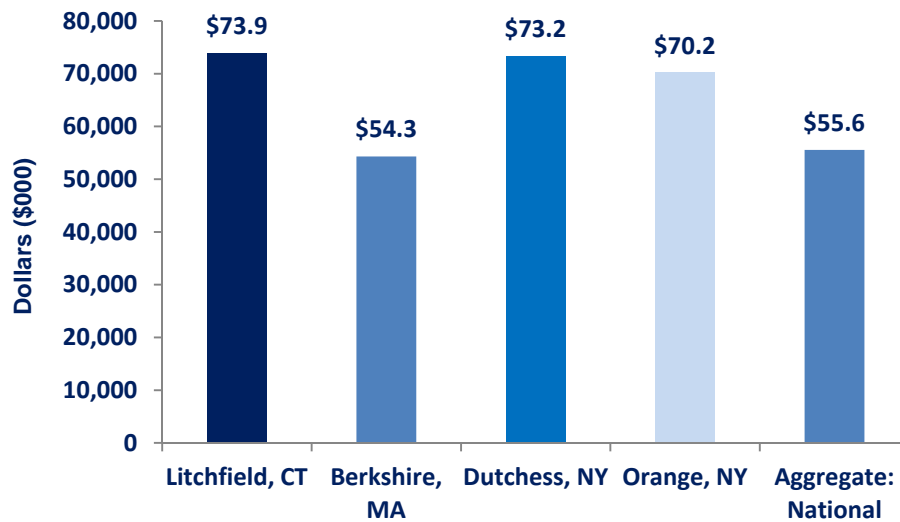
## Over 270 Years of Financial Services Experience

	<i>Years with SAL</i>	<i>Years in Banking/ Financial Services</i>
<b>Richard J. Cantele, Jr. – President and Chief Executive Officer</b> <ul style="list-style-type: none"> <li>Joined the Company in 1981, served as President and Director since 2005, became CEO in 2009</li> <li>Formerly Salisbury Bank President and COO</li> </ul>	34	34
<b>James E. Cotter – Executive Vice President and Chief Operating Officer</b> <ul style="list-style-type: none"> <li>Joined the Company in 2015</li> <li>Prior experience includes Naugatuck Valley Savings and Loan, Newtown Savings Bank and Fairfield Savings Bank</li> </ul>	<1	38
<b>Todd M. Clinton – Executive Vice President and Chief Risk Officer</b> <ul style="list-style-type: none"> <li>Joined the Company in 1987</li> <li>Prior experience includes First National Bank of Amenia (NY)</li> </ul>	28	34
<b>John M. Davies – Regional President for New York and Chief Lending Officer</b> <ul style="list-style-type: none"> <li>Former President and CEO of Riverside Bank</li> <li>Prior experience includes M&amp;T Bank and Bank of New York</li> </ul>	1	31
<b>Steven M. Essex – Senior Vice President, Head of Trust Wealth Advisory Services</b> <ul style="list-style-type: none"> <li>Joined the Company in 2009</li> <li>Prior experience includes Connecticut National Bank</li> </ul>	6	26
<b>Richard P. Kelly – Executive Vice President and Chief Credit Officer</b> <ul style="list-style-type: none"> <li>Joined the Company in 2013</li> <li>Prior experience includes Berkshire Bank and Community Bank N.A.</li> </ul>	3	35
<b>Elizabeth A. Summerville – Executive Vice President and Chief Retail Officer</b> <ul style="list-style-type: none"> <li>Joined the Company in 2004</li> <li>Prior experience includes North American Bank (CT), New England Bank and Trust Company (CT), and National Commercial Bank and Trust Company (NY)</li> </ul>	11	38
<b>Donald E. White – Executive Vice President and Chief Financial Officer</b> <ul style="list-style-type: none"> <li>Joined the Company as Executive Vice President and CFO in April 2013</li> <li>Previously served as Managing Director with Sandler O’Neill + Partners</li> </ul>	3	35

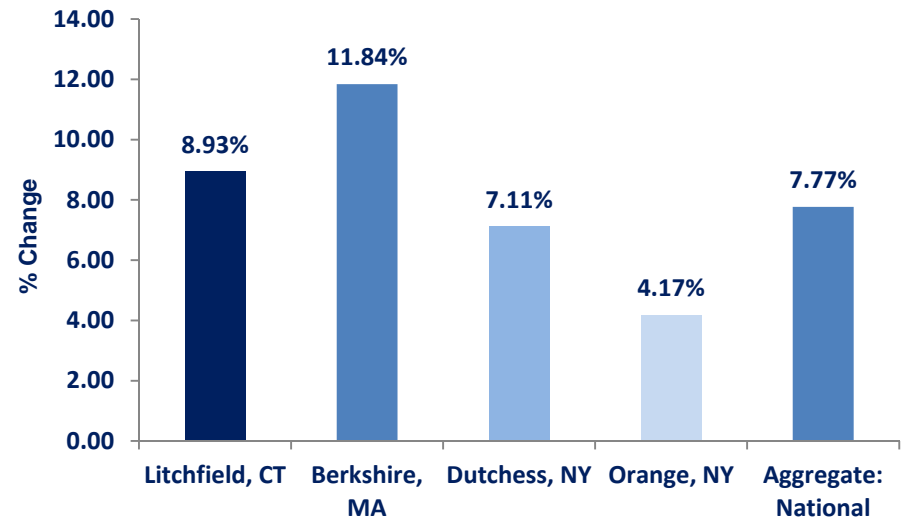


# Market Demographics by County

## Median Household Income



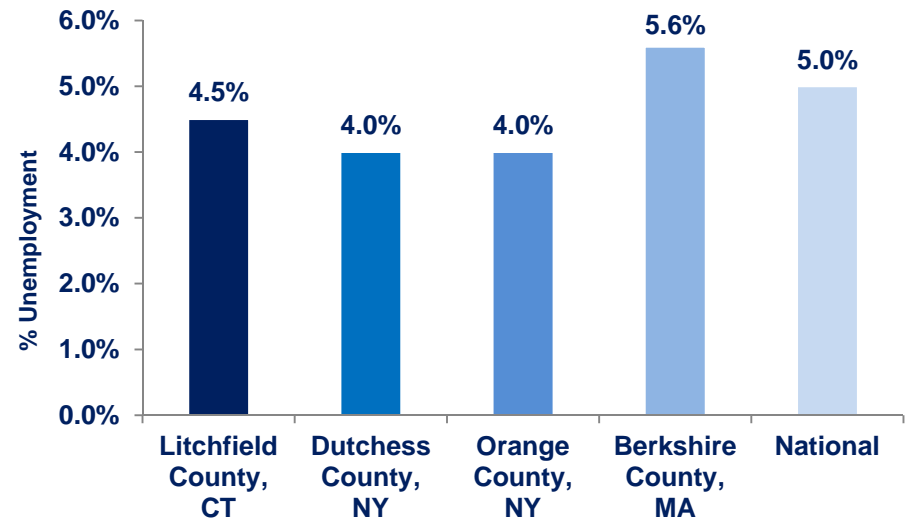
## Projected Household Income Change



## Commentary

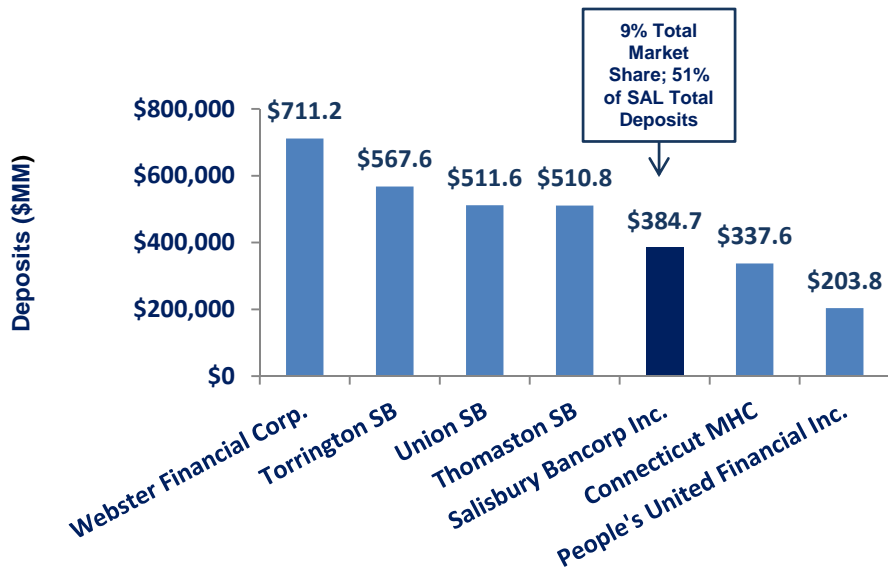
- Litchfield County's prestigious private and public school systems attract affluent individuals to the county
- Litchfield County's median household income is 1% higher than the CT average; projected household growth is nearly double the CT average
- Berkshire County has the highest projected change in household income in SAL's market
- Dutchess County's median household income is 21% higher than the NY average
- Orange County's median household income is 16% higher than the NY average

