



True to Our Culture
COMMITTED TO PERFORMANCE



We Are Bar Harbor Bankshares

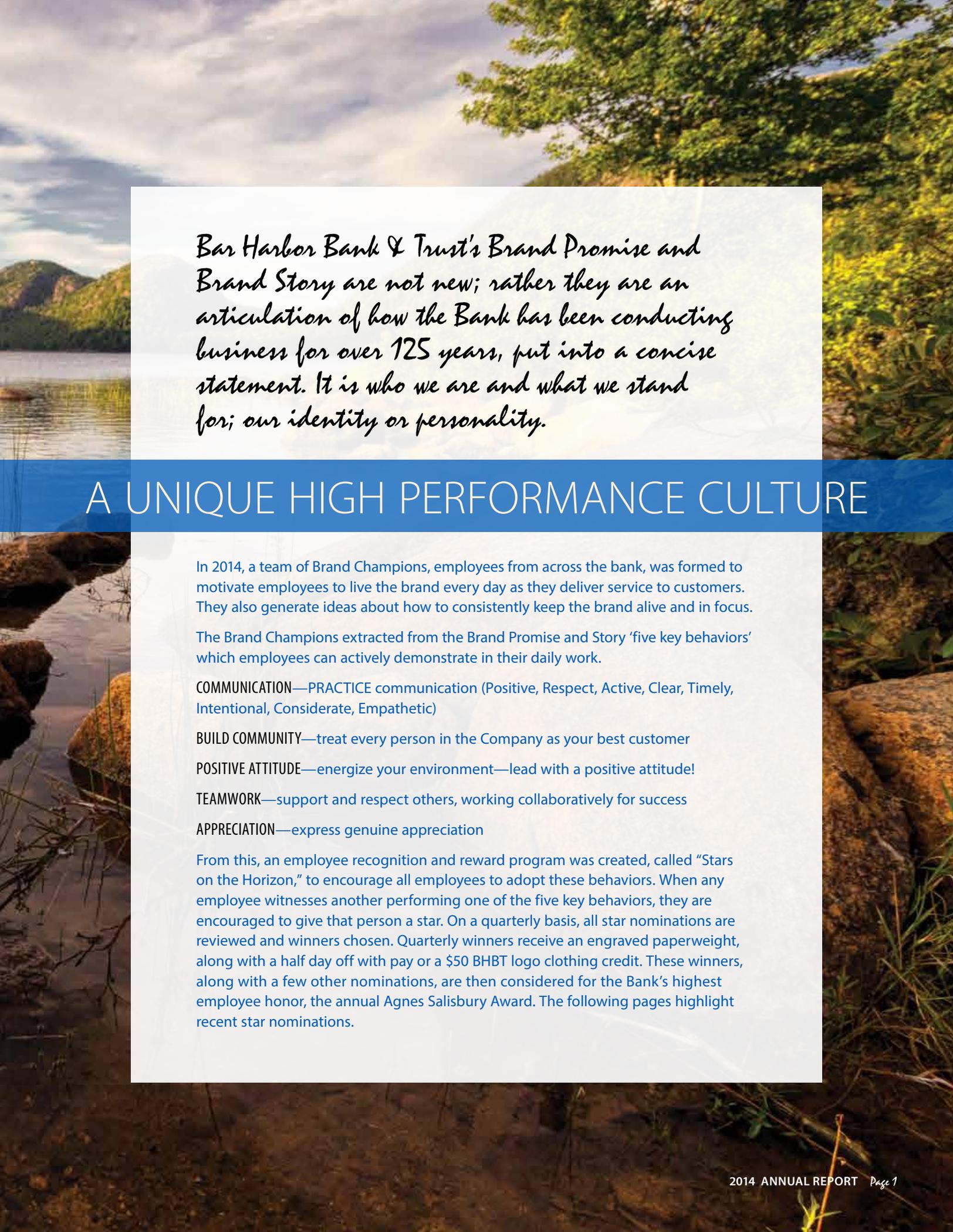
COMMUNICATION

BUILD
COMMUNITY

POSITIVE
ATTITUDE

TEAMWORK

APPRECIATION



Bar Harbor Bank & Trust's Brand Promise and Brand Story are not new; rather they are an articulation of how the Bank has been conducting business for over 125 years, put into a concise statement. It is who we are and what we stand for; our identity or personality.

A UNIQUE HIGH PERFORMANCE CULTURE

In 2014, a team of Brand Champions, employees from across the bank, was formed to motivate employees to live the brand every day as they deliver service to customers. They also generate ideas about how to consistently keep the brand alive and in focus.

The Brand Champions extracted from the Brand Promise and Story 'five key behaviors' which employees can actively demonstrate in their daily work.

COMMUNICATION—PRACTICE communication (Positive, Respect, Active, Clear, Timely, Intentional, Considerate, Empathetic)

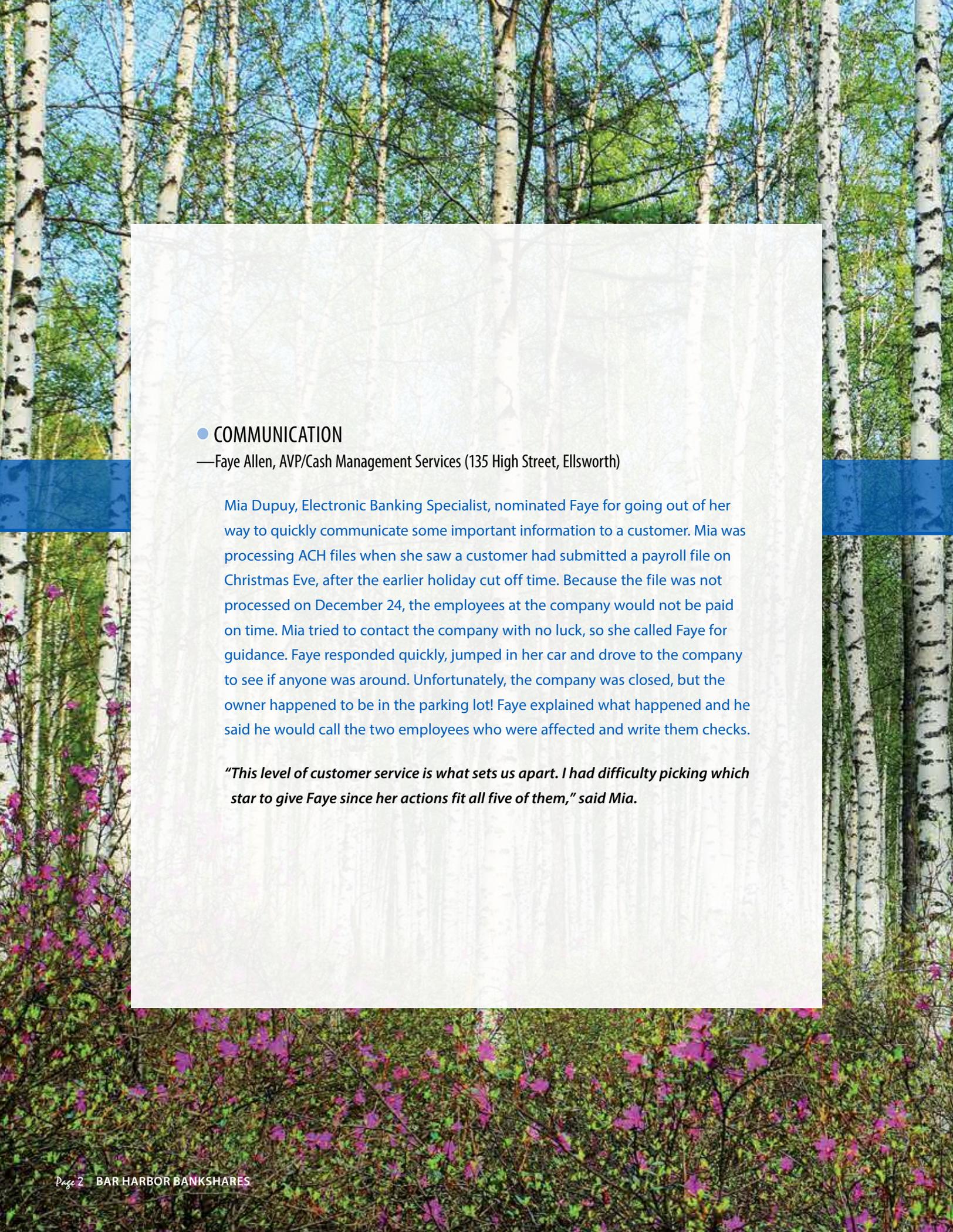
BUILD COMMUNITY—treat every person in the Company as your best customer

POSITIVE ATTITUDE—energize your environment—lead with a positive attitude!

TEAMWORK—support and respect others, working collaboratively for success

APPRECIATION—express genuine appreciation

From this, an employee recognition and reward program was created, called "Stars on the Horizon," to encourage all employees to adopt these behaviors. When any employee witnesses another performing one of the five key behaviors, they are encouraged to give that person a star. On a quarterly basis, all star nominations are reviewed and winners chosen. Quarterly winners receive an engraved paperweight, along with a half day off with pay or a \$50 BHBT logo clothing credit. These winners, along with a few other nominations, are then considered for the Bank's highest employee honor, the annual Agnes Salisbury Award. The following pages highlight recent star nominations.

