

2015 SUMMARY ANNUAL REPORT



BAR HARBOR BANKSHARES

INVESTING, GROWING, EVOLVING

Staying True to Our Culture





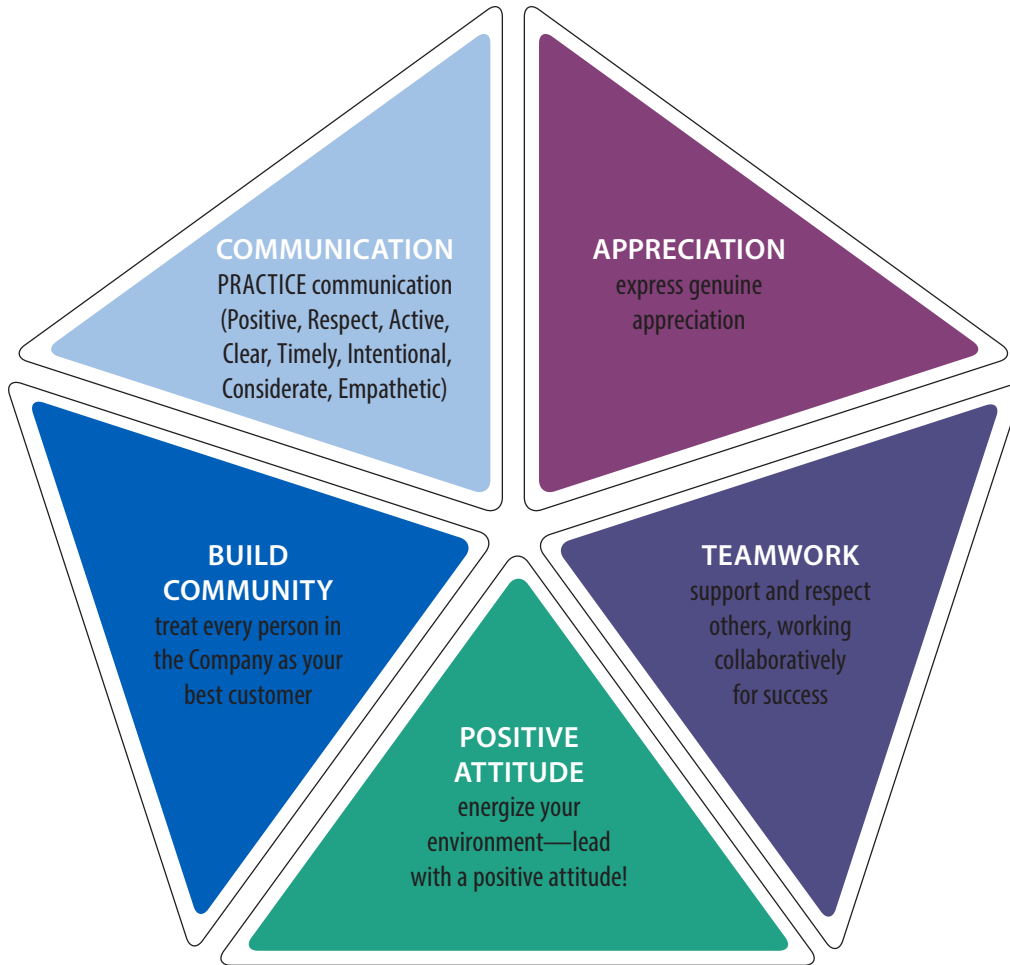
Bar Harbor Bank & Trust

Founded in 1887, Bar Harbor Bank & Trust (the “Bank”) is a true community bank with 15 locations from Lubec to Topsham, Maine, offering a full range of financial products and services for families, businesses, municipalities, and non-profit organizations. Bar Harbor Trust Services, a subsidiary of the Bank, and Bar Harbor Financial Services, a branch of Infinex Investments, Inc., an independent third party broker, provide retirement planning, investment management, brokerage, and insurance services to a wide variety of individual, non-profit, and municipal clients. Bar Harbor Bankshares (“BHB” or the “Company”) is the parent company of Bar Harbor Bank & Trust (“BHBT”).





FIVE KEY BEHAVIORS



These Five Key Behaviors guide employees to live the Bar Harbor Bank & Trust brand promise every day as they deliver service to customers. Employees are recognized and rewarded for actively demonstrating these behaviors in their daily work.

DEAR FELLOW SHAREHOLDERS,



Growing revenue, stable credit quality, and strong capital levels are the result of a model committed to a balance between growth and earnings.

*Curtis C. Simard, President and Chief Executive Officer
Peter Dodge, Chairman*

During 2015 we remained loyal to our goals of the previous few years, specifically focusing on evolving our bank while preserving the culture and customer centric approach that has driven very strong results year in and year out. In fact, the commitment and passion of our team delivered our tenth consecutive year of record earnings in 2015 and enabled increases to our dividend in each quarter, raising the total to nineteen consecutive quarters. Along similar lines, Total Shareholder Return (TSR) continues to become a hallmark of our company, appreciably exceeding the S&P 500 and several other market and peer measures over the five-year average. This continues to confirm that we are a positive outlier when defined by demonstration of shareholder value. We are proud to highlight several notable performance metrics that drove these achievements including:

- *Total Asset growth of 8.3% led by average earning asset growth of \$97.3 million, which is 29% higher than last year's respectable increase in earning assets.*
- *Loan balance increases of \$71.0 million, centered in commercial loan growth of \$51.1 million or 11.2%. Growth continues to be concentrated in high quality,*

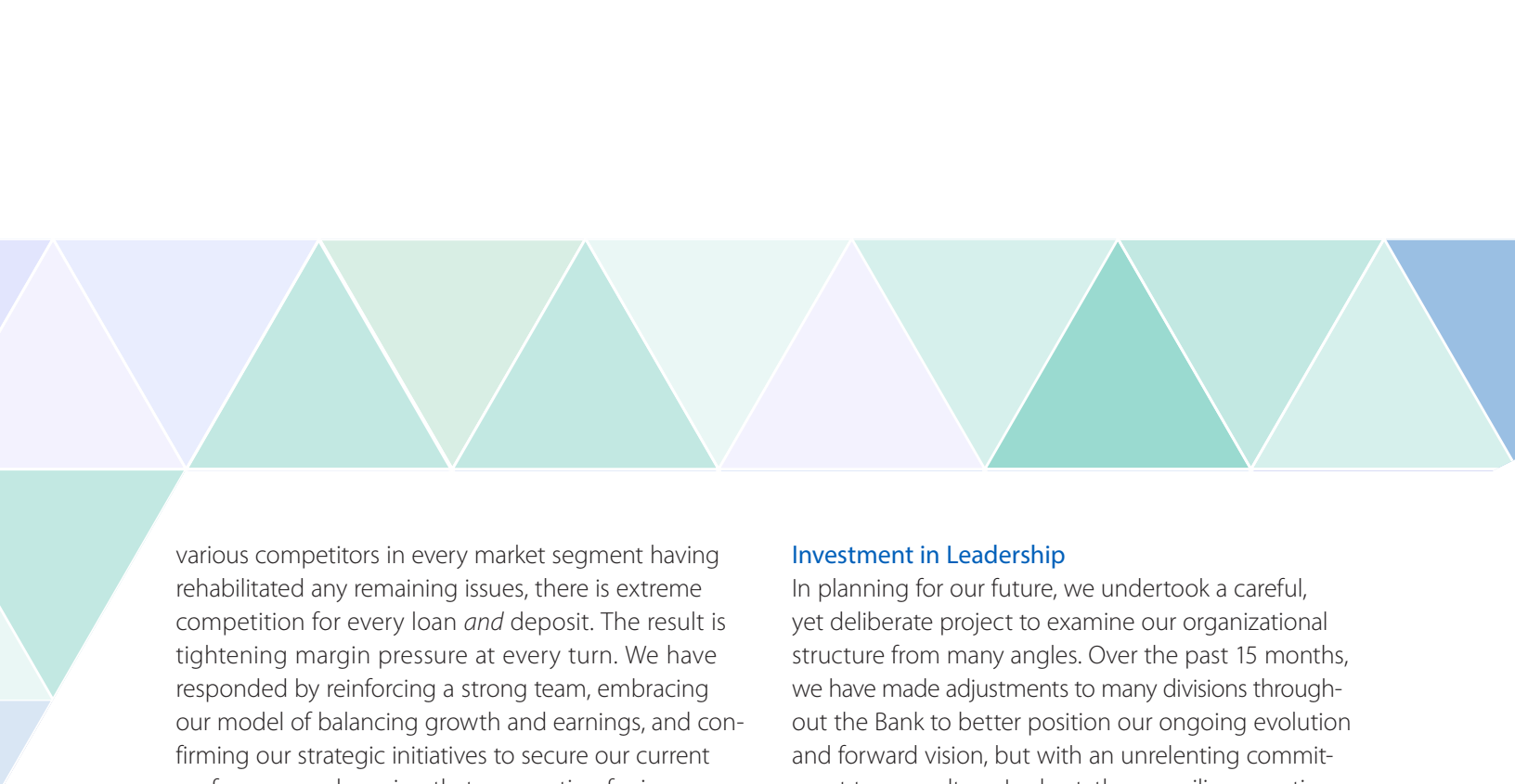
well-recognized relationships that have long track records of success with multiple product needs from the Bank.