## Unemployment Rate

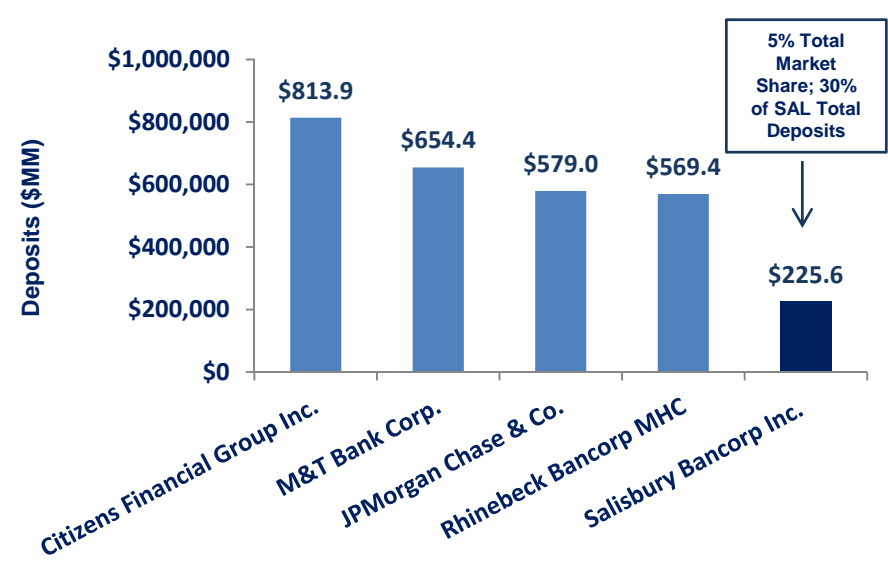


# Growth Opportunities Within Franchise Footprint

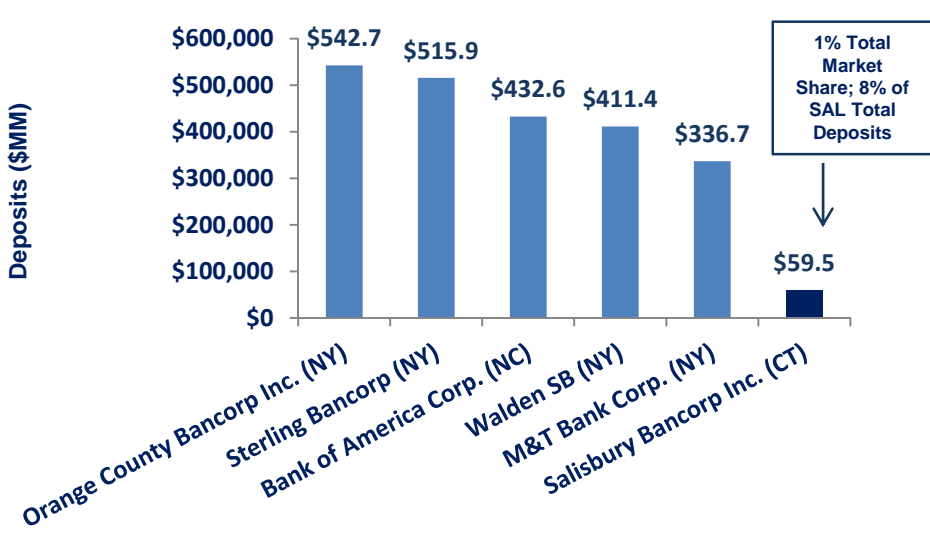
## Litchfield County, CT



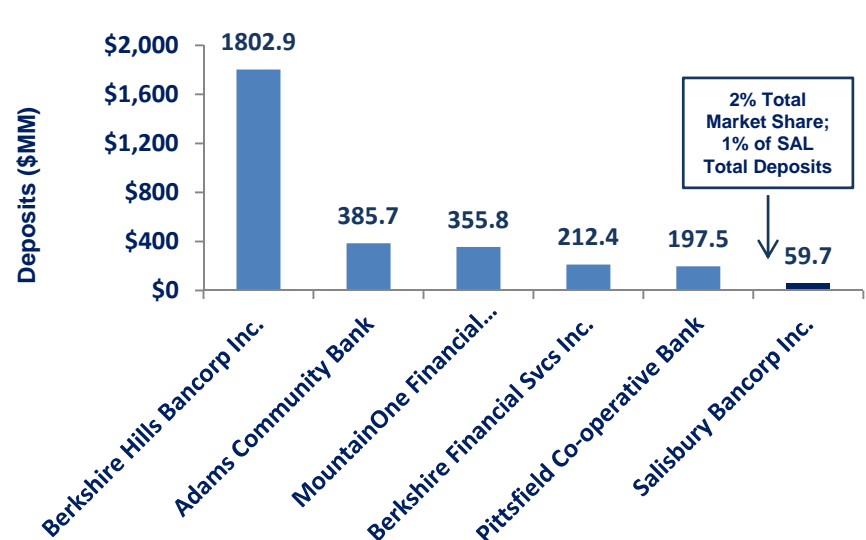
## Dutchess County, NY



## Orange County, NY



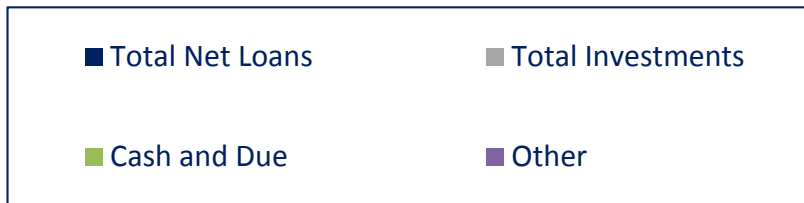
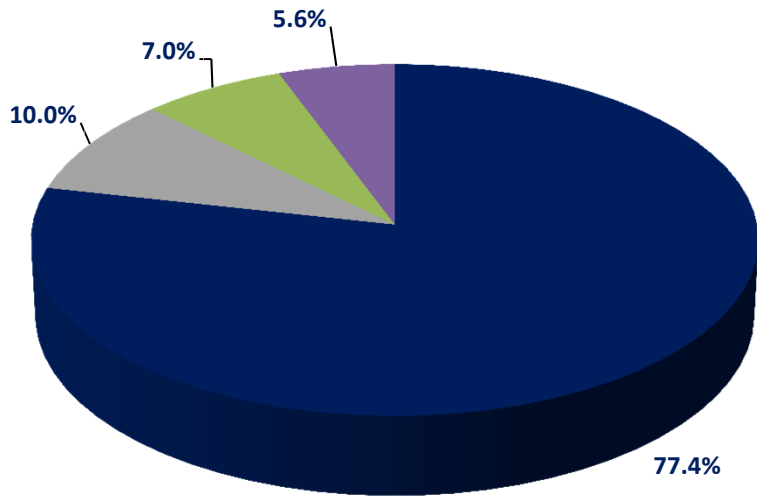
## Berkshire County, MA



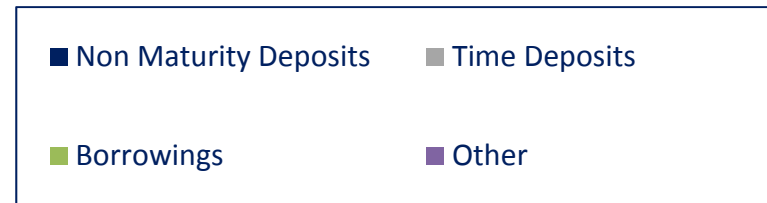
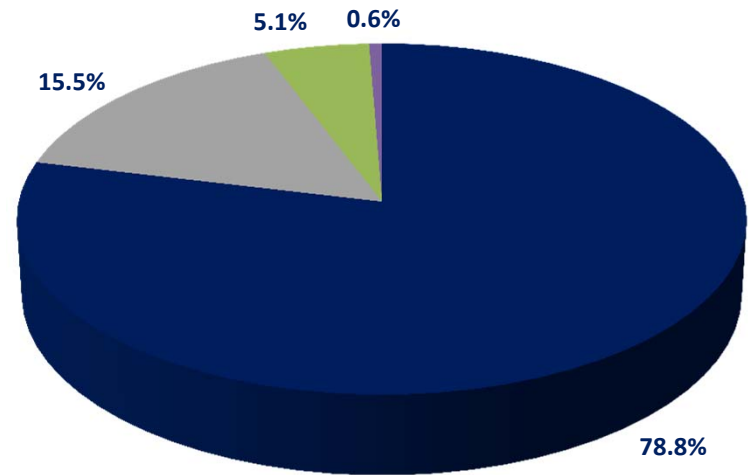
# Balance Sheet Composition

as of 12/31/15 (unaudited)

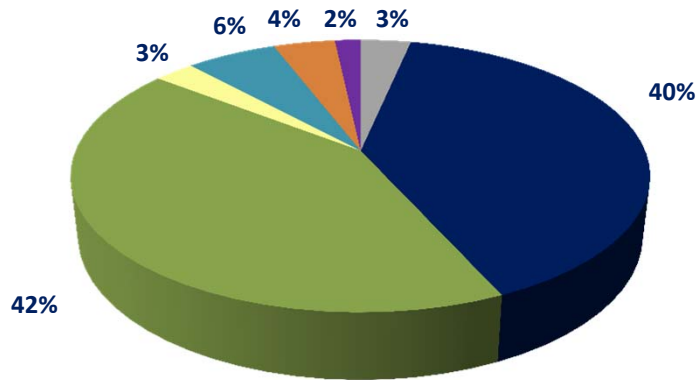
**Assets: \$891,192**  
(\$000)