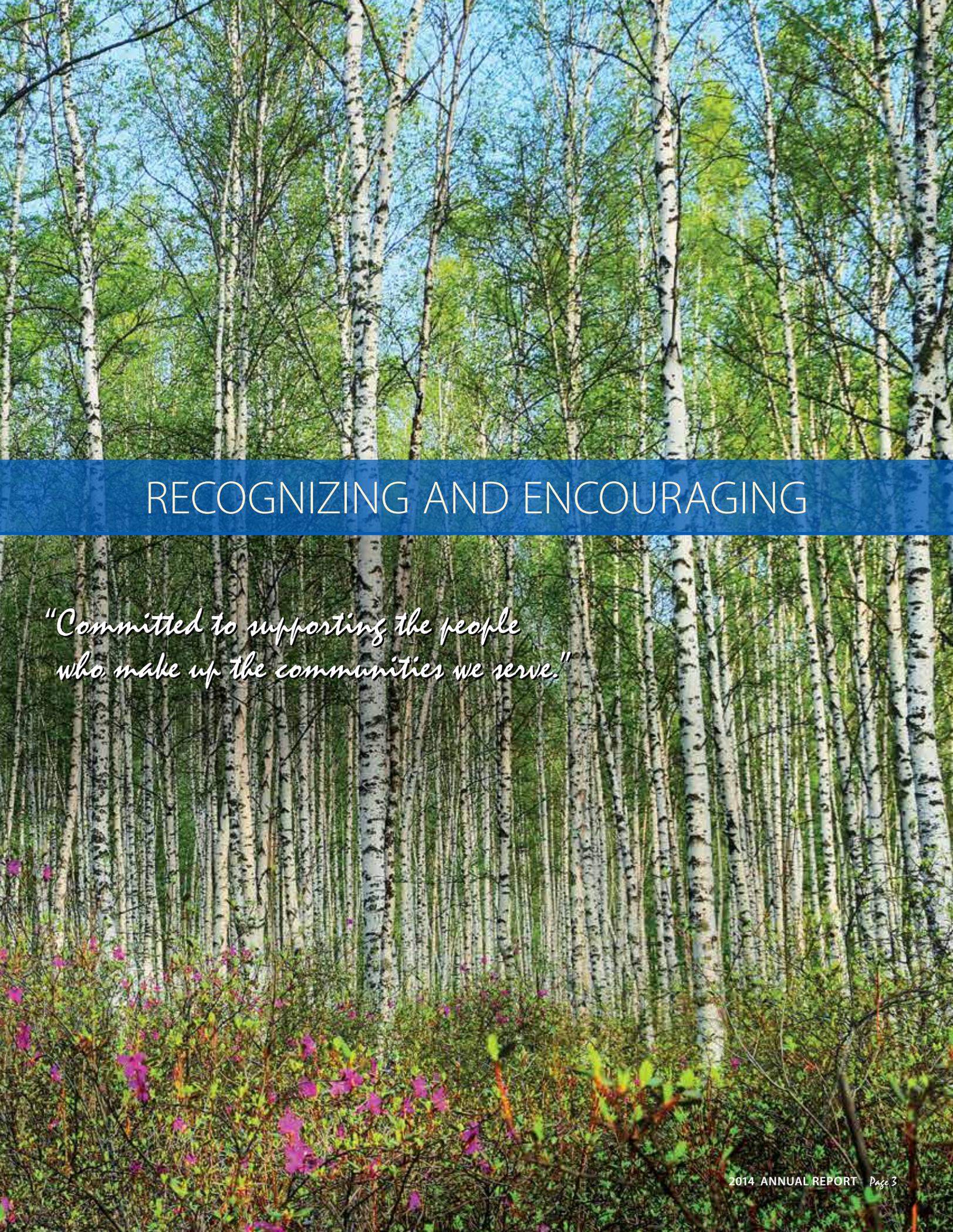


● COMMUNICATION

—Faye Allen, AVP/Cash Management Services (135 High Street, Ellsworth)

Mia Dupuy, Electronic Banking Specialist, nominated Faye for going out of her way to quickly communicate some important information to a customer. Mia was processing ACH files when she saw a customer had submitted a payroll file on Christmas Eve, after the earlier holiday cut off time. Because the file was not processed on December 24, the employees at the company would not be paid on time. Mia tried to contact the company with no luck, so she called Faye for guidance. Faye responded quickly, jumped in her car and drove to the company to see if anyone was around. Unfortunately, the company was closed, but the owner happened to be in the parking lot! Faye explained what happened and he said he would call the two employees who were affected and write them checks.

“This level of customer service is what sets us apart. I had difficulty picking which star to give Faye since her actions fit all five of them,” said Mia.

A photograph of a birch forest with a blue banner across the middle. The banner contains the text "RECOGNIZING AND ENCOURAGING".

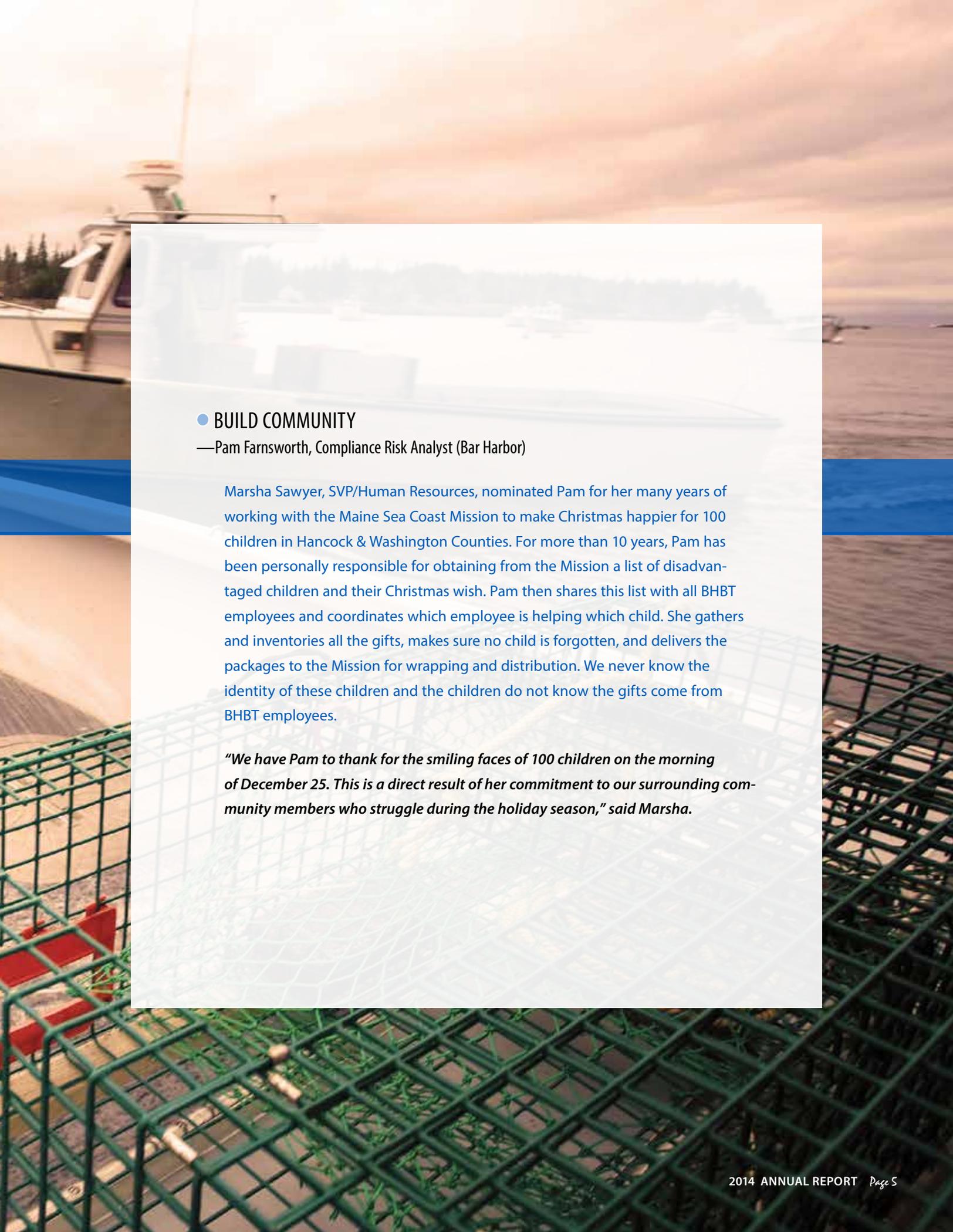
RECOGNIZING AND ENCOURAGING

*"Committed to supporting the people
who make up the communities we serve."*

A man wearing a purple hoodie with 'CALM' on the sleeve, yellow overalls, and a dark cap is using a high-pressure hose to clean the deck of a boat. The scene is set in a harbor with other boats and a forested shoreline in the background. A blue banner is overlaid across the middle of the image.

DELIVERING OUR BRAND EVERY DAY

"Standing behind the independent businessmen and women building futures for their families and their communities."