- *Stable credit quality deliverables with non-performing loans to total loans at year-end of 0.71%.*
- *Total deposit growth of \$84.7 million or 9.9%. We have targeted core transaction accounts that represent low cost funding, increasing these categories by \$66.1 million or 13.8%.*
- *Effective containment of expenses with an efficiency ratio of 56.3% despite continued investment in the Company.*
- *Comfortable maintenance of the regulatory standards of a "well capitalized" institution on all levels.*

We believe that positive employee and customer experiences naturally translate into shareholder value and therefore are our greatest passions.

Behind the Numbers and Being Forward Thinking

Our performance has been consistent, our culture is intact, and our Total Shareholder Return is one of the most satisfying metrics to report. While appreciating our success is much deserved by the very team that worked so diligently on its creation, we are instead focused on how to better position our future. With



various competitors in every market segment having rehabilitated any remaining issues, there is extreme competition for every loan *and* deposit. The result is tightening margin pressure at every turn. We have responded by reinforcing a strong team, embracing our model of balancing growth and earnings, and confirming our strategic initiatives to secure our current performance—knowing that preparation for increasingly dynamic markets ahead is necessary. We have continued to be relentless in our pursuit of correcting blind spots and are focusing on those that we feel pose the greatest risk. Our team is engaged to address them not only to preserve our current position but also to anticipate future opportunities despite potential headwinds. In short, we are making good use of record earnings to invest for our future.

Aggressive Sales Calling and Improved Attention to Small Business

During 2015, we put every commercial, small business and consumer sales officer through extensive training based on outward client maintenance programs and new customer prospecting. While this on the surface may seem intuitive, our well recognized brand awareness could potentially cause periodic complacency. Ensuring our focus and developing sales skills are daily commitments. Having the right products goes hand in hand with team skill development. We recently completed a year-plus-long development and installation of an improved delivery model for expediting small business loans. The system had to be carefully designed to ensure proper credit underwriting, but a much improved turnaround time and more consistent product was the needed outcome. Whether through products or training, we are providing our teams with the tools necessary to articulate the value in the exemplary service we provide everyday.

Investment in Leadership

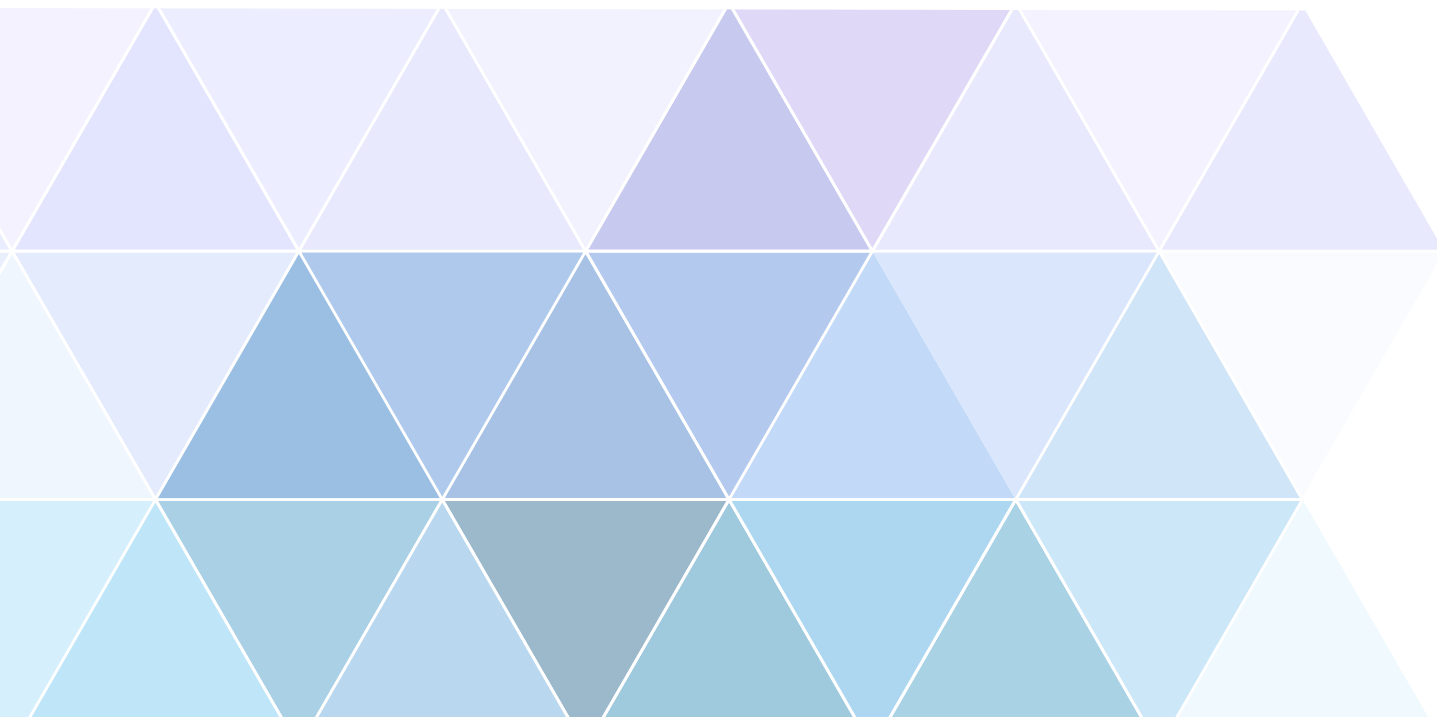
In planning for our future, we undertook a careful, yet deliberate project to examine our organizational structure from many angles. Over the past 15 months, we have made adjustments to many divisions throughout the Bank to better position our ongoing evolution and forward vision, but with an unrelenting commitment to our culture. In short, the prevailing question remains obvious: how do we perform better while preserving the environment that has been a true differentiator for us? We came to the conclusion that we needed to invest in the right personnel, both existing leaders and catalyst recruits alike, while investing in technology for long-term efficiency gains and to meet growing customer expectations. This created a clear need for leaders who:

- *effectively coach and support those around them,*
- *live the brand consistently,*
- *develop more advanced process and procedures,*
- *are viewed as leaders in their community,*
- *and demonstrate the ability and willingness to take on additional responsibility.*

As a result, included in this year's report is a section on our newly created SVP level of leadership. This is about recognizing key performers and making more resources available to better support our colleagues, our customers, and our communities while pressing to meet our growth desires. Together we can drive employee productivity while remaining committed to our risk appetite and controls measures.

Investment in Risk and Credit Infrastructure

We strive to maintain a moderate-to-low risk profile. As such, we have continued to invest in risk and credit infrastructure. We have attracted needed personnel



with experience across industries to better anticipate future challenges in the lending community as we have already seen responsible lending structure and pricing come under fire. Their experience has enabled us to create a cohesive dialogue around growth potential so that it can be energetic while being protective and measured. We believe risk management and responsible growth do not have to be mutually exclusive.

Investment in Products and Technology

We continue to embrace technology advancement in our company. We are investing in our mobile platforms and other products suites such as cash management that is required to better capture a higher portion of deposit “wallet” share from customers located beyond our immediate branch footprint and as our lending proficiency extends beyond commercial real estate lending. The latter dovetails nicely when combined with the experience of the credit governance and lending teams. This also requires having an integrated team of experienced IT professionals that can deliver expanding platforms safely while also absorbing the growth we seek.

Evolving a time-tested brand is something to embrace and encourage. Always looking to advance our potential is compulsory in today’s very competitive, highly regulated banking industry. Our understanding of this signals a deeply unified team whose focus is on appreciating our past while relentlessly pursuing future performance for our shareholders in a changing world.

On behalf of the Board of Directors and the entire Bar Harbor Bankshares team, it is our privilege to thank you, our fellow shareholders, for your continued confidence and loyalty.