**Liabilities: \$800,618**  
(\$000)

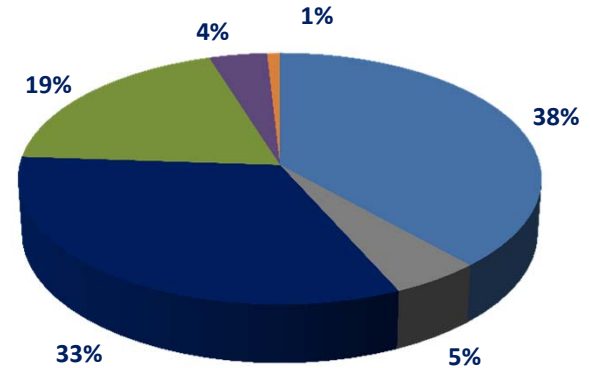


## Securities Portfolio Composition (as of 12/31/15)<sup>1</sup>



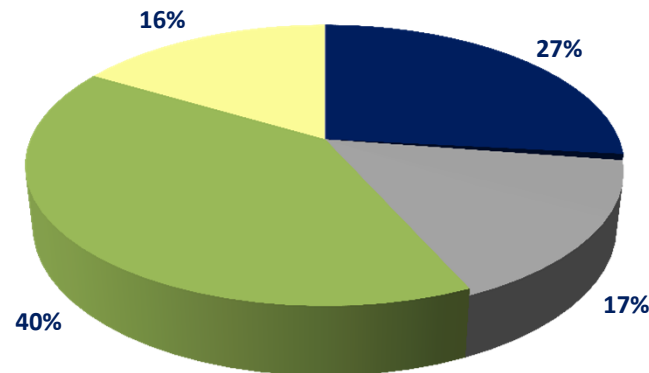
- Treasury Notes
- Govt. Agencies
- Non-agency
- Other
- Municipal Bonds
- CMO Govt. Agencies
- SBA Bonds

## Loan Portfolio Composition (as of 12/31/15)<sup>1</sup>



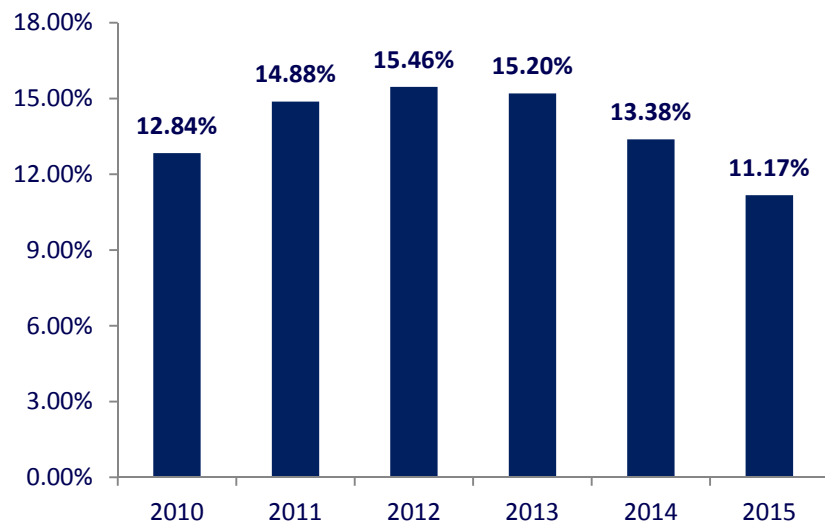
- Residential 1-4 family
- CRE & Multi Family RE
- Construction & Development
- Home equity LOC
- Comm, Financial & Agricultural
- Other Consumer

## Deposit Portfolio Composition (as of 12/31/15)<sup>1</sup>

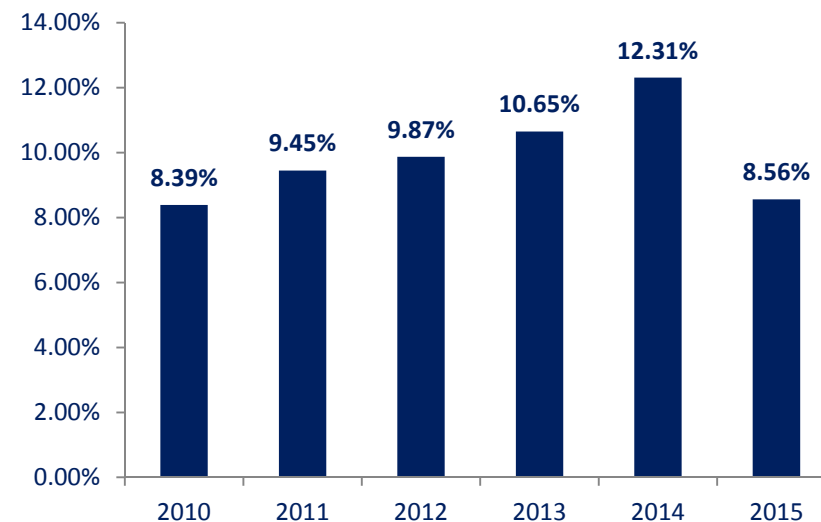


- Demand (non int bearing)
- Savings & MMDA
- Demand (interest bearing)
- Time

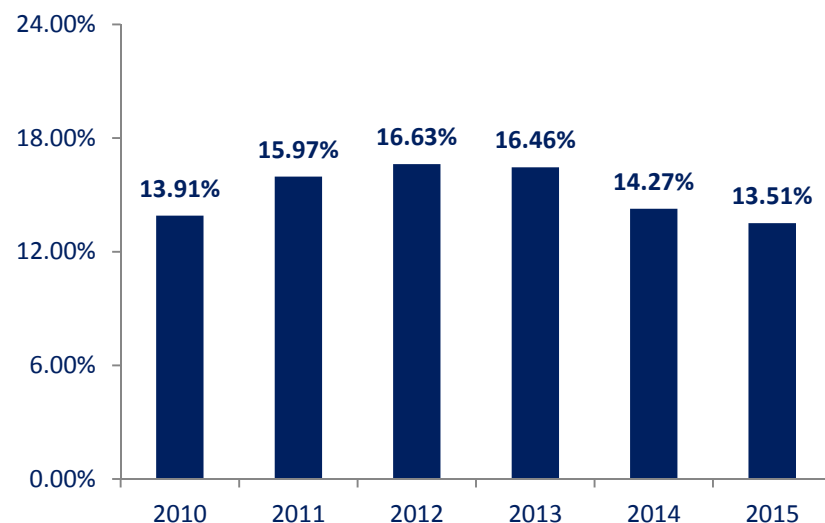
## Tier I Capital Ratio<sup>2</sup>



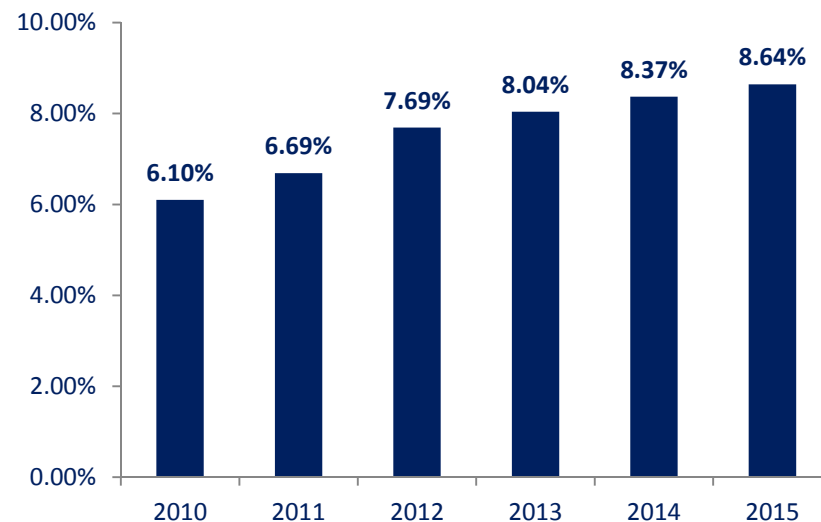
## Leverage Ratio<sup>3</sup>



## Total Risk Based Capital<sup>4</sup>



## TCE / TA<sup>5</sup>



<sup>1</sup> 2015 Information Unaudited

<sup>2</sup> Tier I Capital Ratio: Tier 1 Capital / Risk Weighted Assets

<sup>3</sup> Leverage Ratio: Tier 1 Capital / Average Assets

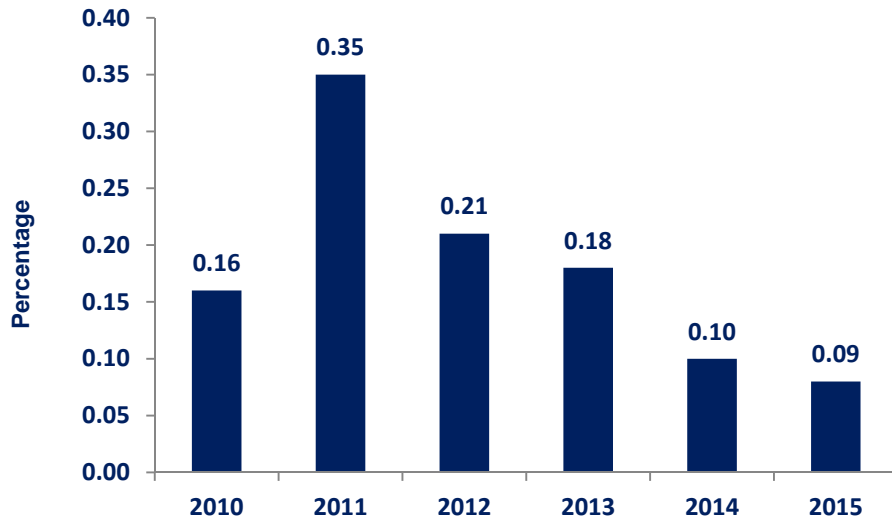
<sup>4</sup> Total Risk Based Capital: Total Capital / Risk Weighted Assets