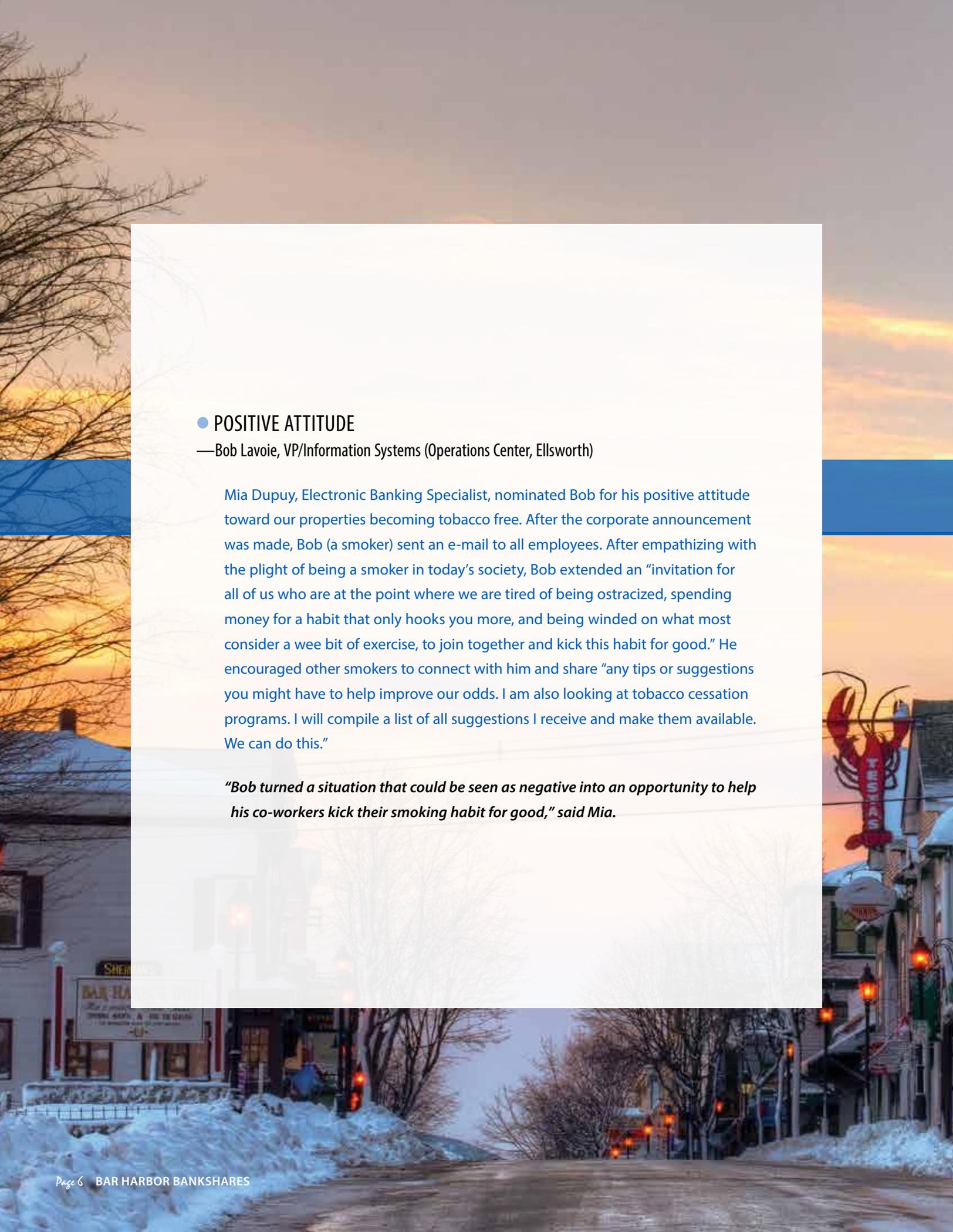


● BUILD COMMUNITY

—Pam Farnsworth, Compliance Risk Analyst (Bar Harbor)

Marsha Sawyer, SVP/Human Resources, nominated Pam for her many years of working with the Maine Sea Coast Mission to make Christmas happier for 100 children in Hancock & Washington Counties. For more than 10 years, Pam has been personally responsible for obtaining from the Mission a list of disadvantaged children and their Christmas wish. Pam then shares this list with all BHBT employees and coordinates which employee is helping which child. She gathers and inventories all the gifts, makes sure no child is forgotten, and delivers the packages to the Mission for wrapping and distribution. We never know the identity of these children and the children do not know the gifts come from BHBT employees.

“We have Pam to thank for the smiling faces of 100 children on the morning of December 25. This is a direct result of her commitment to our surrounding community members who struggle during the holiday season,” said Marsha.



● POSITIVE ATTITUDE

—Bob Lavoie, VP/Information Systems (Operations Center, Ellsworth)

Mia Dupuy, Electronic Banking Specialist, nominated Bob for his positive attitude toward our properties becoming tobacco free. After the corporate announcement was made, Bob (a smoker) sent an e-mail to all employees. After empathizing with the plight of being a smoker in today's society, Bob extended an "invitation for all of us who are at the point where we are tired of being ostracized, spending money for a habit that only hooks you more, and being winded on what most consider a wee bit of exercise, to join together and kick this habit for good." He encouraged other smokers to connect with him and share "any tips or suggestions you might have to help improve our odds. I am also looking at tobacco cessation programs. I will compile a list of all suggestions I receive and make them available. We can do this."

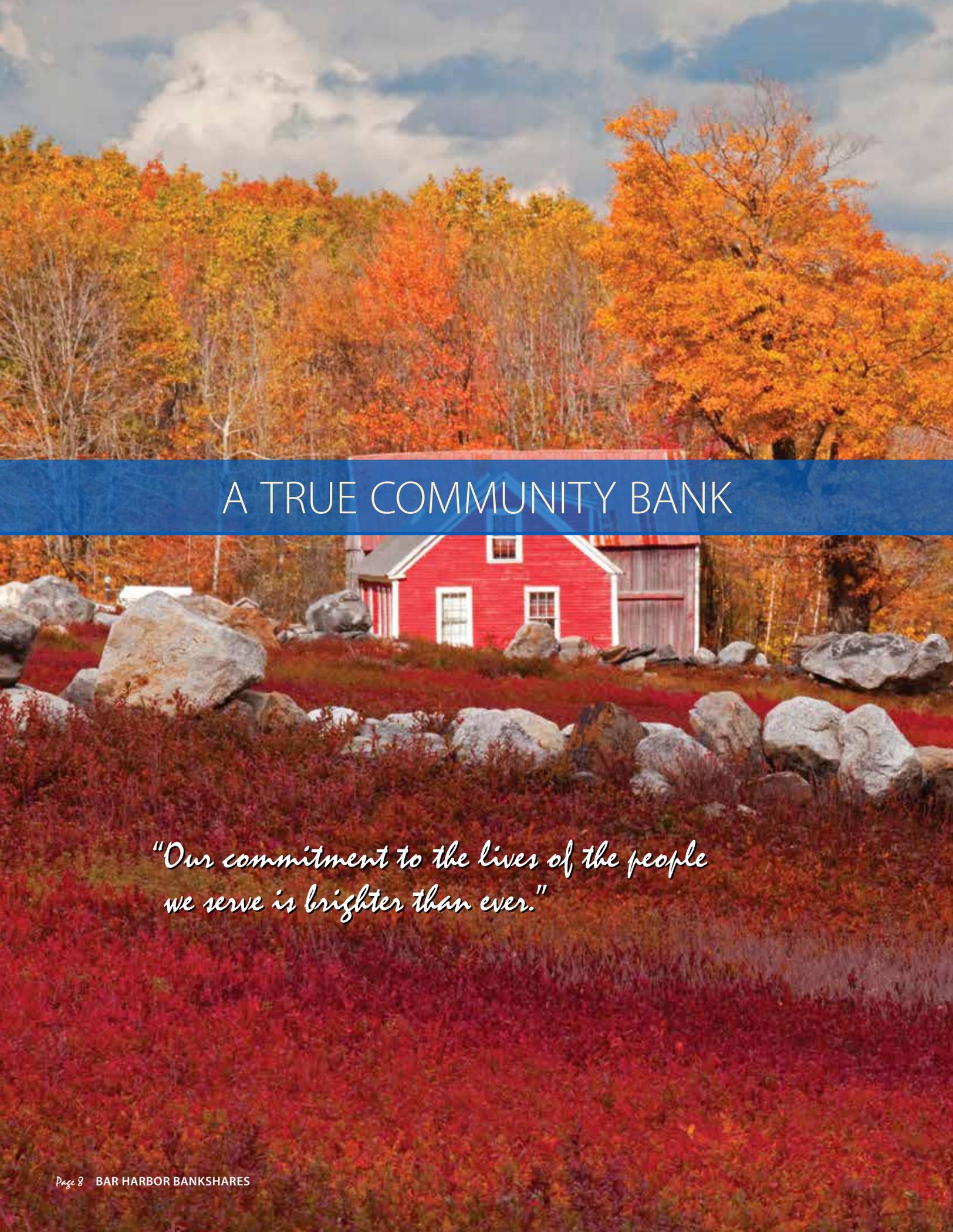
"Bob turned a situation that could be seen as negative into an opportunity to help his co-workers kick their smoking habit for good," said Mia.