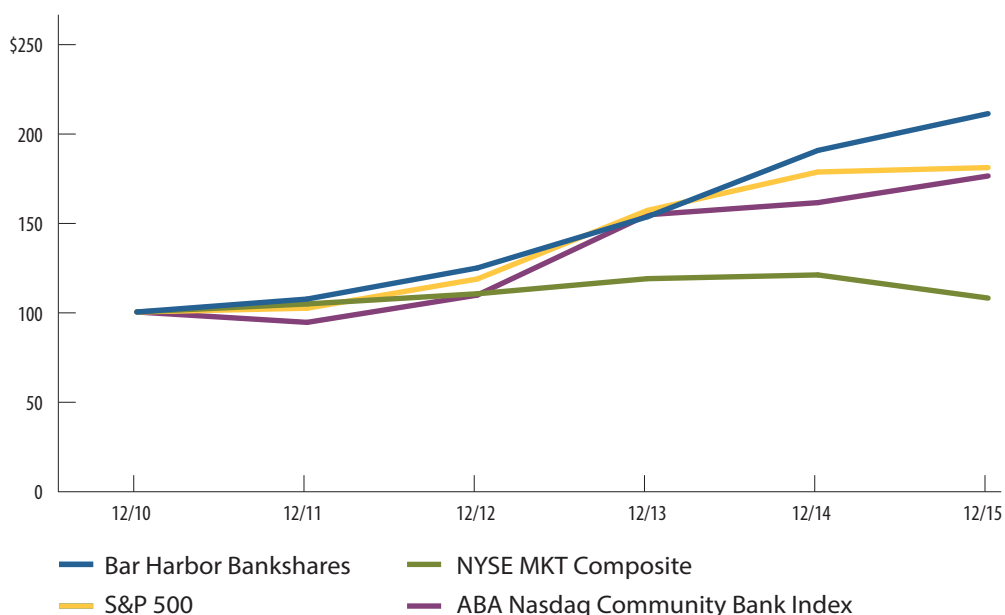
Curtis C. Simard
President and Chief Executive Officer

Peter Dodge
Chairman

The graph below matches Bar Harbor Bankshares' cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the NYSE MKT Composite Index, the S&P 500 Index, and the ABA Nasdaq Community Bank Index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 12/31/2010 to 12/31/2015.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

Among Bar Harbor Bankshares, the NYSE MKT Composite Index, the S&P 500 Index and ABA Nasdaq Community Bank Index



**\$100 invested on 12/31/10 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.*

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	12/10	12/11	12/12	12/13	12/14	12/15
Bar Harbor Bankshares	100.00	107.22	124.62	153.27	190.34	210.93
NYSE MKT Composite	100.00	104.50	110.18	118.63	120.72	107.77
S&P 500	100.00	102.11	118.45	156.82	178.29	180.75
ABA Nasdaq Community Bank Index	100.00	94.19	109.44	154.36	161.15	176.07

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

INVESTING IN OUR FACILITIES, OUR PEOPLE,
AND OUR PROCESSES





INVEST

We are very excited to be reinvesting in our headquarters! The patience and outright enthusiasm for this project by all involved is a material statement about the bright future of our Company.

2015 was a year of evolutionary change at Bar Harbor Bank & Trust. The changes were necessary to properly support our current company and position us for future growth in a sound and organized manner. Guided by the strategic planning process started in 2013, quarterly the Senior Executive Team meets to track our performance against our goals. Some achievements made in 2015 include investments in our facilities, our people and our processes.

In October 2015, we began much needed and extensive renovations to our home office in Bar Harbor; the branch and three floors of offices. E.L. Shea, a well-respected local company, is the general contractor employing many area tradespeople to do the construction work, during what is otherwise known as the “slow” season in our region.

The project includes a complete renovation of the existing 82 Main Street building to preserve the building

as well as to improve efficiency, security, privacy, and work flow. In addition, issues of proper temperature control, ventilation, and weatherization are being addressed. Upgrades to technology infrastructure, lighting, electrical, insulation, heating and cooling, furniture, and flooring are included.

The project is being staged in sections over a 16-month period, maintaining staffing and service levels with minimal interruption. This leaves parts of the building free from disruption while other areas are under construction. Phase one included renovations of the Executive and Human Resources areas, which were completed in December 2015. The second phase began in January 2016 and is expected to be completed during the second half of April. When complete, we will be able to take much pride in the new, fresh, clean and neat appearance of this place we call home.

WE CONTINUE TO INVEST IN OUR PEOPLE, OUR MOST IMPORTANT ASSET

How do we perform better while preserving our cultural environment, which is a true differentiator for us? We continue to invest in our people, our most important asset, as they embody the culture of the organization.

During 2015 staffing and organizational structure changes were made to better position the Company for future growth. Keeping as our guide the best possible employee and customer experience, there was a clear need for leaders who can support teams charged with successfully meeting the growing expectations of our bank. Our new team of Senior Vice Presidents can be found on page 12.

Many of these leaders were promoted from within our Company while others were catalyst hires across many disciplines. Some moved to Maine “from away,” relocating their families to our local communities. These individuals are key leaders, providing resources throughout the Company to better support our growth endeavors. These organizational alignments

are helping to meet our objectives in evolving to become a better bank, starting from an already strong foundation.

Speaking of a strong foundation, in *Bank Director* magazine’s annual list of the highest performing public banks published in July 2015, in the \$1–\$5B asset size, Bar Harbor Bank & Trust was named 52nd in the entire nation, compared to our ranking last year as 98th. This makes us the highest Maine-based bank on the list and in the top four in New England! Additionally, in the May 2015 issue of *American Banker* magazine, Bar Harbor Bank & Trust was named one of the Top 200 Publicly Traded Community Banks & Thrifts in the country.





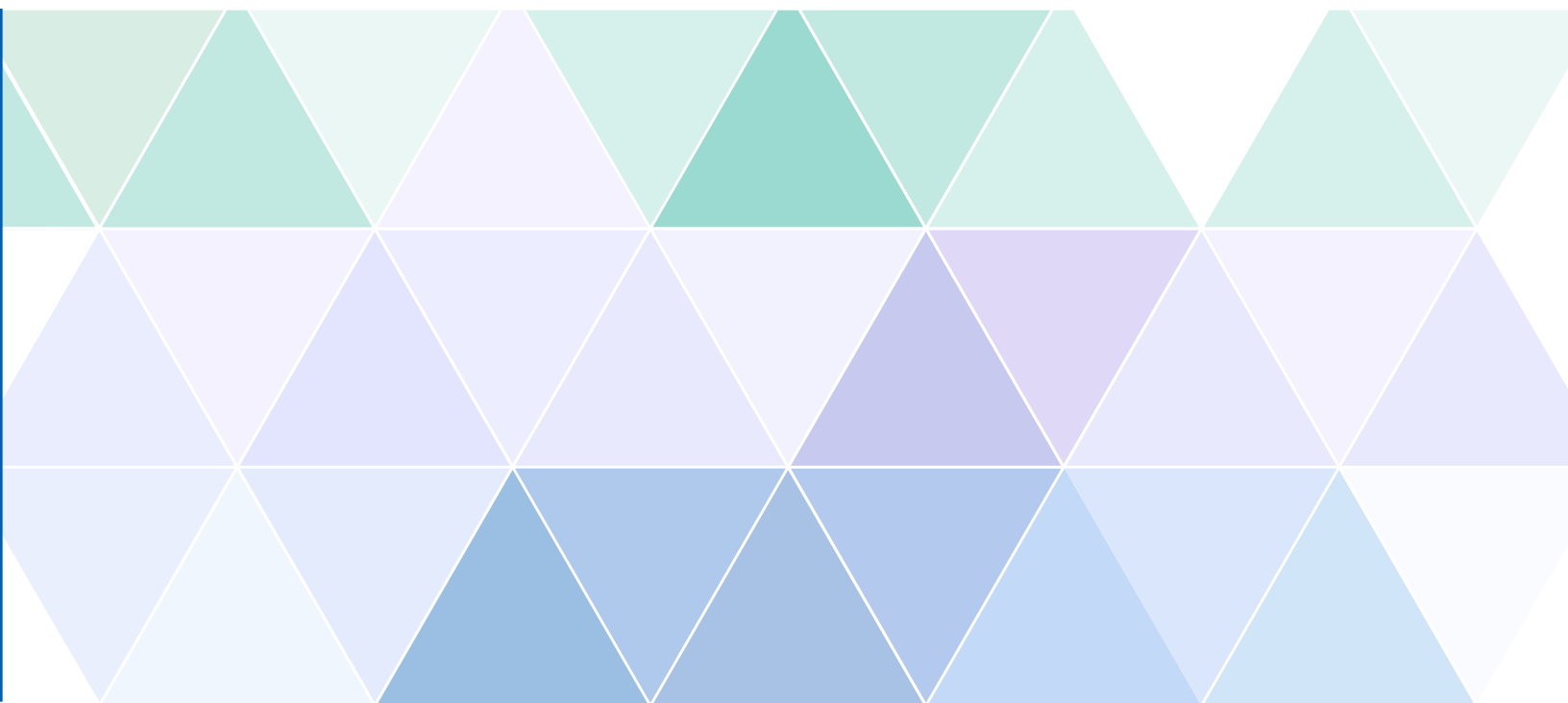
GROW

Organizational alignments are helping to meet our objectives in evolving to become a better bank, starting from an already strong foundation.