<sup>5</sup> TCE / TA: Tangible Common Equity / Tangible Assets

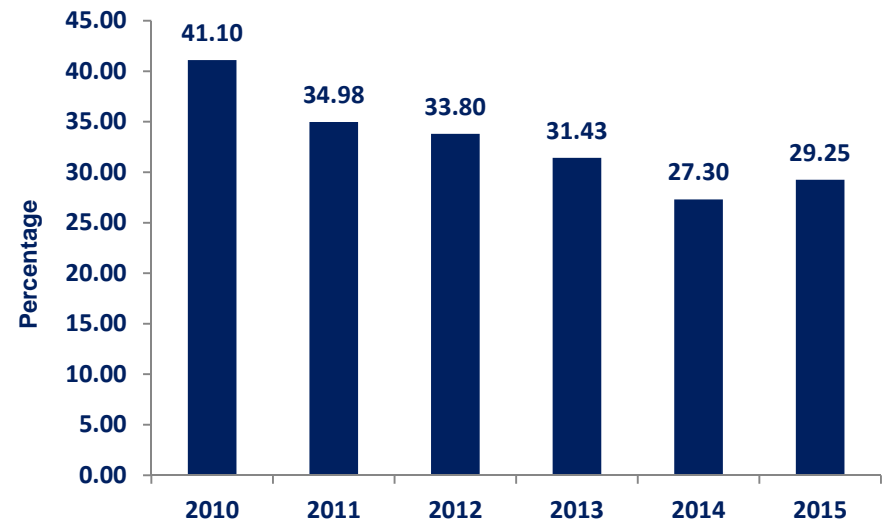
- Cashflow driven lending practices with support from secondary and tertiary repayment sources – generally real property secured
- Annual external loan review function
  - 70% commercial loan portfolio reviewed
  - 93% correlation with internal classifications
- Conservative internal credit exposure limits
  - Legal limit of \$13 million
  - Internal credit relationship guideline of \$7 million
  - Over 170 combined years of credit underwriting and lending experience

# Credit Metrics

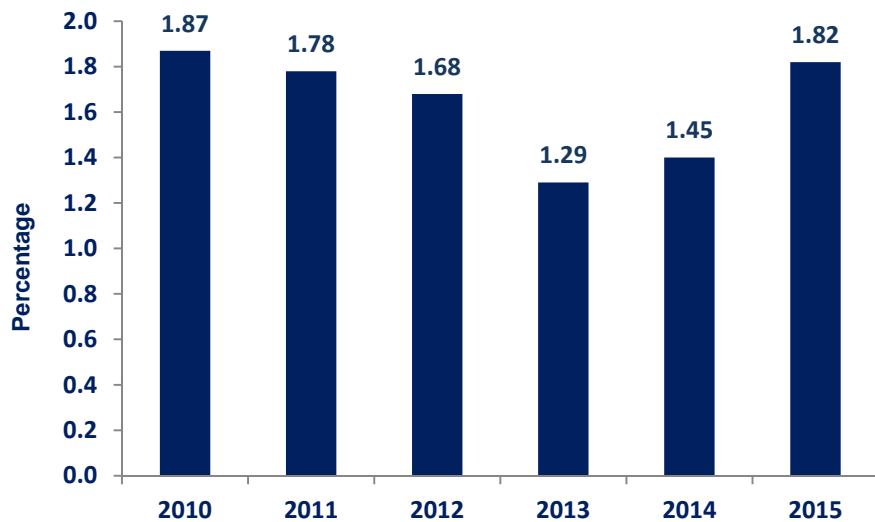
### NCOs / Average Loans<sup>1</sup>



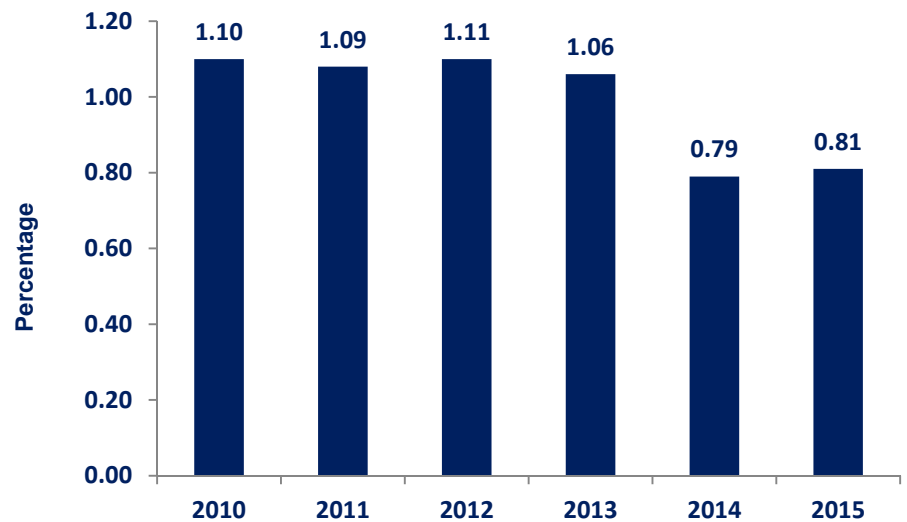
### Texas Ratio<sup>1</sup>



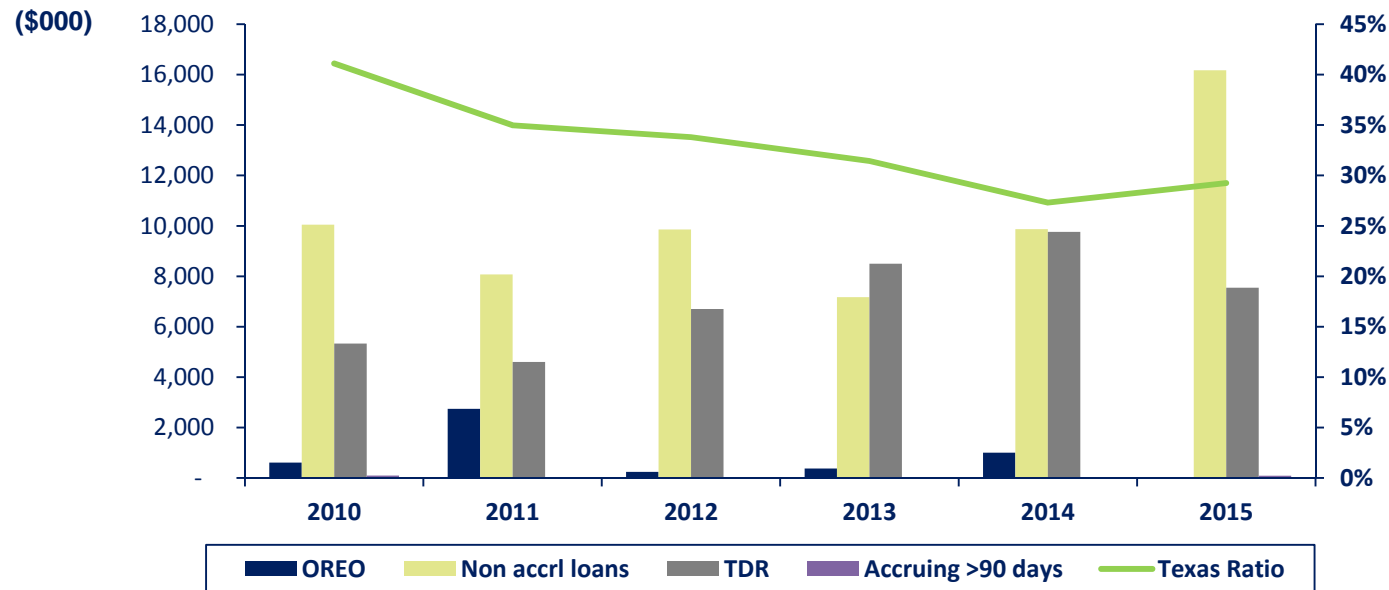
### NPAs / Assets<sup>1</sup>



### Loan Loss Reserves / Gross Loans<sup>1</sup>



# Texas Ratio<sup>1</sup>



- Single largest non-accrual loan represents \$2.8MM or 18% of total non-accrual loans
- In aggregate the 5 largest non-accrual relationships represent \$8.4MM or 52% of total non-accrual loans
- In aggregate the 10 largest non-accrual relationships represent \$11.5MM or 71% of total non-accrual loans
- \$7.5MM or 72% of TDR's are performing as modified
- 97% of non-accruing loans are secured by real estate

Note: Texas Ratio defined as OREO, Non accrual loans, TDRs and accruing over 90 day loans divided by Tangible Common Equity and Allowance for Loan and Lease Loss