*"Named one of the Best Places to Work in
Maine 2011-2014."*

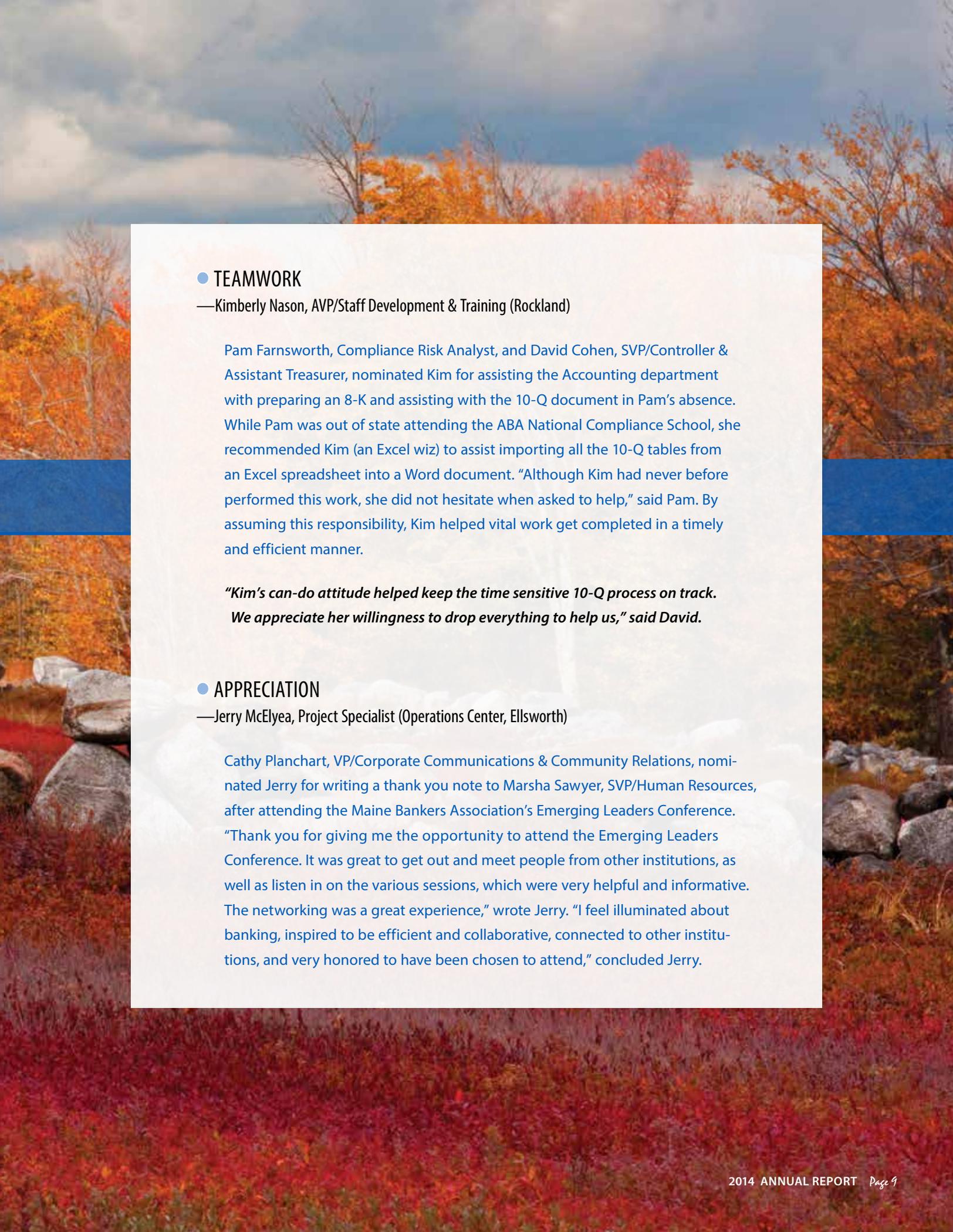
EVERY PERSON IMPACTS PERFORMANCE





A TRUE COMMUNITY BANK

*"Our commitment to the lives of the people
we serve is brighter than ever."*



● TEAMWORK

—Kimberly Nason, AVP/Staff Development & Training (Rockland)

Pam Farnsworth, Compliance Risk Analyst, and David Cohen, SVP/Controller & Assistant Treasurer, nominated Kim for assisting the Accounting department with preparing an 8-K and assisting with the 10-Q document in Pam's absence. While Pam was out of state attending the ABA National Compliance School, she recommended Kim (an Excel wiz) to assist importing all the 10-Q tables from an Excel spreadsheet into a Word document. "Although Kim had never before performed this work, she did not hesitate when asked to help," said Pam. By assuming this responsibility, Kim helped vital work get completed in a timely and efficient manner.

"Kim's can-do attitude helped keep the time sensitive 10-Q process on track. We appreciate her willingness to drop everything to help us," said David.

● APPRECIATION

—Jerry McElyea, Project Specialist (Operations Center, Ellsworth)

Cathy Planchart, VP/Corporate Communications & Community Relations, nominated Jerry for writing a thank you note to Marsha Sawyer, SVP/Human Resources, after attending the Maine Bankers Association's Emerging Leaders Conference. "Thank you for giving me the opportunity to attend the Emerging Leaders Conference. It was great to get out and meet people from other institutions, as well as listen in on the various sessions, which were very helpful and informative. The networking was a great experience," wrote Jerry. "I feel illuminated about banking, inspired to be efficient and collaborative, connected to other institutions, and very honored to have been chosen to attend," concluded Jerry.

A photograph of two men in business suits standing in an office. The man on the left is Curtis C. Simard, and the man on the right is Peter Dodge. They are both smiling and looking towards the camera. The background shows office windows with blinds and a wall with a map.

Curtis C. Simard
President and Chief Executive Officer

Peter Dodge
Chairman

DEAR FELLOW SHAREHOLDERS,

We recognize, appreciate and support the unique people and culture in the places we call home.

True to Our Culture—Committed to Performance

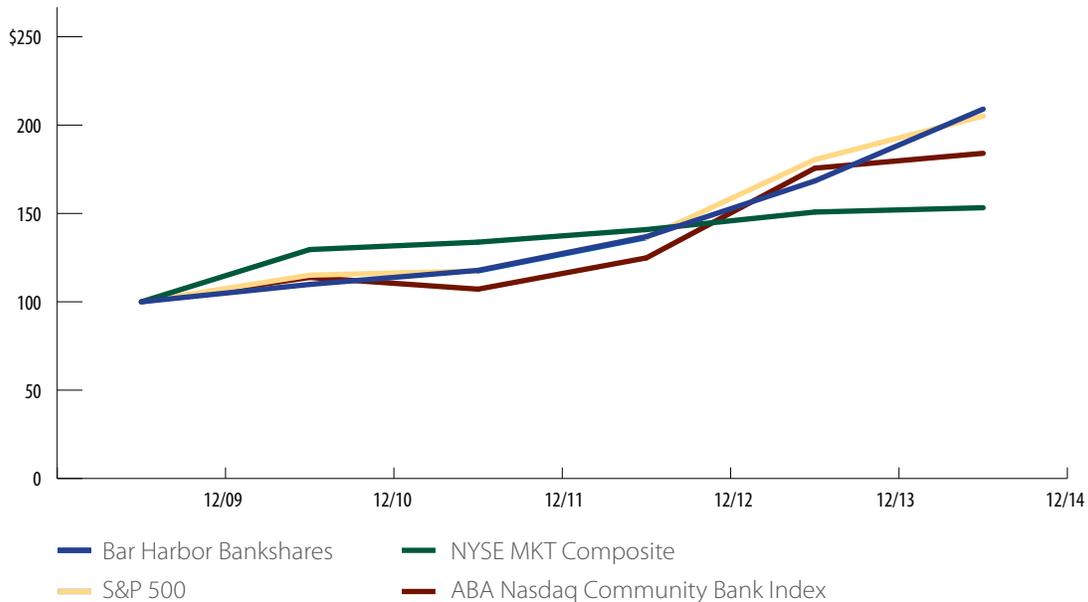
This describes our approach to evolving and improving our Bank over the past year. The reasoning is rather simple. Our longstanding culture has created a very strong brand that has provided consistent performance over a sustained period of time. Our further commitment to this formula in 2014 provided our ninth consecutive year of record earnings of \$14.6 million and led to our ability to raise our shareholder dividend in each quarter. In April 2014, we announced a stock dividend, which had the same effect as a three-for-two split of our common shares. Our five-year cumulative Total Shareholder Return, or TSR, has exceeded the S&P 500 and the ABA Nasdaq Community Bank Index demonstrating we provide excellent shareholder value. Please see the graph on the following page.

Other notable performance metrics from the year we are proud to highlight include:

- Average earning asset growth of \$75.7 million, led by average loan growth of \$42.4 million or 5.1%
- An 18 basis point increase in our net interest margin despite a challenging rate environment
- A \$4.9 million or 11.9% increase in net interest income
- Organic growth in core franchise deposits (Demand, NOW and Money Market accounts) totaling \$39.9 million or 9.1%
- Effective containment of expenses with an efficiency ratio of 54.7%
- Comfortable maintenance of the regulatory standards of a “well capitalized” institution on all levels

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 12/31/09 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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	12/09	12/10	12/11	12/12	12/13	12/14
Bar Harbor Bankshares	100.00	109.84	117.78	136.89	168.36	209.07
NYSE MKT Composite	100.00	129.56	133.75	140.87	150.79	153.24
S&P 500	100.00	115.06	117.49	136.30	180.44	205.14
ABA Nasdaq Community Bank Index	100.00	113.77	107.15	124.86	175.61	184.04

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

Role of the Brand in Our Culture

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. We have been committed to this very axiom for decades. Whether openly communicated through our business practices or the mutual respect shown for one another, or demonstrated in the financial and volunteer support of our communities, the Bar Harbor Bank & Trust brand is understood and very much alive. Combining this with the tireless pursuit of increasing performance and shareholder value defines our culture. The result has been strong performance rooted in limited employee turnover by industry standards. A critical benchmark for us is being elected as one of the Best Places to Work in Maine—again the only Maine-based publicly traded company to receive this honor. Our Stars on the Horizon program, discussed throughout, embodies colleagues' desire to recognize one another's efforts and encourage the continuation of a very unique culture that is increasingly rare in the very competitive financial services landscape.

