

# second quarter **shareholders' report** June 30, 2010

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



## Dear Shareholders, Customers and Friends:

Summer is in full swing and if you're like me, you try to spend as much of your free time outdoors as possible. Whether it's gardening, hiking, biking or even just mowing your lawn, there is nothing like enjoying the outdoors in this beautiful part of the country.

### Following are some of our financial highlights of the second quarter:

**Net income available to shareholders** was \$763,000 or \$0.45 per common share for the second quarter ended June 30, 2010 compared with March 31, 2010 first quarter earnings of \$479,000 or \$0.28 per common share.

**Net interest income** increased \$290,000 or 7%, versus first quarter 2010, and \$248,000, or 6%, versus second quarter 2009, reflecting improvement in the net interest margin versus first quarter 2010 and growth in earning assets versus second quarter 2009.

**Non-interest income** increased \$110,000, or 10%, versus first quarter 2010 and \$1,186,000 versus second quarter 2009. Included in second quarter 2009 were impairment losses on securities of \$1,128,000.

**Net loans receivable** increased \$12.6 million, or 4%, versus first quarter 2010 and \$48.2 million, or 16%, versus second quarter 2009.

**Deposits** increased \$1.5 million, or 0.3%, versus first quarter 2010 and \$22.0 million, or 5%, versus second quarter 2009. In December 2009 Salisbury assumed \$11 million in deposits with the purchase of Webster Bank's Canaan branch.

**Non-performing assets** were \$11.5 million, or 2% of total assets, at June 30, 2010, down \$0.8 million from March 31, 2010 and up \$3.8 million from December 31, 2009. Loans receivable 30 days or more past due were \$8.1 million, or 2% of gross loans, at June 30, 2010, down \$3.8 million from March 31, 2010 and down \$0.4 million from December 31, 2009.

### Following are some of our non-financial highlights of the second quarter:

**Additions to leadership.** Salisbury Bank and Trust Company announced the appointment of a new Director this quarter. Mr. Arthur Bassin was appointed a Director of the Bank and the Company June 25th, bringing twenty five years of experience in executive leadership with Citibank and Dime Savings. A resident of Ancramdale, New York, Mr. Bassin serves his community and the region through efforts on charitable and corporate boards, as well as on the Board of Town Supervisors.

Michael Dixon joined the management team as an Executive Vice President of the Bank. Mr. Dixon oversees the Wealth Advisory Services Division as well as bank-wide sales and marketing efforts. For the past ten years he had been President of Robert H. Franke & Associates, a bank and trust consulting practice serving community banks across the country.

**Continued commercial banking growth.** Our success in growing commercial loans this quarter was enhanced with the addition of significant business banking relationships. These included business e-deposit and cash management relationships for several of our newest commercial borrowers. These added services increase the benefits provided to both the borrowers and their employees.

**New Investment Management Partnership.** The Salisbury Bank Wealth Advisory Services Division added a new investment service in partnership with Wright Investors of Milford, Connecticut. This alliance will allow the Wealth Advisory Division officers to provide their unique brand of personalized customer service to new customer segments that have traditionally been served by mutual fund companies and internet-based organizations. This extension of the wealth management product line will also help officers expand existing relationships while providing growth opportunities to both the Bank and our clients.

**Relocation of Sheffield Branch.** Our new Sheffield Branch opened on August 2. This office relocation and enhancement brings Salisbury Bank's most modern branch design to Southern Berkshire County. Our new building provides not only a full range of banking services in a state-of-the-art setting, but also offers a welcome meeting place for the Sheffield community.

Our management team and staff will continue our long-standing tradition of providing exceptional customer service while building value for you, our shareholders. Thank you for your continued confidence and support.

Sincerely,

A handwritten signature in blue ink, appearing to read 'RJC', is placed above the name of the President and CEO.

Richard J. Cantele, Jr., President and CEO



Arthur Bassin, Director Salisbury Bancorp, Inc.



Michael Dixon, Executive Vice President



Business e-deposit saves Arnoff Moving and Storage time and money, while enhancing cash flow.



The Bank held a ribbon cutting to celebrate the opening of our new Sheffield branch on August 2.

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## Shareholder Information

### Transfer Agent

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, NJ 07016  
1.800.368.5948  
www.rtco.com

### Stock Symbol: SAL

Salisbury Bancorp, Inc.'s common stock is traded under the symbol SAL on the NYSE AMEX Equities. For more information, call us at 860.435.9801 or visit our website at [www.salisburybank.com](http://www.salisburybank.com) and click on Shareholder Relations.

### Dividend Reinvestment and Stock Purchase Plan

For more information and enrollment form, visit [www.salisburybank.com](http://www.salisburybank.com) and click on Shareholder Relations.