WE ARE FULLY COMMITTED TO EMBRACING TECHNOLOGY

EVOLVE

Our commitment to technology is imperative given the expectations of our company not only in terms of efficiency and security, but also in achieving an improved customer and employee experience.



When it comes to evolving your bank for the future, much of the future rests in technology. And, our commitment to technology is imperative given the expectations of our company not only in terms of efficiency and security, but also in achieving an improved customer and employee experience which drive growth and performance.

Our Information Technology (IT) division is now under the management of Joe Scully, SVP giving us a renewed and expanded focus on IT, reorganizing the department into four dedicated service groups. These teams are talented and well equipped to tackle the growth challenges that lie ahead. With these changes to technology infrastructure, we are clearly growing the bank, advancing security protocols, and rolling out new products.

During 2015 we invested in our Community Banking team, training, and delivery channels to substantially improve small business, consumer, and residential lending. This included changes in process workflow throughout the bank, improving the efficiency, consistency and responsiveness of small business lending (i.e. loans less than \$250,000) within the branch system. It also provides clarity in decision making as we seek to grow our company, while keeping decisions local. Newly implemented lending systems are helping us achieve our strategic goal of streamlining loan origination and reducing our lending decision times to a matter of minutes. This greatly improves customer and employee experience in loans originated through our branch network.

Moving into 2016, we will continue to invest, grow and evolve into a better bank for our communities, our customers, our shareholders, and ourselves.

OUR NEWEST
SENIOR VICE
PRESIDENTS



From left to right:

Lisa L. Parsons

SVP/Regional Market Manager

B. Edwin Wyatt, Jr.

SVP/Director of Community Banking

Joseph P. Scully

SVP/Director of Technology
& Project Management

Samuel S. McGee

SVP/Senior Relationship Manager,
Middle Market

Lisa F. Veazie

SPV/Regional Market Manager

Charles C. Thomas

SVP/Chief Credit Officer

R. Stephen Gurin, Jr.

SVP/Team Lead, Business Banking

Johanne H. Lapointe

SVP/Internal Audit

Sara H. O'Connell

SVP/Human Resources & EEO Officer

Lori L. Doak

SVP/Operations

David S. Cohen

SVP/Controller & Assistant Treasurer

Shawn R. Megathlin

SVP/Corporate Compliance

Karri A. Bailey

SVP/Managed Assets Group

Adam L. Robertson

SVP/Senior Relationship Manager,
Middle Market.



► SENIOR EXECUTIVE TEAM



Curtis C. Simard

President and Chief Executive Officer

Marsha C. Sawyer

Executive Vice President, Human Resources

Joseph M. Pratt

Senior Vice President, President Bar Harbor Trust Services

Gerald Shencavitz

Executive Vice President, Chief Operating Officer, Chief Financial Officer and Treasurer

Gregory W. Dalton

Executive Vice President, Business Banking

Stephen M. Leackfeldt

Executive Vice President, Retail Banking

Marcia T. Bender

Senior Vice President, Retail Banking and BSA Officer

Richard B. Maltz

Executive Vice President, Chief Risk Officer

► BOARD OF DIRECTORS



Kenneth E. Smith

*Bar Harbor, ME
Owner and Innkeeper of Manor House Inn*

Curtis C. Simard

*Mt. Desert, ME
President and Chief Executive Officer of the Company and the Bank*

David B. Woodside

*Bar Harbor, ME
Chief Executive Officer of The Acadia Corporation*

Matthew L. Caras

*Arrowsic, ME
Owner in Leaders LLC*

Constance C. Shea

*Mt. Desert, ME
Real Estate Broker and Former Owner in Lynam Real Estate*

Thomas A. Colwell

*Deer Isle, ME
Vice Chairman of the Board
Retired President, Colwell Bros., Inc.*

Clyde H. Lewis

*Sullivan, ME
Retired Vice President and General Manager, Morrison Chevrolet, Inc.*

Daina H. Hill

*Lincolnton, ME
Owner of Inn at Sunrise Point*

Scott G. Toothaker

*Ellsworth, ME
Certified Public Accountant
Shareholder of Melanson Heath & Co.*

Peter Dodge

*Blue Hill, ME
Chairman of the Board
Retired President and Insurance Agent, Peter Dodge Agency d/b/a Merle B. Grindle Agency, John R. Crooker Agency, and The Endicott Agency*

Lauri E. Fernald

*Mt. Desert, ME
Certified Funeral Service Practitioner and Owner of Jordan-Fernald Funeral Home*

Martha T. Dudman

*Northeast Harbor, ME
Published Author, Former President of Dudman Communications*

FIVE-YEAR SUMMARY OF FINANCIAL DATA

The following table sets forth selected data for the last five years.

As of and for the Years Ended December 31,

(in thousands, except per share data)	2015	2014	2013	2012	2011
Balance Sheet Data					
Total assets	\$1,580,055	\$1,459,320	\$1,373,893	\$1,302,935	\$1,167,466
Total securities	504,969	470,525	450,170	418,040	381,880
Total loans	990,070	919,024	852,857	815,004	729,003
Allowance for loan losses	(9,439)	(8,969)	(8,475)	(8,097)	(8,221)
Total deposits	942,787	858,049	835,651	795,012	722,890
Total borrowings	474,791	447,020	409,445	371,567	320,283
Total shareholders' equity	154,152	146,287	121,379	128,046	118,250
Average assets	1,541,327	1,424,209	1,345,353	1,252,390	1,151,163
Average shareholders' equity	151,391	136,672	125,340	125,600	111,135
Results of Operations					
Interest and dividend income	\$ 55,224	\$ 53,718	\$ 50,749	\$ 50,838	\$ 50,907
Interest expense	10,390	9,905	11,663	13,867	16,518
Net interest income	44,834	43,813	39,086	36,971	34,389
Provision for loan losses	1,785	1,833	1,418	1,652	2,395
Net interest income after provision for loan losses	43,049	41,980	37,668	35,319	31,994
Non-interest income	8,979	7,758	7,566	7,709	6,792
Non-interest expense	30,908	29,211	26,860	25,618	23,281
Income before income taxes	21,120	20,527	18,374	17,410	15,505
Income taxes	5,967	5,914	5,191	4,944	4,462
Net income	\$ 15,153	\$ 14,613	\$ 13,183	\$ 12,466	\$ 11,043
Per Common Share Data:					
Basic earnings per share	\$ 2.53	\$ 2.470	\$ 2.240	\$ 2.13	\$ 1.91
Diluted earnings per share	\$ 2.50	\$ 2.450	\$ 2.220	\$ 2.12	\$ 1.90
Cash dividends per share	\$ 1.010	\$ 0.905	\$ 0.833	\$ 0.780	\$ 0.730
Dividend payout ratio	39.86%	36.69%	37.28%	36.62%	38.29%
Selected Financial Ratios:					
Return on total average assets	0.98%	1.03%	0.98%	1.00%	0.96%
Return on total average equity	10.01%	10.69%	10.52%	9.93%	9.94%
Tax-equivalent net interest margin	3.19%	3.33%	3.15%	3.23%	3.23%
Capital Ratios:					
Tier 1 leverage capital ratio	9.37%	9.30%	9.01%	8.87%	9.32%
Tier 1 risk-based capital ratio	15.55%	15.60%	14.97%	14.15%	14.29%
Total risk-based capital ratio	17.12%	17.24%	16.62%	15.78%	16.06%
Common equity tier 1	15.55%	N/A	N/A	N/A	N/A
Asset Quality Ratios:					
Net charge-offs to average loans	0.14%	0.15%	0.12%	0.23%	0.37%
Allowance for loan losses to total loans	0.95%	0.98%	0.99%	0.99%	1.13%
Allowance for loan losses to non-performing loans	134.7%	73.0%	95.9%	82.1%	63.7%
Non-performing loans to total loans	0.71%	1.34%	1.04%	1.21%	1.77%

All share and per share amounts have been adjusted to reflect the effect of the 3-for-2 stock split (dividend) during May 2014.

Refer to the Bar Harbor Bankshares 2015 Annual Report on Form 10-K for a complete set of audited financial statements and accompanying notes.