Evolution Not Outright Change

Entering another year marked by a rather stagnant economy and protracted low interest rate environment, our objective was to remain true to who we are while identifying the necessary enhancements that raise the very high bar by which we measure ourselves. We have been focused on building our franchise around our customers' needs, honestly assessing where improvement is necessary. Equally important to our identity is the pursuit of a way to better manage risk, turning that ability into a competitive advantage. We must keep reinvesting in our business lines in order to achieve the task of brand and performance preservation. Committed to this approach, we have been able to meet the growing expectations of our many constituents including our shareholders, our customers, and the regulatory community. Given our financial, cultural, and reputation stability over many years, the mission is clear: *Evolution* not outright change.

Aligning Around Our Strategy

At the core of our evolution is the dedication to our model of balancing growth with earnings. In order to do so, we repeat what works while being unafraid to address blind spots, or areas that benefit from our attention, as we look to convert them into strengths. To take this to the next level, we have engaged the entire company in realizing that positive employee and customer experiences need to continue to be at the heart of all we do. The outcome is performance for shareholders. Any barriers to this commitment must be removed. We have therefore undertaken strategic initiatives that have added to the depth and strength of our team, creating renewed urgency around deepening existing customer relationships while also attracting new ones through an increasingly aggressive sales culture. This includes leveraging the longstanding Bar Harbor Bank & Trust name in more recently entered markets. Our demonstrated growth in loans and core deposits in 2014 reflects our effectiveness.

Alongside the personal delivery that embodies our brand, our commitment to technology has never been stronger. We are keeping decisions local and investing in technology to improve our responsiveness. We are adding products such as mobile platforms to meet the growing demands of our customers. We are exploring new product suites to remain current with changing needs. With compliance and risk management always being non-negotiable items in our strategy, technology must also keep pace to ensure the reliability, safety, and peace of mind our customers deserve. Every person in our company has a role in delivering our strategy and impacts our performance. This unifies our team.

True to Our Culture—Committed to Performance. It's a powerful approach that has served us well, as demonstrated by our consistent performance in the past, and will continue to be our foundation as we continue to grow and evolve in the coming years.

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



Curtis C. Simard
President and Chief Executive Officer



Peter Dodge
Chairman

Bar Harbor Bankshares
SENIOR EXECUTIVE TEAM



Standing left to right:

Gregory W. Dalton
Executive Vice President, Business Banking

Daniel A. Hurley, III
*Senior Vice President,
 President, Bar Harbor Trust Services
 (retired 1/15/2015)*

Marsha C. Sawyer
Senior Vice President, Human Resources

Gerald Shencavitz
*Executive Vice President, Chief Operating Officer,
 Chief Financial Officer and Treasurer*

Richard Maltz
Executive Vice President, Chief Risk Officer

Seated left to right:

Stephen M. Leackfeldt
*Executive Vice President,
 Retail Banking and Operations*

Cheryl L. Mullen
Senior Vice President, Sales and Marketing

Marcia T. Bender
*Senior Vice President,
 Senior Operations and BSA Officer*

Curtis C. Simard
President and Chief Executive Officer

Bar Harbor Bankshares
BOARD OF DIRECTORS



Standing left to right:

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

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

Gregg S. Hannah
*Surry, ME
 Chartered Financial Analyst,
 Past Associate Professor of Business
 Management at Nichols College*

Lauri E. Fernald
*Mt. Desert, ME
 Certified Funeral Service Practitioner and an
 Owner in Jordan-Fernald Funeral Home*

Kenneth E. Smith
*Bar Harbor, ME
 Owner and Innkeeper of Manor House Inn*

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

Scott G. Toothaker
*Ellsworth, ME
 Certified Public Accountant
 Principal and Vice President of
 Melanson Heath & Co.*

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

Joseph M. Murphy
*Mt. Desert, ME
 Retired President and Chief Executive Officer
 of the Company and the Bank*

Robert C. Carter
*Machias, ME
 Owner of Carter Enterprises
 (Rental Management) and Retired Owner
 of Machias Motor Inn*

David B. Woodside
*Bar Harbor, ME
 Chief Executive Officer of
 The Acadia Corporation*

Seated left to right:

Constance C. Shea
*Mt. Desert, ME
 Real Estate Broker and Former Owner of
 Lynam Real Estate*

Matthew L. Caras
*Arrowsic, ME
 Owner in Leaders LLC*

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

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)	2014	2013	2012	2011	2010
Balance Sheet Data					
Total assets	\$1,459,320	\$1,373,893	\$1,302,935	\$1,167,466	\$1,117,933
Total securities	470,525	450,170	418,040	381,880	357,882
Total loans	919,024	852,857	815,004	729,003	700,670
Allowance for loan losses	(8,969)	(8,475)	(8,097)	(8,221)	(8,500)
Total deposits	858,049	835,651	795,012	722,890	708,328
Total borrowings	447,020	409,445	371,567	320,283	300,014
Total shareholders' equity	146,287	121,379	128,046	118,250	103,608
Average assets	1,424,209	1,345,353	1,252,390	1,151,163	1,087,327
Average shareholders' equity	136,672	125,340	125,600	111,135	105,911
Results of Operations					
Interest and dividend income	\$ 53,718	\$ 50,749	\$ 50,838	\$ 50,907	\$ 51,141
Interest expense	9,905	11,663	13,867	16,518	19,432
Net interest income	43,813	39,086	36,971	34,389	31,709
Provision for loan losses	1,833	1,418	1,652	2,395	2,327
Net interest income after provision for loan losses	41,980	37,668	35,319	31,994	29,382
Non-interest income	7,758	7,566	7,709	6,792	7,458
Non-interest expense	29,211	26,860	25,618	23,281	22,046
Income before income taxes	20,527	18,374	17,410	15,505	14,794
Income taxes	5,914	5,191	4,944	4,462	4,132
Net income	\$ 14,613	\$ 13,183	\$ 12,466	\$ 11,043	\$ 10,662
Preferred stock dividends and accretion of discount	—	—	—	—	653
Net income available to common shareholders	\$ 14,613	\$ 13,183	\$ 12,466	\$ 11,043	\$ 10,009
Per Common Share Data:					
Basic earnings per share	\$ 2.47	\$ 2.24	\$ 2.13	\$ 1.91	\$ 1.76
Diluted earnings per share	\$ 2.45	\$ 2.22	\$ 2.12	\$ 1.90	\$ 1.74
Cash dividends per share	\$ 0.905	\$ 0.833	\$ 0.780	\$ 0.730	\$ 0.697
Dividend payout ratio	36.69%	37.28%	36.62%	38.29%	39.43%
Selected Financial Ratios:					
Return on total average assets	1.03%	0.98%	1.00%	0.96%	0.98%
Return on total average equity	10.69%	10.52%	9.93%	9.94%	10.07%
Tax-equivalent net interest margin	3.33%	3.15%	3.23%	3.23%	3.18%
Capital Ratios:					
Tier 1 leverage capital ratio	9.30%	9.01%	8.87%	9.32%	9.01%
Tier 1 risk-based capital ratio	15.60%	14.97%	14.15%	14.29%	13.57%
Total risk-based capital ratio	17.24%	16.62%	15.78%	16.06%	15.41%
Asset Quality Ratios:					
Net charge-offs to average loans	0.15%	0.12%	0.23%	0.37%	0.24%
Allowance for loan losses to total loans	0.98%	0.99%	0.99%	1.13%	1.21%
Allowance for loan losses to non-performing loans	73.0%	95.9%	82.1%	63.7%	62.1%
Non-performing loans to total loans	1.34%	1.04%	1.21%	1.77%	1.95%

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 2014 Annual Report on Form 10-K for a complete set of audited financial statements and accompanying notes.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Bar Harbor Bankshares:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Bar Harbor Bankshares and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014 (not presented herein); and in our report dated March 16, 2015, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

KPMG LLP

Boston, Massachusetts
March 16, 2015

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	December 31, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 9,800	\$ 9,200
Securities available for sale, at fair value (amortized cost of \$458,370 and \$461,635, respectively)	470,525	450,170
Federal Home Loan Bank stock	21,354	18,370
Loans	919,024	852,857
Allowance for loan losses	(8,969)	(8,475)
Loans, net of allowance for loan losses	910,055	844,382
Premises and equipment, net	20,518	20,145
Goodwill	4,935	4,935
Bank owned life insurance	8,141	7,879
Other assets	13,992	18,812
TOTAL ASSETS	\$1,459,320	\$1,373,893
Liabilities		
Deposits:		
Demand and other non-interest bearing deposits	\$ 78,802	\$ 72,259
NOW accounts	153,499	135,246
Savings and money market deposits	247,685	232,558
Time deposits	378,063	395,588
Total deposits	858,049	835,651
Short-term borrowings	313,520	312,945
Long-term advances from Federal Home Loan Bank	128,500	91,500
Junior subordinated debentures	5,000	5,000
Other liabilities	7,964	7,418
TOTAL LIABILITIES	1,313,033	1,252,514
Shareholders' equity		
Capital stock, par value \$2.00; authorized 10,000,000 shares; issued 6,788,407 shares at December 31, 2014 and December 31, 2013	13,577	13,577
Surplus	20,905	20,559
Retained earnings	113,149	103,907
Accumulated other comprehensive (loss) income:		
Prior service cost and unamortized net actuarial losses on employee benefit plans, net of tax of (\$251) and (\$192), at December 31, 2014 and December 31, 2013, respectively	(488)	(373)
Net unrealized appreciation (depreciation) on securities available for sale, net of tax of \$3,997 and (\$4,150), at December 31, 2014 and December 31, 2013, respectively	7,423	(8,055)
Portion of OTTI attributable to non-credit gains, net of tax of \$257 and \$252, at December 31, 2014 and December 31, 2013, respectively	478	488
Net unrealized depreciation on derivative instruments, net of tax of \$389 and \$0, at December 31, 2014 and December 31, 2013, respectively	(722)	—
Total accumulated other comprehensive income (loss)	6,691	(7,940)
Less: cost of 842,082 and 879,840 shares of treasury stock at December 31, 2014 and December 31, 2013, respectively	(8,035)	(8,724)
TOTAL SHAREHOLDERS' EQUITY	146,287	121,379
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,459,320	\$1,373,893