### For our Annual Report or other Information

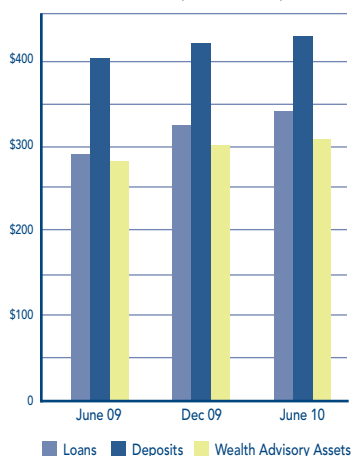
Salisbury Bancorp, Inc.  
PO Box 1868  
Lakeville, CT 06039-1868  
860.435.9801

Visit [www.salisburybank.com](http://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 June 30,		Six month period ended June 30,	
	2010	2009	2010	2009
Interest and dividend income	\$6,231	\$6,386	\$12,250	\$12,846
Interest expense	1,905	2,308	3,888	4,592
Net interest income	4,326	4,078	8,362	8,254
Provision for loan losses	260	315	440	745
Gains on securities, net	1	9	1	436
Net other-than-temporary impairment losses	-	(1,128)	-	(1,128)
Trust and wealth advisory	491	430	1,036	970
Service charges and fees	525	453	994	851
Gains on sales of mortgage loans, net	141	221	201	304
Mortgage servicing, net	9	30	24	72
Other	89	55	146	192
Non-interest income	1,256	70	2,402	1,697
Compensation	2,280	2,148	4,498	4,339
Premises and equipment	495	466	1,011	957
Data processing	363	330	772	714
Professional fees	455	376	857	733
FDIC insurance	182	420	354	533
Marketing and community contributions	59	88	121	164
Amortization of core deposit intangibles	56	41	111	82
Other	382	495	876	871
Non-interest expense	4,272	4,364	8,600	8,393
Income/(loss) before income taxes	1,050	(531)	1,724	813
Income tax provision/(benefit)	172	(348)	251	(85)
Net income	878	(183)	1,473	898
Net income/(loss) available to common shareholders	763	(318)	1,242	764
<b>Per common share</b>				
Basic and diluted earnings	\$0.45	\$(0.19)	\$0.74	\$0.45
Common dividends paid	0.28	0.28	0.56	0.56
<b>Statistical data</b>				
Net interest margin (tax equivalent net interest income)	3.41%	3.44%	3.33%	3.60%
Efficiency ratio (tax equivalent net interest income) (note 1)	71.82	77.54	74.87	71.41
Effective income tax rate	16.38	(65.54)	14.56	(10.46)
Return on average assets	0.54	(0.24)	0.44	0.30
Return on average common shareholders' equity	6.77	(3.19)	5.61	3.90
Weighted average equivalent common shares outstanding, diluted	1,686	1,686	1,686	1,686

Note 1. Non-interest income excludes other-than-temporary impairment losses. Non-interest expense excludes amortization of intangibles, and OREO gains and losses and carrying expense.

FINANCIAL CONDITION	June 30, 2010	December 31, 2009	June 30, 2009
Loans receivable, net	342,130	327,257	294,364
Allowance for loan losses	3,768	3,473	3,309
Securities	161,514	151,125	164,709
Cash and cash equivalents	21,614	43,298	45,660
Goodwill and intangible assets, net	11,182	11,293	10,912
Demand (non-interest bearing)	71,255	70,026	64,781
Demand (interest bearing)	57,588	43,845	33,296
Money market	74,942	64,477	68,445
Savings and other	88,438	86,316	81,576
Certificates of deposit	131,767	153,539	153,935
Deposits	423,990	418,203	402,033
Federal Home Loan Bank advances	74,946	76,364	77,174
Repurchase agreements	8,120	11,415	10,326
Shareholders' equity	54,389	52,355	47,995
Non-performing assets	11,520	7,720	7,125
<b>Per common share</b>			
Book value	\$27.00	\$25.81	\$23.23
Tangible book value	20.38	19.12	16.76
<b>Statistical data</b>			
Non-performing assets to total assets	2.03%	1.37%	1.31%
Allowance for loan losses to total loans	1.09	1.05	1.11
Allowance for loan losses to non-performing loans	32.71	46.65	49.33
Common shareholders' equity to assets	8.06	7.74	7.23
Tangible common shareholders' equity to assets	6.08	5.73	6.84
Tier 1 leverage capital	8.35	8.39	9.02
Total risk-based capital	13.39	12.86	14.27
Common shares outstanding, net (period end)	1,688	1,687	1,687