CONSOLIDATED BALANCE SHEETS

Years Ended December 31, 2015 and 2014

(in thousands, except per share data)	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$ 9,720	\$ 9,800
Securities available for sale, at fair value	504,969	470,525
Federal Home Loan Bank stock	21,479	21,354
Loans	990,070	919,024
Allowance for loan losses	(9,439)	(8,969)
Loans, net of allowance for loan losses	980,631	910,055
Premises and equipment, net	20,674	20,518
Goodwill	4,935	4,935
Bank owned life insurance	23,747	8,141
Other assets	13,900	13,992
TOTAL ASSETS	\$1,580,055	\$1,459,320
Liabilities		
Deposits:		
Demand and other non-interest bearing deposits	\$ 86,577	\$ 78,802
NOW accounts	160,394	153,499
Savings and money market deposits	299,087	247,685
Time deposits	396,729	378,063
Total deposits	942,787	858,049
Short-term borrowings	333,909	313,520
Long-term advances from Federal Home Loan Bank	135,882	128,500
Junior subordinated debentures	5,000	5,000
Other liabilities	8,325	7,964
TOTAL LIABILITIES	1,425,903	1,313,033
Shareholders' equity		
Capital stock, par value \$2.00; authorized 20,000,000 and 10,000,000 shares; issued 6,788,407 shares at December 31, 2015 and December 31, 2014, respectively	13,577	13,577
Surplus	21,624	20,905
Retained earnings	122,260	113,149
Accumulated other comprehensive income:		
Prior service cost and unamortized net actuarial losses on employee benefit plans, net of tax of (\$249) and (\$251), at December 31, 2015 and December 31, 2014, respectively	(463)	(488)
Net unrealized appreciation on securities available for sale, net of tax of \$2,828 and \$3,997, at December 31, 2015 and December 31, 2014, respectively	5,251	7,423
Portion of OTTI attributable to non-credit gains, net of tax of \$249 and \$257, at December 31, 2015 and December 31, 2014, respectively	462	478
Net unrealized depreciation on derivative instruments, net of tax of \$873 and \$389, at December 31, 2015 and December 31, 2014, respectively	(1,621)	(722)
Total accumulated other comprehensive income	3,629	6,691
Less: cost of 778,196 and 842,082 shares of treasury stock at December 31, 2015 and December 31, 2014, respectively	(6,938)	(8,035)
TOTAL SHAREHOLDERS' EQUITY	154,152	146,287
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,580,055	\$1,459,320

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Bar Harbor Bankshares
CONSOLIDATED STATEMENTS OF INCOME
 Years Ended December 31, 2015, 2014 and 2013

(in thousands, except per share data)	2015	2014	2013
Interest and dividend income:			
Interest and fees on loans	\$39,303	\$37,739	\$37,223
Interest on securities	15,343	15,689	13,457
Dividends on FHLB stock	578	290	69
Total interest and dividend income	55,224	53,718	50,749
Interest expense:			
Deposits	6,097	5,894	6,616
Short-term borrowings	983	667	487
Long-term debt	3,310	3,344	4,560
Total interest expense	10,390	9,905	11,663
Net interest income	44,834	43,813	39,086
Provision for loan losses	1,785	1,833	1,418
Net interest income after provision for loan losses	43,049	41,980	37,668
Non-interest income:			
Trust and other financial services	3,888	3,976	3,634
Service charges on deposit accounts	892	971	1,009
Debit card service charges and fees	1,694	1,584	1,572
Net securities gains	1,334	403	676
Total other-than-temporary impairment ("OTTI") losses	—	—	(359)
Non-credit portion of OTTI losses (before taxes) (1)	—	—	110
Net OTTI losses recognized in earnings	—	—	(249)
Other operating income	1,171	824	924
Total non-interest income	8,979	7,758	7,566
Non-interest expense:			
Salaries and employee benefits	17,884	16,836	15,227
Occupancy expense	2,248	2,143	1,968
Furniture and equipment expense	2,321	2,166	2,005
Credit and debit card expenses	452	429	384
FDIC insurance assessments	833	699	696
Other operating expense	7,170	6,938	6,580
Total non-interest expense	30,908	29,211	26,860
Income before income taxes	21,120	20,527	18,374
Income taxes	5,967	5,914	5,191
Net income	\$15,153	\$14,613	\$13,183
Computation of Earnings Per Share:			
Weighted average number of capital stock shares outstanding			
Basic shares	5,980,245	5,926,387	5,898,077
Effect of dilutive shares issuable	80,012	49,877	30,363
Diluted shares	6,060,257	5,976,264	5,928,440
Per Common Share Data:			
Basic Earnings Per Share	\$ 2.53	\$ 2.47	\$ 2.24
Diluted Earnings Per Share	\$ 2.50	\$ 2.45	\$ 2.22

(1) Included in other comprehensive income, net of taxes

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BUSINESS STRATEGY

As a diversified financial services provider, Bar Harbor Bankshares pursues a strategy of achieving long-term sustainable growth, profitability, and shareholder value, without sacrificing its soundness. The Company works toward achieving these goals by focusing on increasing its loan and deposit market share in downeast, midcoast and central Maine. The Company believes one of its more unique strengths is an understanding of the financial needs of coastal communities and the businesses vital to Maine's coastal economy, namely: tourism, hospitality, retail establishments, restaurants, seasonal lodging and campgrounds, fishing, lobstering, boat building, and marine services.

Operating under a community banking philosophy, the Company's key strategic focus is vigorous financial stewardship, deploying investor capital safely, yet efficiently, for the best possible returns. The Company strives to provide unmatched service to its customers, while maintaining strong asset quality and a focus toward improving operating efficiencies. In managing its earning asset portfolios, the Company seeks to utilize funding and capital resources within well-defined credit, investment, interest-rate and liquidity guidelines. In managing its balance sheet, the Company seeks to preserve the sensitivity of net interest income to changes in interest rates, and to enhance profitability through strategies that promise sufficient reward for understood and controlled risk. The Company is deliberate in its efforts to maintain adequate liquidity under prevailing and expected conditions, and strives to maintain a balanced and appropriate mix of loans, securities, core deposits, and borrowed funds.

SUMMARY FINANCIAL RESULTS

For the year ended December 31, 2015, the Company reported its tenth consecutive year of record earnings. The Company reported net income of \$15.2 million, representing an increase of \$540 thousand, or 3.7%, compared with 2014. The Company also reported record diluted earnings per share of \$2.50 for 2015, representing an increase of \$0.05, or 2.0%, compared with 2014. The Company's return on average shareholders' equity amounted to 10.01% in 2015, compared with 10.69% in 2014. The Company's 2015 return on average assets amounted to 0.98%, compared with 1.03% in 2014.

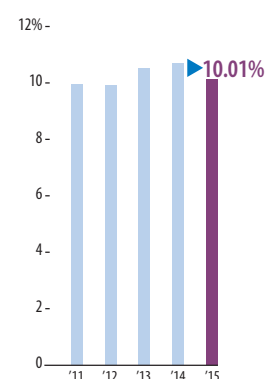
The Company's 2015 performance featured total loan growth of \$71.0 million, led by a \$51.1 million, or 11.2%, increase in the Bank's commercial loan portfolio. The Bank's total deposits increased \$84.7 million in 2015, or almost 10%, reflecting one

of its strongest deposit growth rates in recent years. Despite pressure on the net interest margin, the Bank was able to increase net interest income by \$1.1 million, while increasing non-interest income by \$1.2 million, or 15.7%, compared with 2014. Credit quality remained stable during 2015, highlighted by a \$5.3 million, or 43.0%, decline in non-performing loans and moderately lower levels of net loan charge-off experience compared with last year.

RETURN ON AVERAGE ASSETS



RETURN ON AVERAGE EQUITY

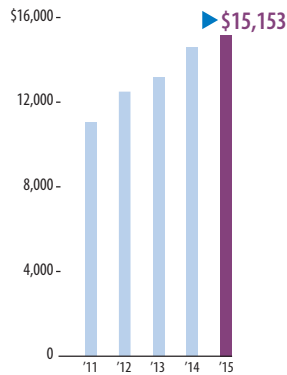


RESULTS OF OPERATIONS

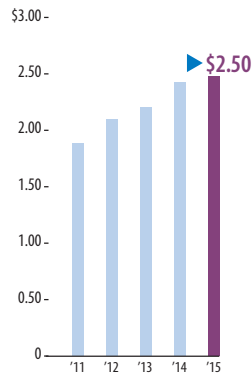
Net Interest Income: Net interest income is the principal component of the Company's income stream and represents the difference or spread between interest generated from earning assets and the interest expense paid on deposits and borrowed funds. Fluctuations in market interest rates, as well as volume and mix changes in earning assets and interest bearing liabilities, can materially impact net interest income.

For the year ended December 31, 2015, net interest income on a tax-equivalent basis amounted to \$46.8 million, compared with \$45.7 million in 2014, representing an increase of \$1.1 million, or 2.4%. The increase in net interest income was principally attributed to average earning asset growth of \$97.3 million, or 7.1%, as the tax-equivalent net interest margin declined 14 basis points to 3.19% compared with 2014. During 2015, short-term and long-term interest rates remained at historically low levels, further pressuring the Bank's weighted average earning asset yields, which declined 16 basis points to 3.89%. This decline was partially offset by a two basis point decline in the weighted average cost of interest bearing liabilities to 0.80%.