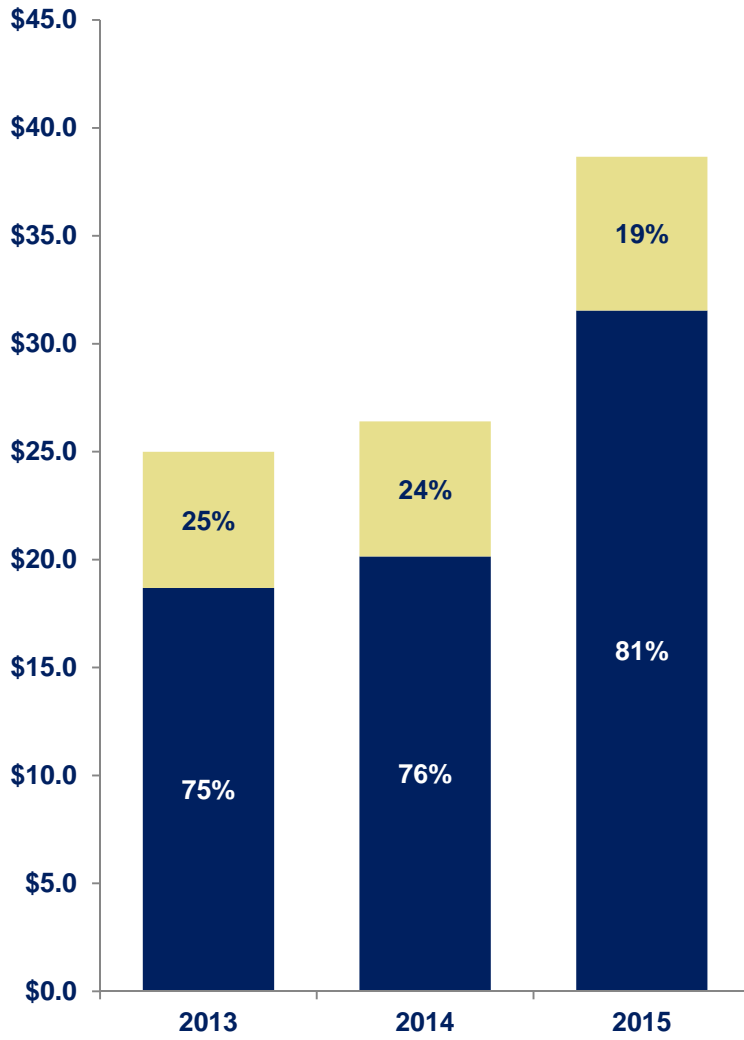
<sup>1</sup> 2015 Information Unaudited



# Revenue<sup>1</sup>

## Source of Earnings

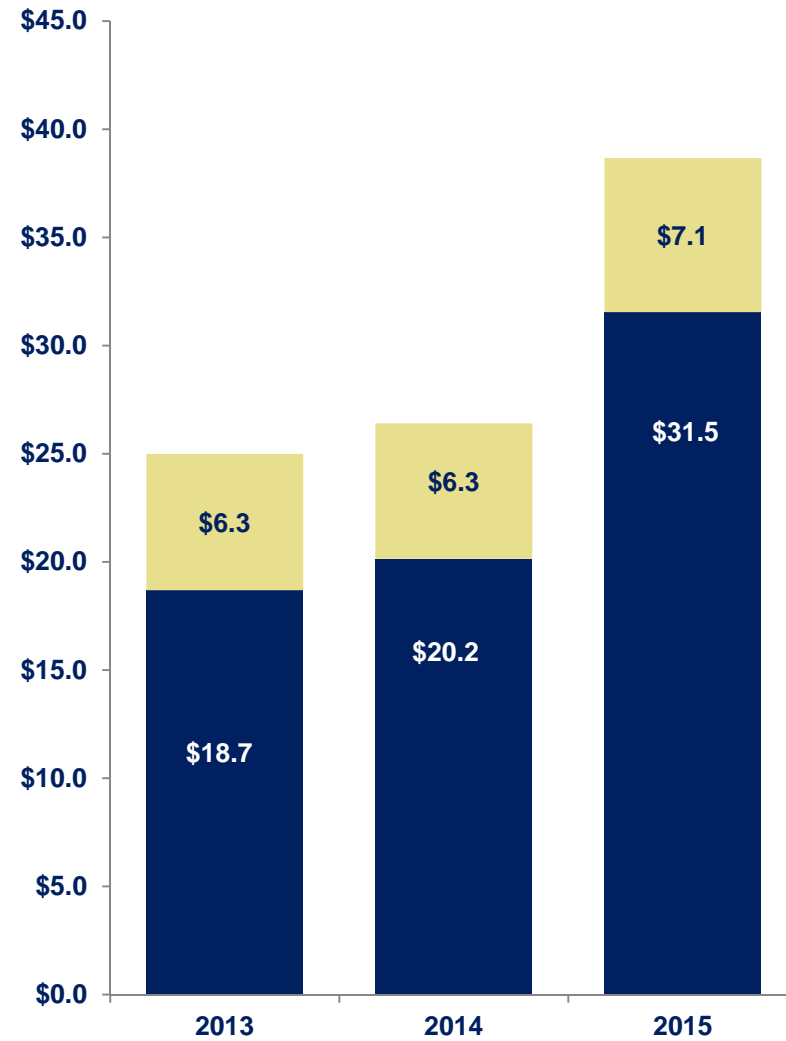
Dollars (\$MM)



■ Net Interest Income ■ Noninterest Income

## Revenue Growth

Dollars (\$MM)

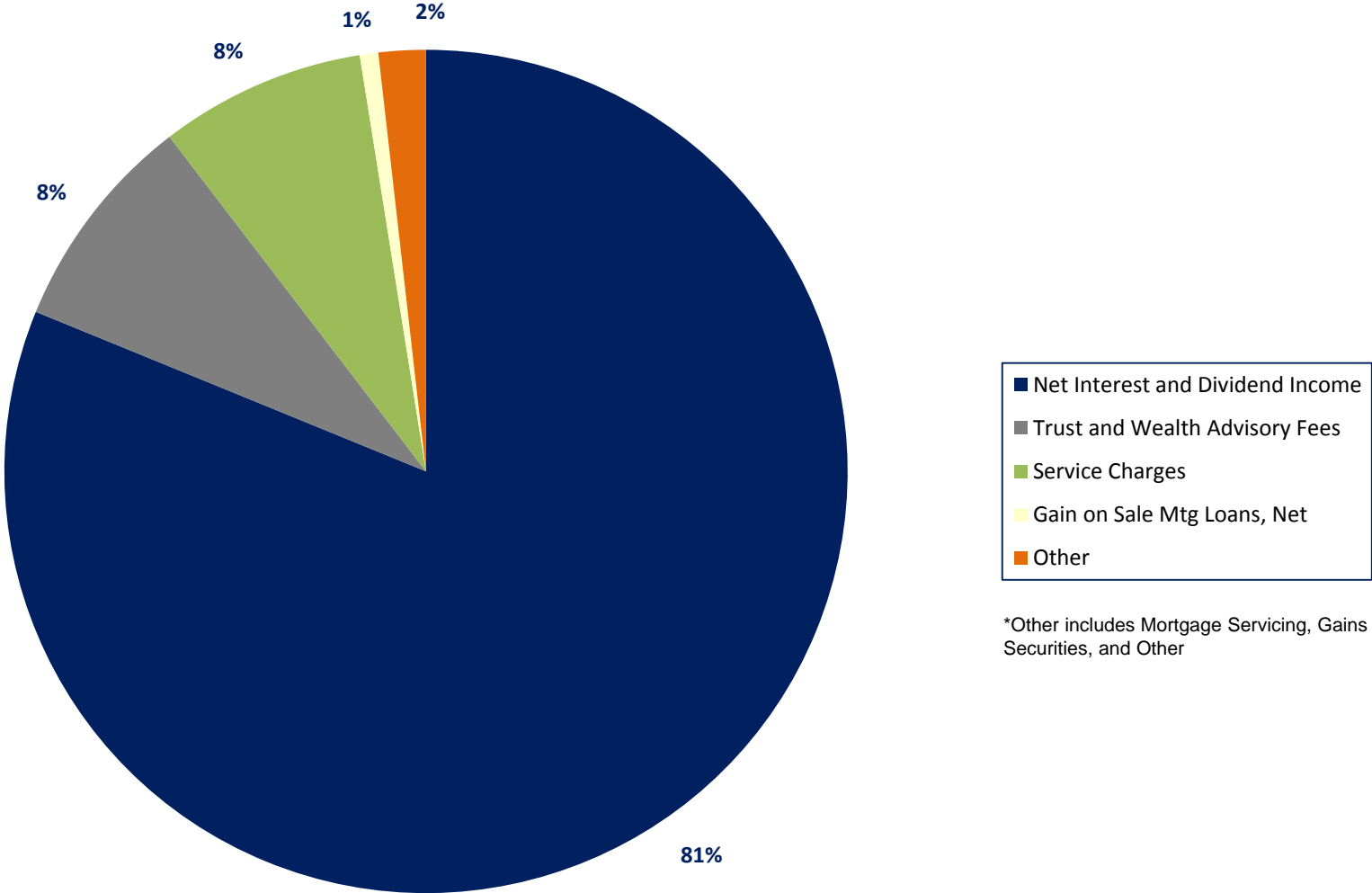


■ Net Interest Income ■ Total Non Interest Income

Source: SNL Financial.