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 2014 Annual Report on Form 10-K for a complete set of audited financial statements and accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share and per share data)	Years Ended December 31,		
	2014	2013	2012
Interest and dividend income:			
Interest and fees on loans	\$37,739	\$37,223	\$36,579
Interest on securities	15,689	13,457	14,173
Dividend on FHLB stock	290	69	86
Total interest and dividend income	53,718	50,749	50,838
Interest expense:			
Deposits	5,894	6,616	7,707
Short-term borrowings	667	487	436
Long-term debt	3,344	4,560	5,724
Total interest expense	9,905	11,663	13,867
Net interest income	43,813	39,086	36,971
Provision for loan losses	1,833	1,418	1,652
Net interest income after provision for loan losses	41,980	37,668	35,319
Non-interest income:			
Trust and other financial services	3,976	3,634	3,278
Service charges on deposit accounts	1,151	1,248	1,196
Debit card service charges and fees	1,584	1,572	1,462
Net securities gains	403	676	1,938
Total other-than-temporary impairment ("OTTI") losses	—	(359)	(1,170)
Non-credit portion of OTTI losses (before taxes) ⁽¹⁾	—	110	317
Net OTTI losses recognized in earnings	—	(249)	(853)
Other operating income	644	685	688
Total non-interest income	7,758	7,566	7,709
Non-interest expense:			
Salaries and employee benefits	16,836	15,227	14,027
Occupancy expense	2,143	1,968	1,682
Furniture and equipment expense	2,166	2,005	1,778
Credit and debit card expenses	429	384	367
FDIC insurance assessments	699	696	853
Other operating expense	6,938	6,580	6,911
Total non-interest expense	29,211	26,860	25,618
Income before income taxes	20,527	18,374	17,410
Income taxes	5,914	5,191	4,944
Net income	\$14,613	\$13,183	\$12,466
Computation of Earnings Per Share:			
Weighted average number of capital stock shares outstanding			
Basic	5,926,387	5,898,077	5,851,677
Effect of dilutive employee stock options	49,877	30,363	27,977
Diluted	5,976,264	5,928,440	5,879,654
Per Common Share Data:			
Basic earnings per share	\$ 2.47	\$ 2.24	\$ 2.13
Diluted earnings per share	\$ 2.45	\$ 2.22	\$ 2.12

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

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

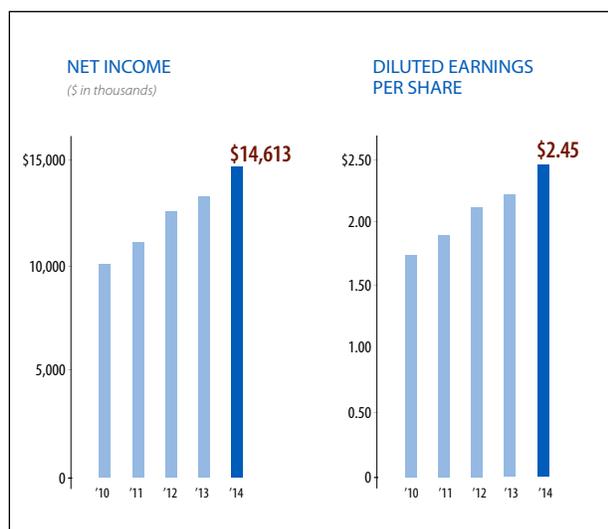
Refer to the Bar Harbor Bankshares 2014 Annual Report on Form 10-K for a complete set of audited financial statements and accompanying notes.

2014 FINANCIAL OVERVIEW (unaudited)

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.

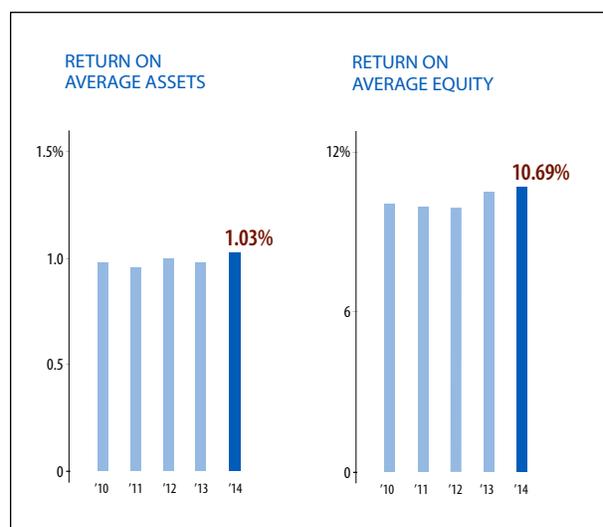
Operating under a community banking philosophy, the Company's key strategic focus is vigorous financial stewardship, deploying investor capital safely, yet efficiently, for the best possible returns. The Company strives to provide unmatched service to its customers, while maintaining strong asset quality 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.



RESULTS OF OPERATIONS

For the year ended December 31, 2014, the Company reported record net income of \$14.6 million, representing an increase of \$1.4 million, or 10.8%, compared with 2013. The Company also reported record diluted earnings per share of \$2.45 for 2014, representing an increase of \$0.23, or 10.4%, compared with 2013. The Company's 2014 earnings performance featured a significant increase in net interest income, higher levels of fee income, and an improved efficiency ratio.

The Company's return on average shareholders' equity amounted to 10.69% in 2014, up from 10.52% in 2013. The Company's 2014 return on average assets amounted to 1.03%, up from 0.98% in 2013.



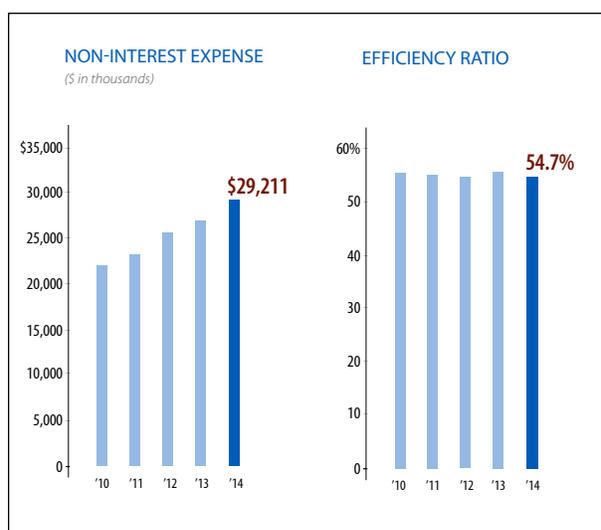
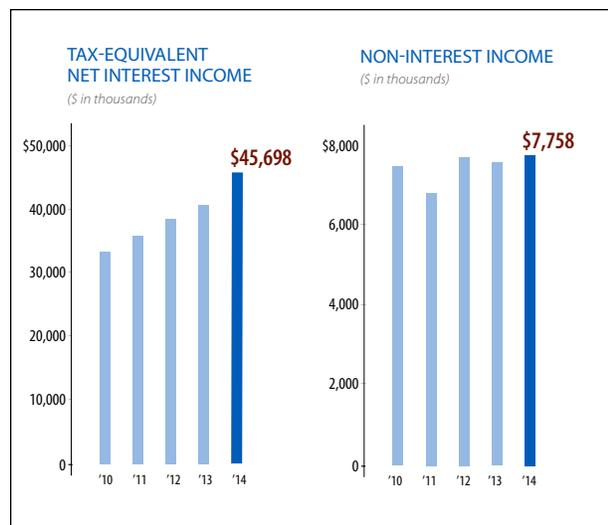
Net Interest Income: Net interest income is the principal component of the Company's income stream and represents the difference or spread between interest generated from earning assets and the interest expense paid on deposits and borrowed funds. Fluctuations in market interest rates, as well as volume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

For the year ended December 31, 2014, net interest income on a tax-equivalent basis amounted to \$45.7 million, compared with \$40.8 million in 2013, representing an increase of \$4.9 million, or 11.9%. The increase in net interest income was principally attributed to average earning asset growth of \$75.7 million or 5.8%, combined with an eighteen basis point improvement in the net interest margin to 3.33%. The increase in the net interest margin was principally attributed to a twenty basis point decline in the weighted average cost of interest bearing

liabilities to 0.82%, as the weighted average earning asset yield of 4.05% was unchanged compared with 2013. While the weighted average loan yield declined fifteen basis points to 4.31% in 2014, this decline was offset by a twenty-eight basis point increase in securities yields to 3.69%, as higher long-term interest rates and slowing mortgage refinance activity over this past year caused the amortization of mortgage-backed security purchase premiums to slow.

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, credit and debit card processing fees, net securities gains, and a variety of other product and service fees.