NET INCOME
(\$ in thousands)



DILUTED EARNINGS PER SHARE

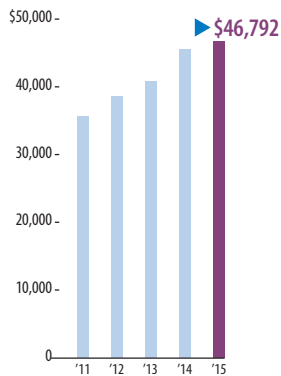


purchase of additional Bank Owned Life Insurance in the first quarter of this year. Income generated from debit card service charges and fees amounted to \$1.7 million in 2015, representing an increase of \$110 thousand, or 6.9%, compared with 2014, largely reflecting continued growth of the Bank's retail deposit base and continued success with a program that offers rewards for certain debit card transactions.

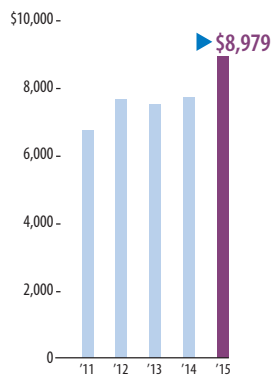
Partially offsetting the foregoing increases in non-interest income was a \$79 thousand, or 8.1%, decline in service charges on deposits compared with 2014, principally reflecting lower levels of fee-based customer overdraft activity. Revenue from trust and other financial services amounted to \$3.9 million in 2015, representing a decline of \$88 thousand, or 2.2%, compared with 2014, largely reflecting lower volumes of retail brokerage activity.

Non-interest Income: In addition to net interest income, non-interest income is a significant source of revenue for the Company and an important factor in its results of operations. Non-interest income is principally derived from financial services including trust, investment management and brokerage activities, as well as service charges on deposit accounts, debit card processing fees, net securities gains, and a variety of other product and service fees.

TAX EQUIVALENT NET INTEREST INCOME
(\$ in thousands)

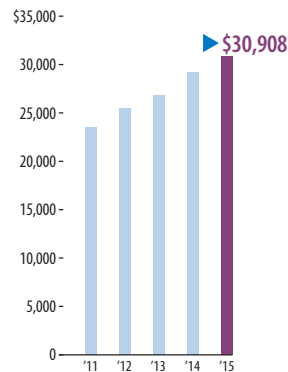


NON-INTEREST INCOME
(\$ in thousands)

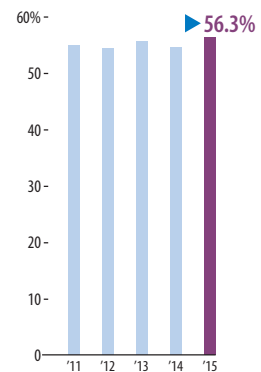


For the year ended December 31, 2015, total non-interest income amounted to \$9.0 million, representing an increase of \$1.2 million, or 15.7%, compared with 2014. The increase in non-interest income was largely attributed to a \$931 thousand increase in realized securities gains compared with 2014. Other operating income amounted to \$1.2 million in 2015 representing an increase of \$347 thousand, or 42.1%, compared with 2015, principally reflecting income associated with the Bank's

NON-INTEREST EXPENSE
(\$ in thousands)



EFFICIENCY RATIO



Non-interest Expense: For the year ended December 31, 2015, total non-interest expense amounted to \$30.9 million, representing an increase of \$1.7 million, or 5.8%, compared with 2014. The increase in non-interest expense was largely attributed to a \$1.0 million, or 6.2%, increase in salaries and employee benefits. The increase in salaries and employee benefits was attributed to a variety of factors including normal increases in base salaries and higher levels of employee health insurance, higher levels of employee incentive and equity award compensation, as well as increases in staffing levels and strategic changes in staffing mix.

Total other operating expenses amounted to \$7.2 million in 2015, representing an increase of \$232 thousand, or 3.3%, compared with 2014. This increase was attributed to a variety of expense categories, the most significant of which included fees for professional services and shareholder related expenses. Furniture and equipment expenses

amounted to \$2.3 million in 2015, up \$155 thousand, or 7.2%, compared with 2014. These increases were largely attributed to a variety of technology upgrades and certain new technology systems and applications.

Efficiency Ratio: The Company's efficiency ratio, or non-interest operating expenses divided by the sum of tax-equivalent net interest income and non-interest income other than net securities gains and other-than-temporary impairments, measures the relationship of operating expenses to revenues. Low efficiency ratios are typically a key factor for high performing financial institutions. For the year ended December 31, 2015, the Company's efficiency ratio amounted to 56.3%, compared with 54.7% in 2014. These ratios compared favorably to peer and industry averages.

Income Taxes: For the year ended December 31, 2015, total income taxes amounted to \$6.0 million, representing an increase of \$53 thousand, or 0.9%, compared with 2014. The Company's effective tax rate amounted to 28.3% in 2015, compared with 28.8% in 2014. Fluctuations in the Company's effective tax rate are generally attributed to changes in the relationship between non-taxable income and non-deductible expense, and income before income taxes, during any given reporting period.

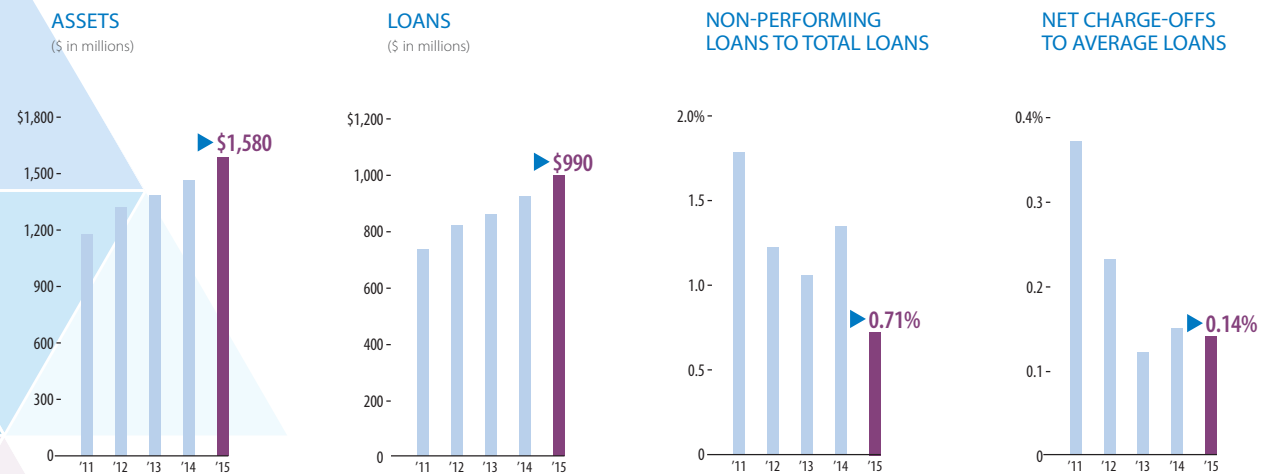
FINANCIAL CONDITION

Assets: At December 31, 2015, the Company's total assets stood at \$1.58 billion, representing an increase of \$120.7 million, or 8.3%, compared with year end 2014. The increase in total assets was led by loan and securities growth and, to a lesser extent, the purchase of Bank Owned Life Insurance.

Loans: Consumer loans, which principally consisted of residential real estate mortgage loans and home equity loans, comprised 47.3% of the Bank's total loan portfolio at December 31, 2015. The Bank also serves the small business market throughout downeast, midcoast and central Maine. It offers business loans to individuals, partnerships, corporations, and other business entities for capital construction, real estate purchases, working capital, real estate development, and a broad range of other business purposes. At December 31, 2015, commercial business loans represented 51.2% of the Bank's total loan portfolio.

Total loans ended the year at \$990.1 million, up \$71.0 million, or 7.7%, compared with December 31, 2014. At year end, the Bank's commercial loan portfolio stood at \$506.8 million, representing an increase of \$51.1 million, or 11.2%, compared with December 31, 2014. Consumer loans, which principally consist of residential real estate mortgages, ended the year at \$467.9 million, up \$21.3 million, or 4.8%, compared with December 31, 2014.

Credit Quality: The overall credit quality of the Bank's loan portfolio remained stable during 2015, highlighted by a meaningful decline in non-performing loans. Total non-performing loans ended the year at \$7.0 million, compared with \$12.3 million at December 31, 2014, representing a decline of \$5.3 million, or 43.0%. Total non-performing loans expressed as a percentage of total loans ended the year at 0.71%, down from 1.34% at year-end 2014. Similarly, the allowance for loan losses expressed as a ratio to non-performing loans ended the year at 134.7%, up from 73.0% at December 31, 2014.