\*Excludes \$192K of securities gains on sale in 2015; no securities gains or losses were realized in either 2013 or 2014

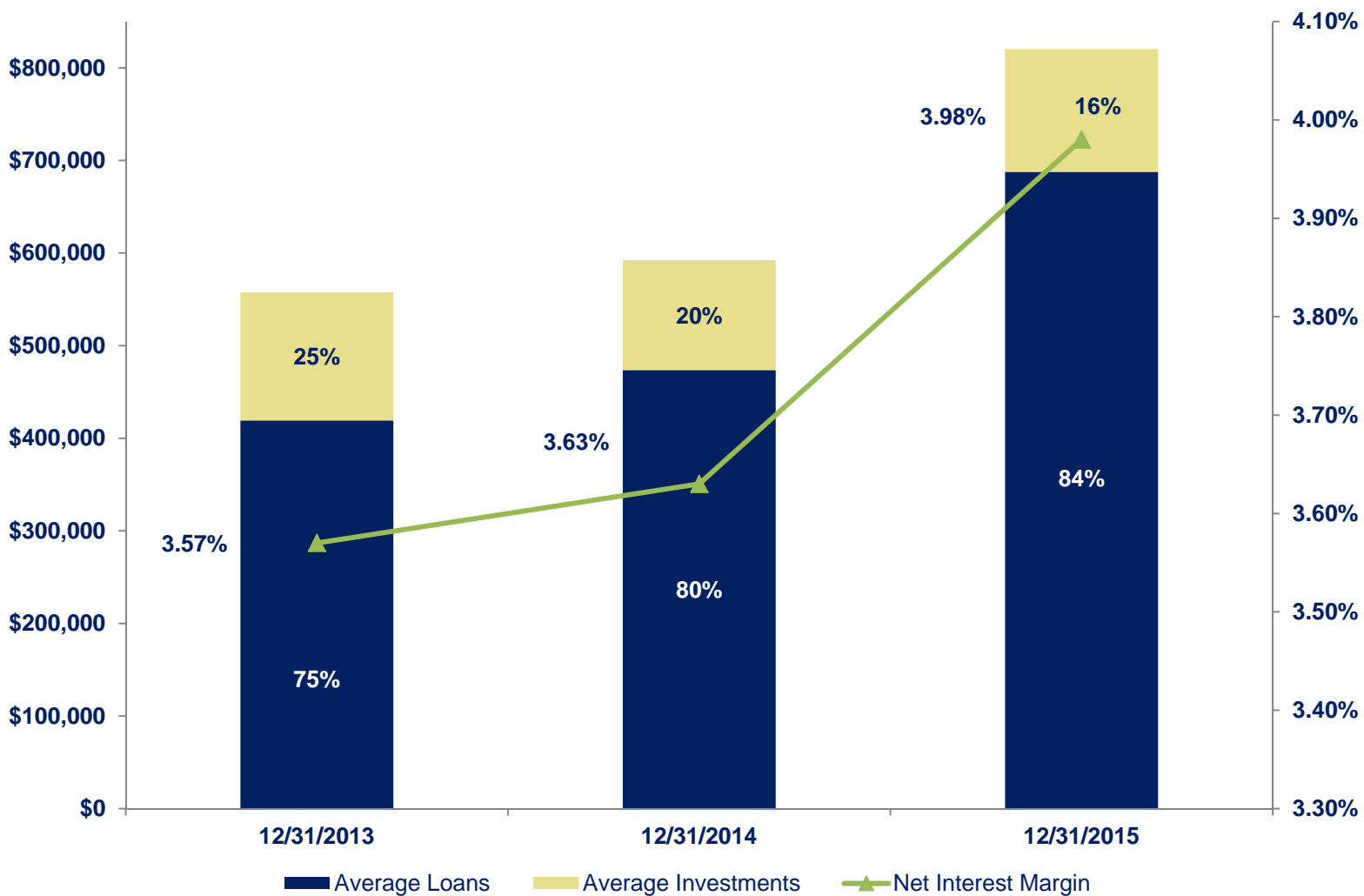
# Revenue Composition<sup>1</sup>



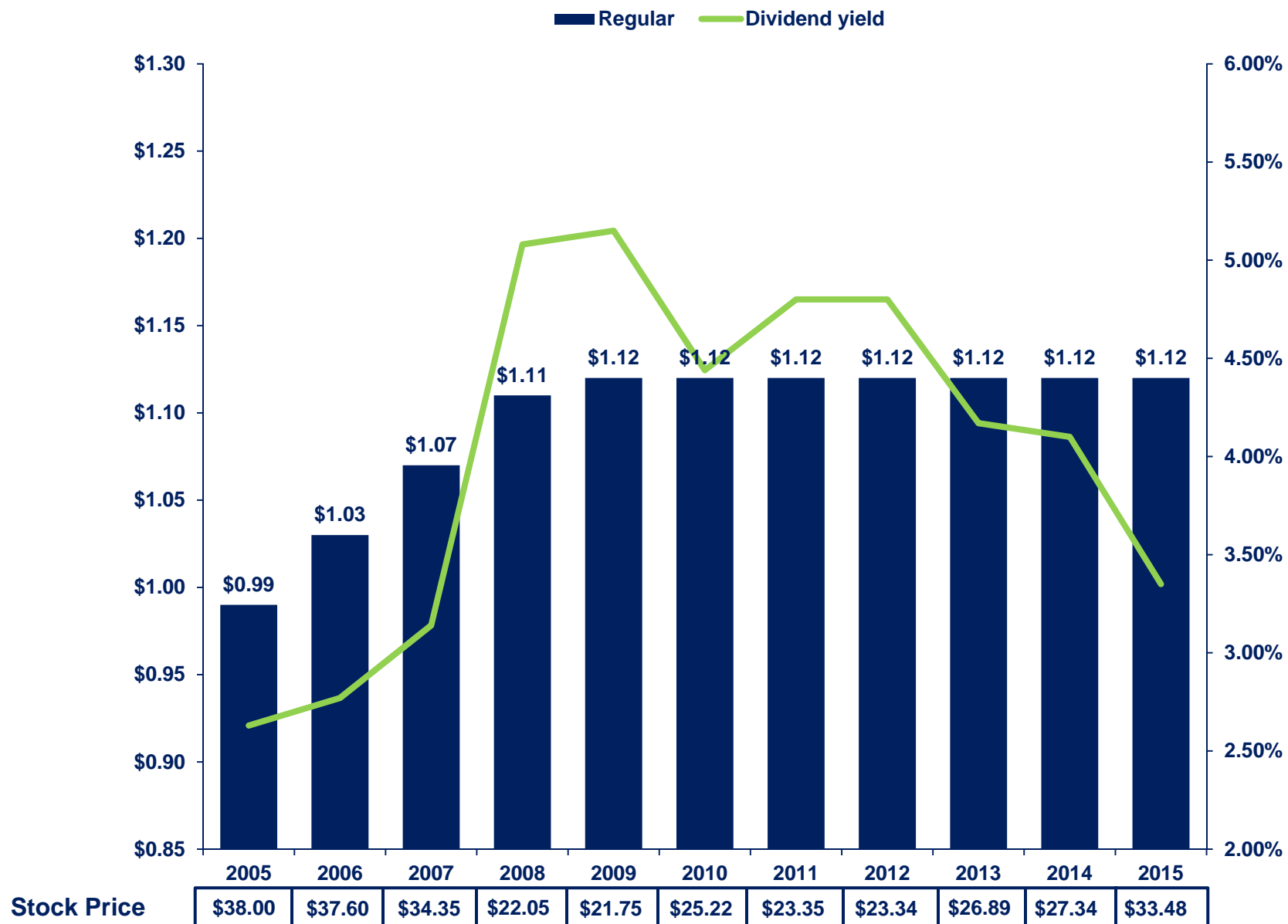
\*Other includes Mortgage Servicing, Gains on Securities, and Other

<sup>1</sup> YTD through December 31, 2015 (unaudited)

# Balance Sheet Management<sup>1</sup>

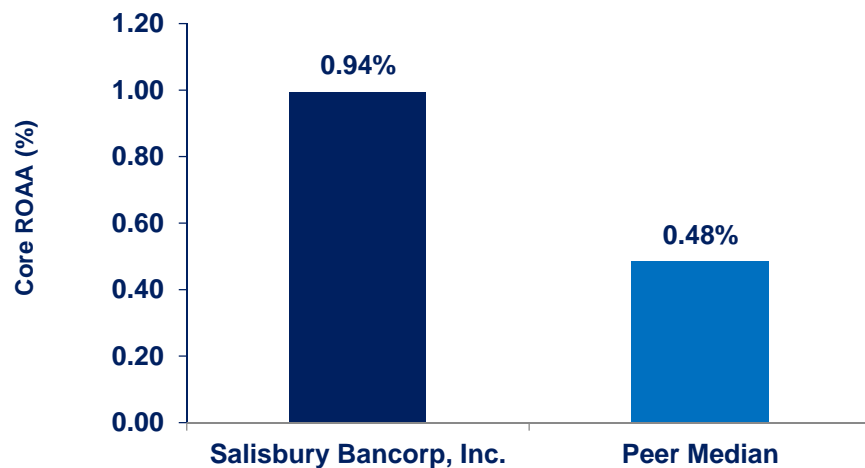


## Common Dividends per Share (%)

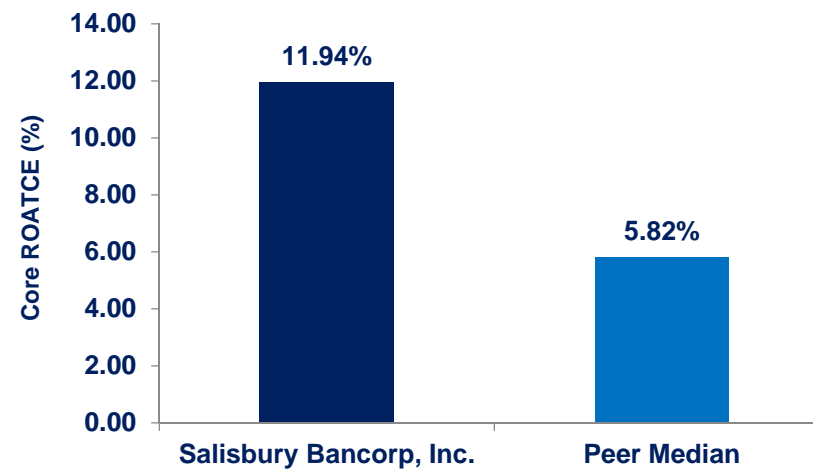


# Why Invest?<sup>1</sup>

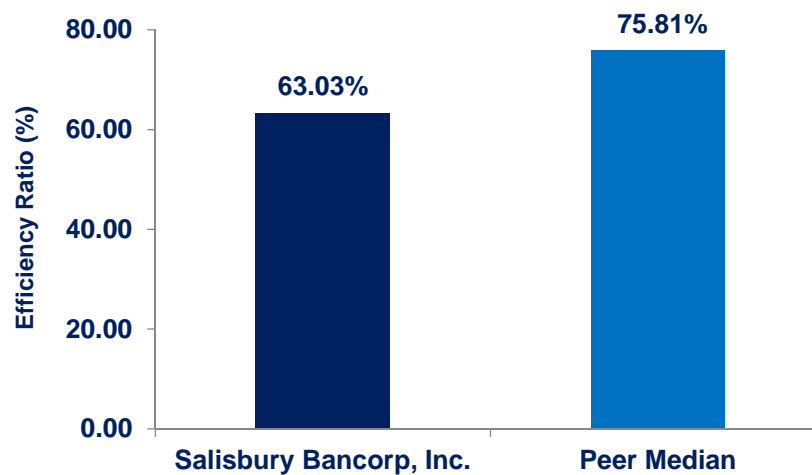
## Core ROAA<sup>2</sup>



## ROATCE<sup>3</sup>



## Efficiency Ratio<sup>4</sup>



Source: SNL Financial, data as of 12/31/15. Peers defined as New England and NY public banks with approximately \$625 million to \$1.5 billion in Assets and a TCE/TA ratio below 11.0%.