For the year ended December 31, 2014, total non-interest income amounted to \$7.8 million, representing an increase of \$192 thousand, or 2.5%. The increase in non-interest income was principally attributed to a \$342 thousand, or 9.4% increase in trust and other financial services fees compared with 2013. This increase was principally attributed to higher levels of fee income from retail brokerage activities as well as increases in the value of assets under management. Partially offsetting the foregoing increase was a \$97 thousand or 7.8% decline in service charges on deposits, reflecting lower levels of customer overdraft activity. Total realized securities gains, net of other-than-temporary impairment losses, amounted to \$403 in 2014, representing a decline of \$24 thousand, or 5.6%, compared with 2013.



Non-interest Expense: For the year ended December 31, 2014, total non-interest expense amounted to \$29.2 million, up \$2.4 million, or 8.8%, compared with 2013. The increase in non-interest expense was largely attributed to a \$1.6 million, or 10.6%, 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, higher levels of employee incentive compensation, higher levels of employee health insurance, lower levels of deferred loan origination costs, as well as increases in staffing levels and strategic changes in staffing mix. Total other operating expenses amounted to \$6.9 million in 2014, up \$358 thousand, or 5.4%, compared with 2013. This increase largely reflected higher levels of loan collection and other real estate owned expenses.

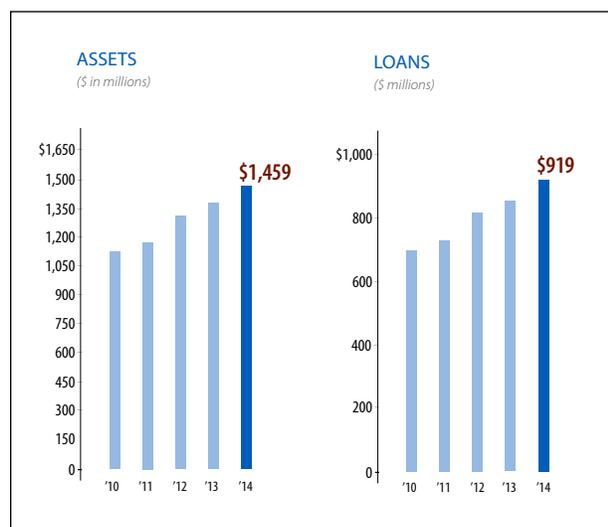
Efficiency Ratio: The Company's efficiency ratio, or non-interest operating expenses divided by the sum of tax-equivalent net interest income and non-interest income other than net securities gains and other-than-temporary impairments, measures the relationship of operating expenses to revenues. Low efficiency ratios are typically a key factor for high performing financial institutions. For the year ended December 31, 2014, the Company's efficiency ratio amounted to 54.7%, compared with 55.6% in 2013. These ratios compared favorably to peer and industry averages.

Income Taxes: For the year ended December 31, 2014, total income taxes amounted to \$5.9 million, representing an increase of \$723 thousand, or 13.9%, compared with 2013. The Company's effective tax rate amounted to 28.8% in 2014, compared with 28.3% in 2013. Fluctuations in the Company's effective tax rate are generally attributed to increases in the level of non-taxable income in relation to taxable income.

FINANCIAL CONDITION

Assets: At December 31, 2014, the Company's total assets ended the year at \$1.46 billion, representing an increase of \$85.4 million, or 6.2%, compared with year end 2013. The increase in total assets was led by loan growth and, to a lesser extent, an increase in the Bank's investment securities portfolio.

Loans: Consumer loans, which principally consisted of residential real estate mortgage loans and home equity loans, comprised 48.6% of the Bank's total loan portfolio at December 31, 2014. 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, 2014, commercial business loans represented 49.6% of the Bank's total loan portfolio.

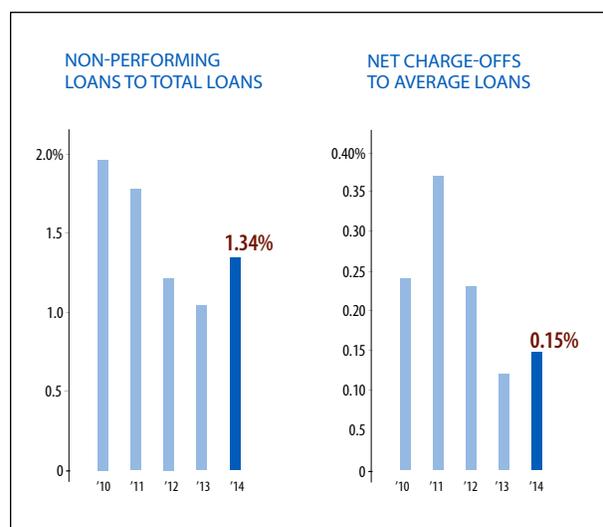


Total loans ended the year at \$919.0 million, up \$66.2 million, or 7.8%, compared with December 31, 2013. Consumer loans, which principally consist of residential real estate mortgages, ended the year at \$446.6 million, up \$65.4 million or 17.2% compared with December 31, 2013. This increase was principally attributed to purchased residential mortgage loans, as loans originated and closed by the Bank were largely offset by principal pay-downs from the existing residential real estate portfolio.

At year end, the Bank's commercial loan portfolio stood at \$455.7 million, unchanged, compared with December 31, 2013. During 2014, new commercial loan originations

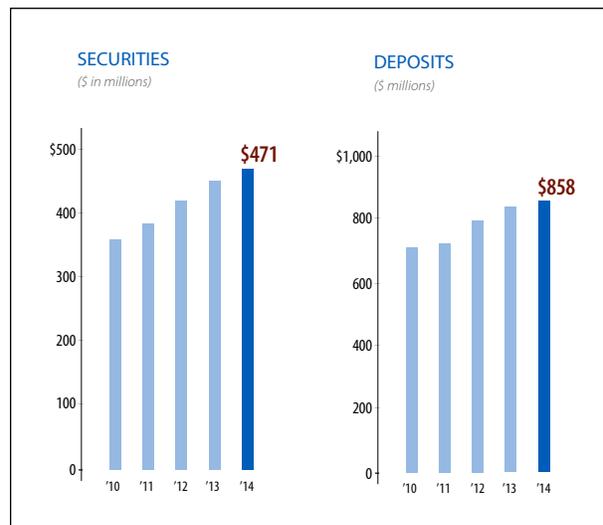
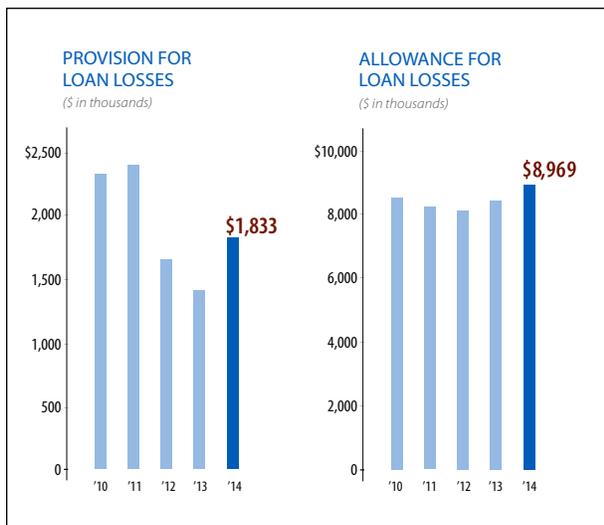
were largely offset with certain, sizable loan payoffs as well as scheduled principal amortization from the portfolio. Commercial loan growth has been generally challenged by economic and political uncertainty, a still-struggling economy and strong competition for quality loans.

Credit Quality: Total non-performing loans ended the year at \$12.3 million, representing an increase of \$3.4 million compared with December 31, 2013. One residential real estate mortgage loan, which was placed in non-accrual status in the fourth quarter, represented 73.5% of this increase. Despite the increase in non-performing loans, the Bank does not believe it is reflective of credit deterioration in the loan portfolio as a whole.



Total net loan charge-offs amounted to \$1.3 million in 2014, or net charge-offs to average loans outstanding of 0.15%, up from \$1.0 million and 0.12%, respectively, compared with 2013. The Bank recorded a provision for loan losses of \$1.8 million in 2014, representing an increase of \$415 thousand compared with 2013. The increase in the provision largely reflected elevated levels of loan loss experience and, to a lesser extent, increases in non-performing and other potential problem loans.

At December 31, 2014, the Bank's allowance for loan losses stood at \$9.0 million, representing an increase of \$494 thousand or 5.8% compared with year end 2013. The allowance for loan losses expressed as a percentage of total loans ended the year at 0.98%, compared with 0.99% at year end 2013.



Investment Securities: During 2014, 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, 2014, total investment securities amounted to \$470.5 million, representing an increase of \$20.4 million, or 4.5%, compared with year end 2013. The securities portfolio is comprised of mortgage-backed securities issued by U.S. Government agencies, U.S. Government-sponsored enterprises, and other non-agency, private-label issuers. The securities portfolio also includes tax-exempt obligations of states and political subdivisions thereof.

Deposits: During 2014, 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 \$858.0 million, up \$22.4 million, or 2.7%, compared with December 31, 2013. Demand, NOW and money market accounts combined were up \$39.9 million or 9.1%, while time deposits declined \$17.5 million, or 4.4%. The decline in time deposits was attributed to lower levels of brokered deposits compared with year end 2013.

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. Total borrowings ended the year at \$447.0 million, representing an increase of \$37.6 million, or 9.2%, compared with December 31, 2013. The increase in borrowings was utilized to help support the Bank's 2014 earning asset growth.