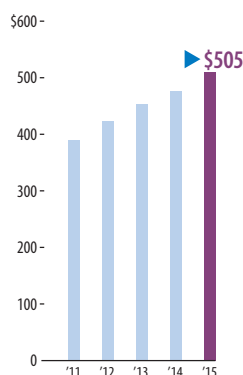
Total net loan charge-offs amounted to \$1.3 million in 2015, or net charge-offs to average loans outstanding of 0.14%, compared with \$1.3 million, or 0.15%, in 2014. The Bank recorded a provision for loan losses of \$1.8 million in 2015, representing a decline of \$48 thousand, or 2.6%, compared with 2014. At December 31, 2015, the Bank's allowance for loan losses stood at \$9.4 million, representing an increase of \$470 thousand, or 5.2%, compared with year end 2014.

Investment Securities: During 2015 the securities portfolio continued to serve as a key source of earning assets and liquidity for the Bank. Bank management considers securities as a relatively attractive means to effectively leverage the Bank's strong capital position, as securities are typically assigned a significantly lower risk weighting for the purpose of calculating the Bank's and the Company's risk-based capital ratios. The overall objectives of the Bank's strategy for the securities portfolio include maintaining appropriate liquidity reserves, diversifying earning assets, managing interest rate risk, leveraging the Bank's strong capital position, generating acceptable levels of net interest income and, when appropriate, generating realized gains on the sale of securities.

At December 31, 2015, total investment securities amounted to \$505.0 million, representing an increase of \$34.4 million, or 7.3%, compared with year end 2014. The securities portfolio is comprised of mortgage-backed securities issued by U.S. Government agencies, U.S. Government-sponsored enterprises and, to a much lesser extent, other non-agency, private-label issuers. The securities portfolio also includes tax-exempt obligations of states and political subdivisions thereof.

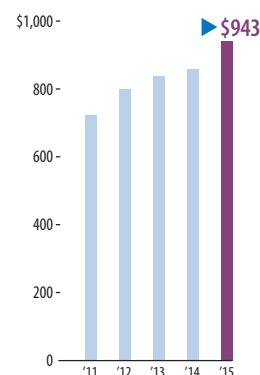
SECURITIES

(\$ in millions)



DEPOSITS

(\$ in millions)



Deposits: During 2015, the most significant funding source for the Bank's earning assets continued to be retail deposits, gathered through its network of fifteen banking offices throughout downeast, midcoast and central Maine.

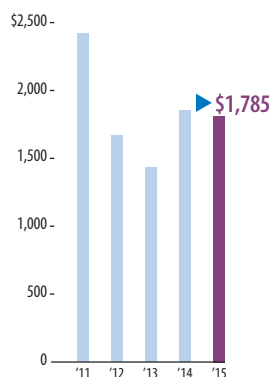
Total deposits ended the year at \$942.8 million, up \$84.7 million, or 9.9%, compared with December 31, 2014. Total deposit transaction accounts increased \$66.1 million, or 13.8%, while time deposits were up \$18.7 million, or 4.9%, compared with December 31, 2014.

Borrowings: Borrowed funds principally consist of advances from the Federal Home Loan Bank of Boston. The Bank utilizes borrowed funds in leveraging its strong capital position and supporting its earning asset portfolios. Borrowed funds also provide a means to help manage balance sheet interest rate risk, given the Bank's ability to select desired amounts, terms and maturities on a daily basis. At December 31, 2015, total borrowings stood at \$474.8 million, representing an increase of \$27.8 million, or 6.2%, compared with December 31, 2014. The increase in borrowings was utilized to help support the Bank's 2015 earning asset growth; particularly the growth in the Bank's leveraged securities portfolio.

Capital: Consistent with its long-term strategy of operating a sound and profitable organization, at December 31, 2015, the Company and the Bank continued to exceed regulatory requirements for "well-capitalized" financial institutions. Company management considers this to be vital in promoting depositor and investor confidence and providing a solid foundation for future growth.

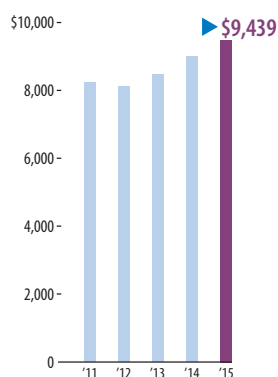
PROVISION FOR LOAN LOSSES

(\$ in thousands)



ALLOWANCE FOR LOAN LOSSES

(\$ in thousands)



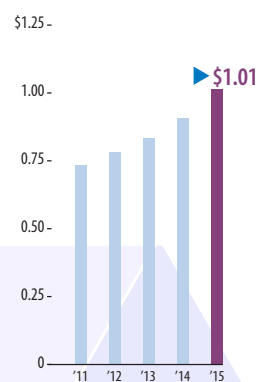
Under the capital adequacy guidelines administered by the Bank's principal regulators, "well-capitalized" institutions are those with Common Equity Tier I, Tier I Leverage, Tier I Risk-based, and Total Risk-based ratios of at least 6.5%, 5%, 8% and 10%, respectively. At December 31, 2015, the Company's Common Equity Tier I, Tier I Leverage, Tier I Risk-based, and Total Risk-based capital ratios were 15.55%, 9.37%, 15.55% and 17.12%, respectively.

Three-for-Two Stock Split: On April 22, 2014, the Company's Board of Directors declared a three-for-two split of its common stock, payable as a large stock dividend, which was paid on May 19, 2014 (the "payment date") to all stockholders of record at the close of business on May 5, 2014. As of April 22, 2014, the Company had 3,944,290 shares of common stock outstanding. After the stock split effectuated as a large stock dividend, the number of shares of Company common stock outstanding increased to 5,916,435. All previously reported share and per share data included in public filings subsequent to the payment date has been restated to reflect the retroactive effect of this three-for-two stock split.

Shareholder Dividends: During 2015, the Company paid regular cash dividends on its common stock in the aggregate amount of \$6.04 million, compared with \$5.36 million in 2014. The Company's 2015 dividend payout ratio amounted to 39.9%, compared with 36.7% in 2014. The total regular cash dividends paid in 2015 amounted to \$1.01 per share of common stock, compared with \$0.905 per share in 2014, representing an increase of 0.105 cents per share, or 11.6%.

The Company's Board of Directors declared a first quarter 2016 regular cash dividend of 26.5 cents per share of common stock, representing an increase of 2.0 cents, or 8.2%, compared with the first quarter of 2015. Based on the year-end 2015 price of BHB's common stock of \$34.42 per share, the dividend yield amounted to 3.08%.

SHAREHOLDER DIVIDENDS



MANAGEMENT AND STAFF

SENIOR
EXECUTIVE TEAM**Simard, Curtis C.****

*President & Chief
Executive Officer*

Shencavitz, Gerald**

*Executive Vice President,
Chief Financial Officer &
Treasurer*

Bender, Marcia T.

*Senior Vice President,
Retail Banking and
BSA Officer*

Dalton, Gregory W.*

*Executive Vice President,
Business Banking*

Leackfeldt, Stephen M.*

*Executive Vice President,
Retail Banking*

Maltz, Richard B.*

*Executive Vice President,
Chief Risk Officer*

Pratt, Joseph M.

*Senior Vice President,
President Bar Harbor
Trust Services*

Sawyer, Marsha C.

*Executive Vice President,
Human Resources*

EMPLOYEES

AS OF 3/7/16

Abbott, Jennifer C.
Ahern, Mark P.
Albee, Susan L.
Allen, Deena M.
Allen, Faye M.
Allen, Holly M.
Allen, Maryann G.
Alley, Stacie J.
Allisot, Allison L.
Anderson, Judi L.
Andrews, Holly M.
Archer, Holly J.
Austin, Vicki J.
Bacha, Alexandra T.
Bailey, Karri A.
Bannister, Michelle R.

Barton, Hannah R.
Bates-Mitchell, Kristi L.
Beal, Charleen L.
Beal, Jenna M.
Beyer, Leslie M.
Billings, Leah M.
Blackburn, Sarah E.
Blackett, Steven W.
Blake, Heidi L.
Boudreau, Alain R.
Bowden, Melanie J.
Bowker, Rose A.
Boynton, Lori C.
Brackett, Heather R.
Brady, Penny S.
Brooks, April N.
Brown, Chelsea E.
Bryer, Katy A.
Caouette, Marian R.
Carter, Hillary A.
Catanese, Sarah J.
Chapman, Jason R.
Charland, Jeffrey D.
Cohen, David S.
Colson, Theresa L.
Colwell, Brenda B.
Condon, Brenda J.
Conner, Erin S.
Cote, Leslie A.
Crippen, Melinda A.
Crisafulli, Paul J.
Curtis, Michelle E.
Darcy, Larissa V.
Davis, Kristyn L.
Davis, Sharon J.
Doak, Lori L.
Dow, Adam T.
Dow, Candice M.
Dunbar, Ruth K.
Dupuy, Mia B.
Eaton, Audrey H.
Eldridge, Patricia L.
Emerson, Rebecca H.
Farnsworth, Pamela J.
Forni, Morgan K.
Foskett, Amy N.
Foster, Wren M.
Fournier-Decoste,
Katheryn R.
Frederick, Marina P.
Frost II, Philip L.
Fuller, Judith W.