<sup>1</sup> 2015 Information Unaudited

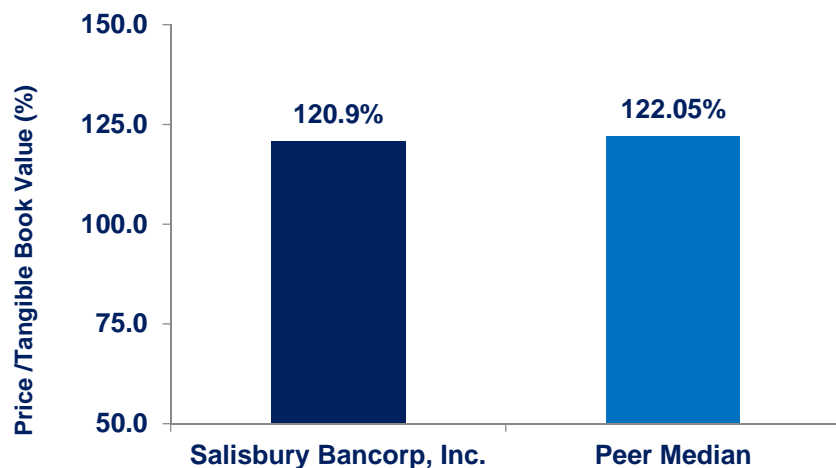
<sup>2</sup> Core ROAA – Core income return on average assets

<sup>3</sup> ROATCE – Net income adjusted for tax-affected amortization of intangibles, as a percent of average tangible common equity

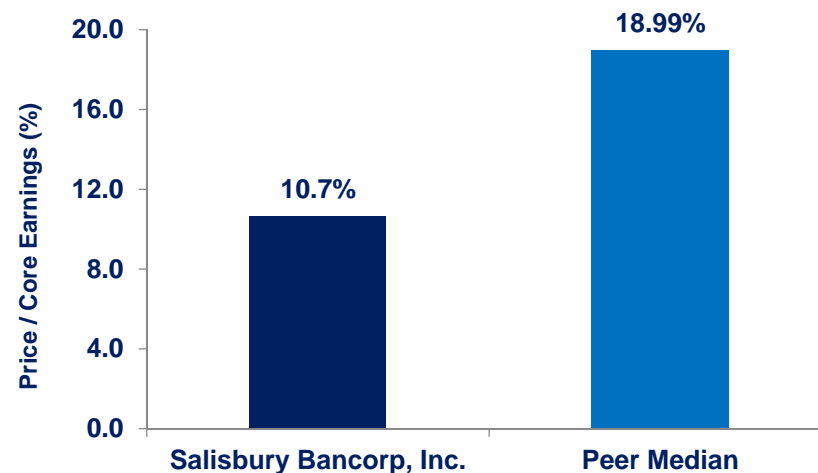
<sup>4</sup> Efficiency Ratio – Noninterest expense before foreclosed property expense, amortization of intangibles, and goodwill impairments as a percentage of net interest income and noninterest revenues, excluding only gains from securities transactions & nonrecurring items.

# Why Invest?<sup>1</sup>

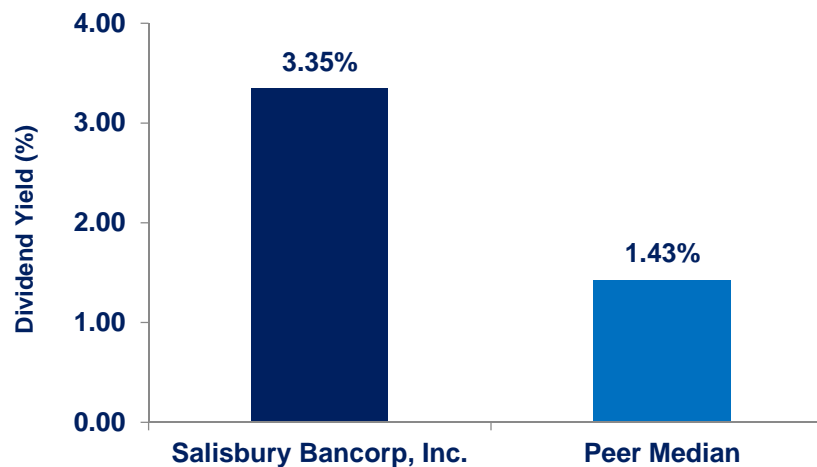
## Price / Tangible Book Value<sup>2</sup>



## Price / Core EPS<sup>3</sup>



## Dividend Yield<sup>4</sup>



Source: SNL Financial, data as of 12/31/15. Peers defined as New England and NY public banks with approximately \$625 million to \$1.5 billion in Assets and a TCE/TA ratio below 11.0%.

<sup>1</sup>2015 Information Unaudited

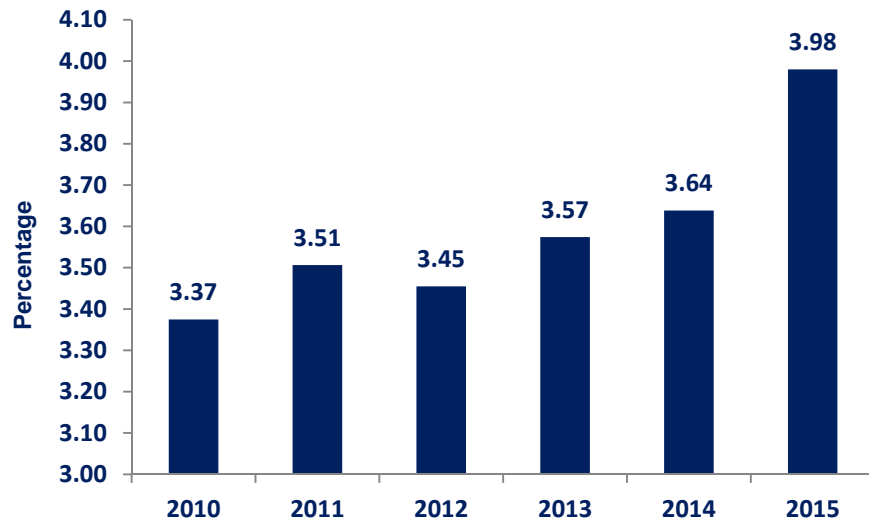
<sup>2</sup> Price/TBV – Price as a percentage of tangible book value per share. Tangible book value is calculated using financial period end tangible common equity & common shares outstanding values.

<sup>3</sup> Price/Core EPS – Price as a multiple of core earnings per share.

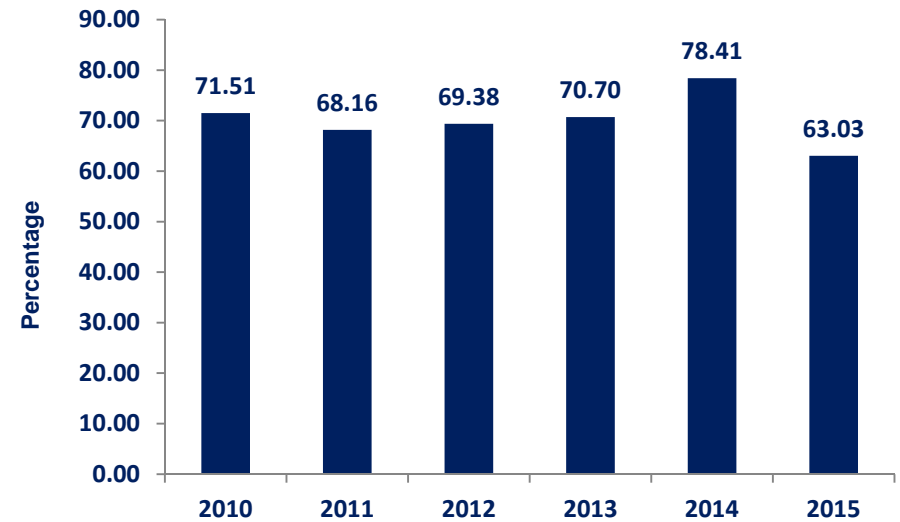
<sup>4</sup> Dividend Yield – The most recent dividend, annualized and expressed as a percent of a security's price.