Capital: Consistent with its long-term strategy of operating a sound and profitable organization, at December 31, 2014, 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. Under the capital adequacy guidelines administered by the Bank’s principal regulators, “well-capitalized” institutions are those with Tier I leverage, Tier I Risk-based, and Total Risk-based ratios of at least 5%, 6% and 10%, respectively. At December 31, 2014, the Company’s Tier I Leverage, Tier I Risk-based, and Total Risk-based capital ratios were 9.30%, 15.60% and 17.24%, respectively.

Three-for-Two Stock Split: As previously announced, 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 to all stockholders of record at the close of business on May 5, 2014. Prior to the three-for-two stock split as a large stock dividend, the Company had approximately 3,944,290 shares of common stock outstanding. After the stock split, the number of shares of Company common stock outstanding increased to approximately 5,916,435. All previously reported share and per share data included in public filings subsequent to the payment date have been restated to reflect the retroactive effect of this three-for-two stock split.

Shareholder Dividends: During 2014 the Company paid regular cash dividends on its common stock in the aggregate amount of \$5.36 million, compared with \$4.92 million in 2013. The Company’s 2014 dividend payout ratio amounted to 36.7%, compared with 37.3% in 2013. The total regular cash dividends paid in 2014 amounted to \$0.905 per share of common stock, compared with \$0.833 per share in 2013, representing an increase of 0.072 cents per share, or 8.6%.

The Company’s Board of Directors declared a first quarter 2015 regular cash dividend of 24.5 cents per share of common stock, representing an increase of 2.83 cents or 13.1% compared with the first quarter of 2014. This represented the thirteenth consecutive quarter where the Company increased its quarterly cash dividend to shareholders. Based on the year-end 2014 price of BHB’s common stock of \$32.00 per share, the dividend yield amounted to 3.06%.

MANAGEMENT AND STAFF

SENIOR EXECUTIVE TEAM

Curtis C. Simard,**
*President &
Chief Executive Officer*

Gerald Shencavitz,**
*Executive Vice President,
Chief Financial Officer
and Treasurer*

Marcia T. Bender
*Senior Vice President,
Senior Operations and
BSA Officer*

Gregory W. Dalton,*
*Executive Vice President,
Business Banking*

Robert P. Gerseny, JD
(effective 2/2/2015)
*Senior Vice President,
President, Bar Harbor
Trust Services*

Stephen M. Leackfeldt,*
*Executive Vice President,
Retail Banking and
Operations*

Richard Maltz*
*Executive Vice President
and Chief Risk Officer*

Cheryl L. Mullen
*Senior Vice President
Sales and Marketing*

Marsha C. Sawyer
*Senior Vice President
Human Resources*

EMPLOYEES

AS OF 3/7/2015

Abbott, Gwen M.
Abbott, Jennifer C.
Albee, Susan L.
Allen, Andrea L.
Allen, Deena M.
Allen, Faye M.
Allen, Maryann G.
Alley, Stacie J.
Anderson, Judi L.
Andrews, Holly M.

Archer, Holly J.
Austin, Vicki J.
Bailey, Karri A.
Bannister, Michelle R.
Barton, Hannah R.
Bates-Mitchell, Kristi L.
Baudanza, Erin F.
Beal, Charleen L.
Beal, Jenna M.
Beal, Karen C.
Benn, Lorraine M.
Beyer, Leslie M.
Blackburn, Sarah E.
Blake, Heidi L.
Boudreau, Alain R.
Bowden, Melanie J.
Bowker, Rose A.
Boynton, Lori C.
Brackett, Heather R.
Brady, Penny S.
Brown, Heather L.
Bryer, Katy A.
Caouette, Marian R.
Carter, Hillary A.
Cohen, David S.
Colson, Theresa L.
Colwell, Brenda B.
Condon, Brenda J.
Conner, Erin S.
Coombs, April E.
Cormier, Sarah A.
Crandall, Kevin J.
Crippen, Melinda A.
Cummings, Debbie B.
Curativo, Pamela L.
Curtis, Jacqueline M.
Curtis, Michelle E.
Damon, Deidra M.
Davis, Sharon J.
Denis, Darcie L.
Doak, Lori L.
Dow, Candice M.
Dumont, Riva Y.
Dupuy, Mia B.
Eaton, Audrey H.
Eldridge, Patricia L.
Emerson, Rebecca H.
Farnsworth, Pamela J.
Fernald, Melony A.
Foskett, Amy N.
Foster, Wendy M.

Fournier-Decoste,
Katheryn R.
Fuller, Judith W.
Gatcomb, Dena M.
Geel, Faye A.
Gray, Marjorie E.
Gray, Roger V.
Gray, Shelley E.
Griffin, Susanne M.
Gurin Jr., R. Stephen
Haley, Andrew J.
Hall, Kelli M.
Hall, Vicki L.
Hamilton, Kirsten M.
Hamilton, Ronald L.
Hanscom, Betsy B.
Harper, Amy L.
Hash, Amber R.
Haskell, Lisa L.
Hawes, Bethany A.
Hays, Mary D.
Heal, Ivy M.
Hepburn, Barbara F.
Hiestand, Laura M.
Higgins, Cathy A.
Hinckley, Melissa S.
Hinkel, Nicole S.
Holmes, Lisa A.
Horner, Lara K.
Howie, Jeanette L.
Huffman, Lynn L.
Hunt, Marianne
Hutcheson, Joyce R.
Hutchinson, Margaret L.
Jacobs, Page E.
Jameson, Melissa A.
Jipson, Bruce W.
Jones, Gregory S.
Jordan, Krystal E.
Kane, Maureen E.
Kinghorn, Dennis M.
Lacasse, James W.
Lambert, Jane E.
Lamoureux, Paula M.
Lavoie, Robert J.
Lawson, Jessica K.
Leblanc, Bonnie S.
Lee, Nichole J.
Lewis, Stephanie M.
Lord, Maureen T.
Lovely, Norma K.
Luce, Wendy J.

Lynch, Carolyn R.
Mackenzie, Bailey E.
MacLeod, Virginia L.
Maffucci, Deborah A.
Mahoney, Sharon I.
Mansfield, Marcia L.
Marchetti, Brandy M.
Martin, Elena M.
Matthews, Ashley S.
Maynard, Colleen E.
McConomy, Amy G.
McElyea, Jeremiah S.
McGee, Samuel S.
Megathlin, Shawn R.
Michaud, J. Paul
Miller Jr., Timothy J.
Millett, Marcia L.
Mitchell, Sonya L.
Mitchell-Dow, Debra S.
Mockler, Julie E.
Mooney, Dylan A.
Mora, Angela R.
Nason, Dawn B.
Nason, Kimberly J.
Newenham, Judith L.
Nicholas, Derek G.
Nicholson, Peter C.
Norton, Jennifer I.
Norwood, Nichole D.
O'Connell, Sara H.
O'Neal, Shelley R.
Ohmeis, Amanda R.
Ohmeis, Claire C.
Orcutt, Alexandra
Pagan, Joseph F.
Parker, Andrea L.
Parker, Jane M.
Parlee, Deborah I.
Parsons, Lisa L.
Patton, Ebony A.
Pellett, Christine A.
Pendleton, Candy A.
Perry, Chris P.
Planchart, Catherine M.
Poland, Bonnie A.
Porter, Lester L.
Pratt, Joseph M.
Prescott, Nikki E.
Pye, Carol J.
Radel, Joshua A.
Redman, Julie A.
Richards, Judy A.

Richardson, Cindy L.
Rickard, Jessica N.
Riitano, Zachary J.
Robbins, Amanda L.
Robertson, Adam L.
Robinson, Jane M.
Robinson, Sarah C.
Rolfe, Seth A.
Saunders, Jennifer D.
Saunders, Jennifer M.
Sawyer, Chelsea M.
Schaefer, Frank J.
Scott-Henderson, Debra L.
Scully, Joseph P.
Seavey, Courtney E.
Shields, Scott K.
Short, Zachary M.
Shults, Brittney D.
Sinclair, Jacklyn M.
Smith, Samantha A.
Somes, Andrew L.
Springer, Douglas W.
Stanley, Kristy L.
Starbird, R. Todd
Stevens, Lottie B.
Stover, Teri A.
Swanberg, Peter M.
Swett, Andrea D.
Terry, Mindy K.
Thompson, Dianne B.
Tracy, Terry E.
Tunney, Timothy F.
Upham, Ann G.
Urquhart, Kirstie A.
Vanskike, Corey M.
Veazie, Lisa F.
Wallace, Allyson M.
Warren, Jody C.
Webster, Paula R.
Weeks, Jeanne L.
Wesseling, Xin L.
White, Roger S.
Williams II, John M.
Wood, Crystal N.
Wooster, Timothy J.
Wright, Kim W.
Wyatt Jr., Bruce E.
Zeugner, Leita K.
Zimmerman, Julie B.

*Named Executive Officers

**Bar Harbor Bankshares Management and Named Executive Officers



15 branches
2 service offices

222 employees

★ **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

CORPORATE INFORMATION

ANNUAL MEETING

The Annual Meeting of shareholders of Bar Harbor Bankshares will be held at 11:00 a.m. on Tuesday, May 19, 2015 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, 2014 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, 2014. Please contact Marsha C. Sawyer, Bar Harbor Bankshares Clerk, at 207-288-3314 or the above address.

Founded in 1887, Bar Harbor Bank & Trust (the "Bank") is a community bank with 15 locations from Lubec to Topsham, Maine that offers 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").



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.