Gatcomb, Becky L.
Gatcomb, Dena M.
Geel, Faye A.
Giordano, Mark P.
Granger, Lisa L.
Gray, Marjorie E.
Gray, Roger V.
Gray, Shelley E.
Griffin, Susanne M.
Gurin Jr., R. Stephen
Haley, Andrew J.
Hall, Kelli M.
Hamilton, Kirsten M.
Hamilton, Ronald L.
Hanscom, Betsy B.
Hawes, Bethany A.
Hays, Mary D.
Hennigan, Robin L.
Hepburn, Barbara F.
Hinckley, Melissa S.
Hinkel, Nicole S.
Horner, Lara K.
Howie, Jeanette L.
Huffman, Lynn L.
Hunt, Marianne
Jacobs, Page E.
Jameson, Melissa A.
Jipson, Bruce W.
Jordan, Krystal E.
Kane, Maureen E.
Kelliher, Keisha L.
Kinghorn, Dennis M.
Kneser, Andrew P.
Lacasse, James W.
Lambert, Jane E.
Lapointe, Johanne M.
Lawson, Jessica K.
Leblanc, Bonnie S.
Lee, Nichole J.
Lewis, Stephanie M.
Lindsey-Mercier, Danielle M.
Look, Carissa A.
Lord, Maureen T.
Lovely, Norma K.
Luce, Wendy J.
MacLeod, Virginia L.
Maffucci, Deborah A.
Mahoney, Sharon I.
Malloy, Julie C.
Mansfield, Marcia L.
Marchetti, Brandy M.
Martin, Elena M.

Matthews, Ashley S.
Maynard, Colleen E.
McConomy, Amy G.
McElyea, Jeremiah S.
McGee, Samuel S.
McPhail, Robin J.
Megathlin, Shawn R.
Meo, Matthew F.
Miller Jr., Timothy J.
Millett, Marcia L.
Mills-Stevens, Donna M.
Mitchell, Sonya L.
Mitchell-Dow, Debra S.
Mooney, Dylan A.
Mora, Angela R.
Morissette, Paul E.
Murphy, Lisa M.
Nacey, Victoria A.
Nason, Kimberly J.
Newenham, Judith L.
Nguyen, My T.
Nicholas, Derek G.
Norton, Jennifer I.
Norwood, Nichole D.
O'Connell, Sara H.
Ohmeis, Claire C.
Orcutt, Alexandra
Orio, Alexsandra S.
Parker, Andrea L.
Parlee, Deborah I.
Parsons, Lisa L.
Patton, Ebony A.
Pellett, Christine A.
Pendleton, Candy A.
Planchart, Catherine M.
Poland, Bonnie A.
Pye, Carol J.
Radel, Joshua A.
Redlevske, Shelley R.
Redman, Julie A.
Reynolds, Jordan M.
Richards, Judy A.
Riitano, Zachary J.
Robbins, Amanda L.
Robertson, Adam L.
Robinson, Natasha A.
Rumill, April J.
Saunders, Jennifer M.
Savage, Melissa A.
Sawyer, Amanda L.
Sawyer, Chelsea M.
Schaefer, Frank J.

Schaub Jr., Mark Y.
Schmidt, Shauna L.
Scott-Henderson, Debra L.
Scully, Joseph P.
Shields, Scott K.
Short, Zachary M.
Shults, Brittaney D.
Sinclair, Jacklyn M.
Small, Sarah W.
Somes, Andrew L.
Stanley, Kristy L.
Stevens, Lottie B.
Stover, Teri A.
Strout, Hilary E.
Swanberg, Peter M.
Swett, Andrea D.
Terry, Mindy K.
Testa, John E.
Thibodeau, Mary E.
Thomas, Charles C.
Thompson, Dianne B.
Tower, Betty B.
Tracy, Terry E.
Tunney, Timothy F.
Urquhart, Kirstie A.
Veazie, Lisa F.
Wallace, Allyson M.
Ward, Jennifer D.
Warren, Jody C.
Webster, Paula R.
Weeks, Jessica R.
Wesseling, Xin L.
White, Stefanie M.
Wiberg, Katie G.
Williams II, John M.
Winger, Mikhayla R.
Wood, Crystal N.
Wooster, Timothy J.
Wray, Natalie C.
Wright, Kim W.
Wyatt Jr., Bruce E.
Young, Peggy L.
Zeugner, Leita K.
Zimmerman, Julie B.

*Named Executive Officers

**Bar Harbor Bankshares Management and Named Executive Officers



15 branches
3 service offices
223 employees

Bar Harbor Bankshares
LOCATIONS

- ★ **CORPORATE OFFICE**
Bar Harbor
82 Main Street
Bar Harbor, ME 04609
- **Augusta**
227 Water Street
Augusta, ME 04330
- **Blue Hill**
21 Main Street
Blue Hill, ME 04614
- **Deer Isle**
25 Church Street
Deer Isle, ME 04627
- **Ellsworth**
125 High Street
Ellsworth, ME 04605
- **Lubec**
68 Washington Street
Lubec, ME 04652
- **Machias**
41 Main Street
Machias, ME 04654
- **Milbridge**
2 Bridge Street
Milbridge, ME 04658

- **Northeast Harbor**
111 Main Street
Northeast Harbor, ME
04662
- **Rockland**
245 Camden Street
Rockland, ME 04841
- **Somesville**
1055 Main Street
Mt. Desert, ME 04660
- **South China**
368 Route 3
China, ME 04358
- **Southwest Harbor**
314 Main Street
Southwest Harbor, ME
04679
- **Topsham**
2 Main Street
Topsham, ME 04086
- **Winter Harbor**
385 Main Street
Winter Harbor, ME 04693

**BUSINESS BANKING,
TRUST & FINANCIAL
SERVICES OFFICES**

- **Bangor**
One Cumberland Place
Suite 100
Bangor, ME 04401
- **Ellsworth**
135 High Street
Ellsworth, ME 04605
- **Breakwater Marketplace**
91 Camden Street
Rockland, ME 04841



Bar Harbor Bankshares
CORPORATE INFORMATION

ANNUAL MEETING

The Annual Meeting of shareholders of Bar Harbor Bankshares will be held at 11:00 a.m. on Tuesday, May 17, 2016 at the Bar Harbor Club located on West Street in Bar Harbor, Maine.

FINANCIAL INFORMATION

Shareholders, analysts and other investors seeking financial information about Bar Harbor Bankshares should contact Gerald Shencavitz, Executive Vice President, Chief Financial Officer and Treasurer, at 207-288-3314.

INTERNET

Bar Harbor Bank & Trust information, as well as Bar Harbor Bankshares Form 10-K, is available at www.bhbt.com.

SHAREHOLDER ASSISTANCE

Questions concerning your shareholder account, including change of address forms, records or information about lost certificates or dividend checks, should be directed to our transfer agent:
American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219
800-937-5449 / www.amstock.com

STOCK EXCHANGE LISTING

Bar Harbor Bankshares common stock is traded on the NYSE MKT, LLC (www.nyse.com), under the symbol BHB.

FORM 10-K ANNUAL REPORT

The Company refers you to its Annual Report on Form 10-K for fiscal year ended December 31, 2015 for detailed financial data, management's discussion and analysis of financial condition and results of operations, disclosures about market risk, market information including stock graphs, descriptions of the business of the Company and its products and services, and a listing of its executive officers.

MAILING ADDRESS

If you need to contact our corporate headquarters office, write:
Bar Harbor Bankshares
Post Office Box 400
82 Main Street
Bar Harbor, Maine 04609-0400
207-288-3314 • 888-853-7100

PRINTED FINANCIAL INFORMATION

We will provide, without charge, and upon written request, a copy of the Bar Harbor Bankshares Annual Report to the Securities and Exchange Commission on Form 10-K. The Bank will also provide, upon request, Annual Disclosure Statements for Bar Harbor Bank & Trust as of December 31, 2015. Please contact Marsha C. Sawyer, Bar Harbor Bankshares Clerk, at 207-288-3314 or the above address.





BRAND PROMISE:

Bar Harbor Bank & Trust is a true community bank. We recognize, appreciate, and support the unique people and culture in the places we call home.

BRAND STORY:

Bar Harbor Bank & Trust understands the unique opportunities and challenges that our customers face and we're here to face them, too. We're known for our exceptional support of the people, businesses and communities in the places we call home. The staff is widely known as trustworthy, resourceful and friendly—people who customers can count on to help them find solutions they need. Commitment to honest service and belief in our customers are why Bar Harbor Bank & Trust stands out as a true community bank.