# Why Invest?

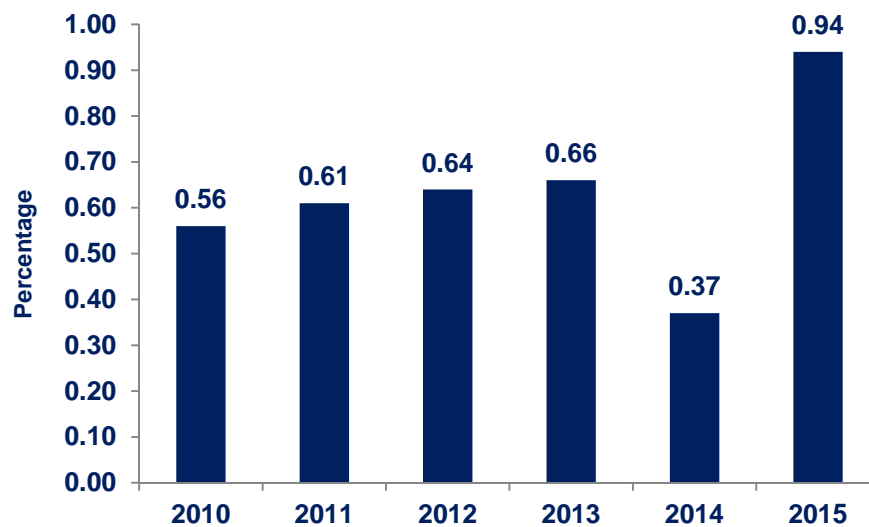
## Net Interest Margin<sup>1</sup>



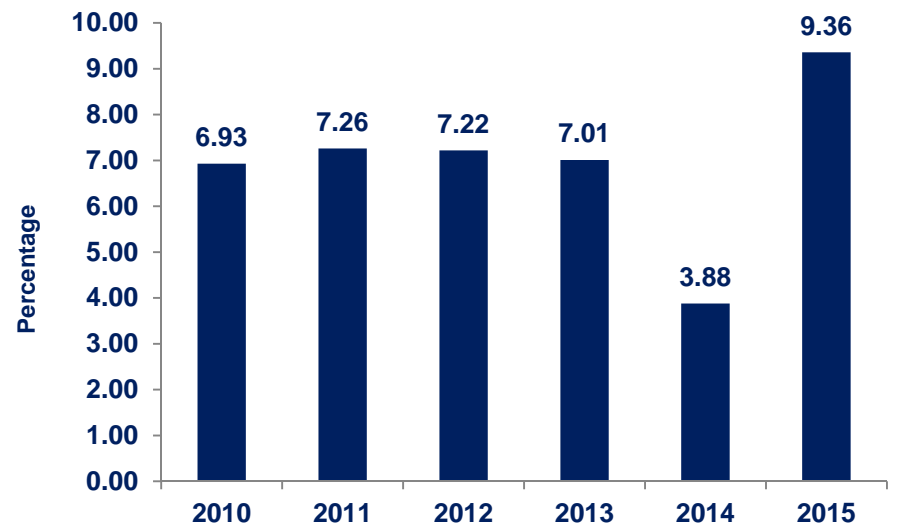
## Efficiency Ratio<sup>1</sup>



## ROAA<sup>1</sup>



## ROAE<sup>1</sup>



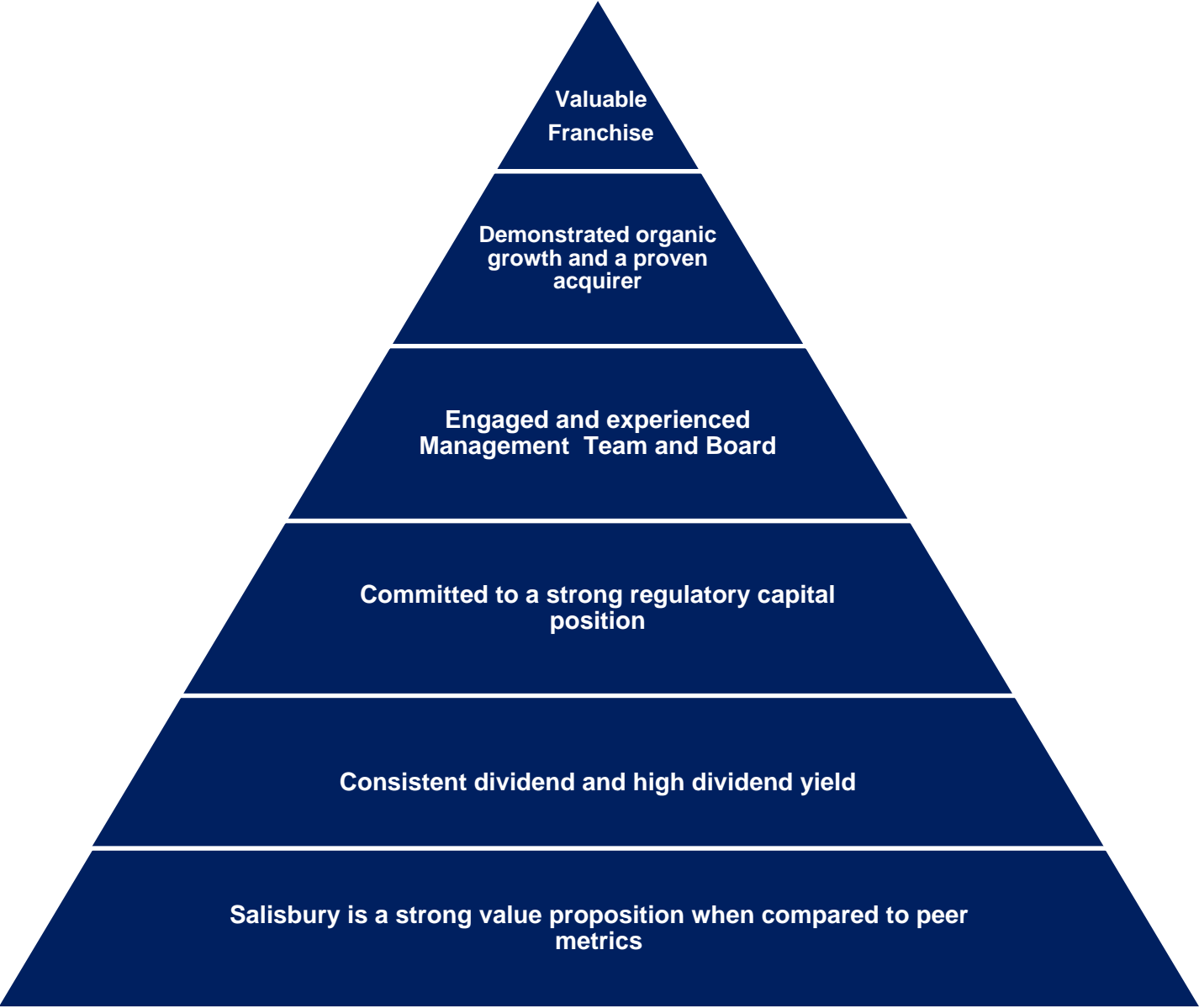
# Why Invest?<sup>1</sup>

Headquarters: Lakeville, Connecticut  
Offices: 13  
States: 3  
Traded: NASDAQ Capital Market  
Symbol: SAL

<b>As of</b> (\$ in millions, except Capital)	<b>12/31/13</b>	<b>12/31/14</b>	<b>12/31/15</b>
Assets	587.1	855.4	891.2
Loans receivable, net	438.1	673.3	699.2
Deposits	477.4	715.4	754.5
Tier 1 Leverage Ratio (%)	10.65	12.31	8.56
<b>Shareholder Information</b>	<b>12/31/13</b>	<b>12/31/14</b>	<b>12/31/15</b>
Price (\$)	26.89	27.34	33.48
Tangible book value per common share (\$)	27.12	25.83	27.69
Price/Book (%)	80.8	86.6	101.6
Market capitalization (millions)	45.98	74.39	91.50
Common shares outstanding	1,710	2,721	2,733
Insider Ownership (%)	6.9	18.4	18.7
Institutional Ownership (%)	10.95	6.65	9.12



- **Strategic acquisitions**
  - ✓ **Wealth advisory**
  - ✓ **Branches**
  - ✓ **Whole bank**
- **Profitably expand current branch footprint**
- **Expand existing client relationships**
- **Goal to be a consistently high performing community bank**





# Appendix

# Appendix

<u>Peer Institution Name</u>	<u>Ticker Symbol</u>	<u>Total Assets (\$ 000's)</u>	<u>P/TBV (%)</u>	<u>EPS (\$)</u>	<u>Div Yield (%)</u>
Bankwell Financial Group, Inc.	BWFG	1,330,372	116.1	1.23	1.01
Carver Bancorp, Inc.	CARV	676,386	173.9	0.10	0.00
Darien Rowayton Bank	DRWB	587,579	NA	NA	0.00
Evans Bancorp, Inc.	EVBN	939,107	131.7	1.85	2.80
Greene County Bancorp, Inc. (MHC)	GCBC	738,647	179.8	0.85	2.53
Katahdin Bankshares Corporation	KTHN	702,289	81.5	1.15	3.56
Lyons Bancorp, Inc.	LYBC	868,161	162.2	NA	2.58
Northway Financial, Inc.	NWYF	933,604	98.2	2.26	2.98
Patriot National Bancorp, Inc.	PNBK	640,725	88.6	0.25	0.00
Provident Bancorp, Inc. (MHC)	PVBC	743,397	121.7	NA	0.00
SI Financial Group, Inc.	SIFI	1,481,834	122.4	0.36	1.17
Westfield Financial, Inc.	WFD	1,339,930	110.0	0.33	1.43
<b>Salisbury Bancorp, Inc.</b>	<b>SAL</b>	<b>891,192</b>	<b>120.9</b>	<b>3.04</b>	<b>3.35</b>



**March 2016**

**NASDAQ: SAL**

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