

a great place



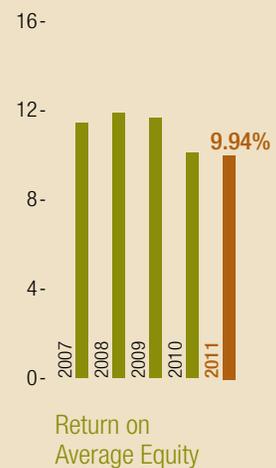
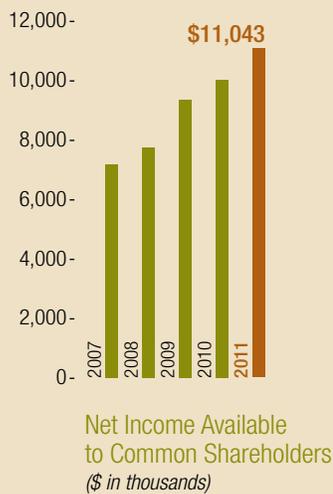
2011 Summary Annual Report

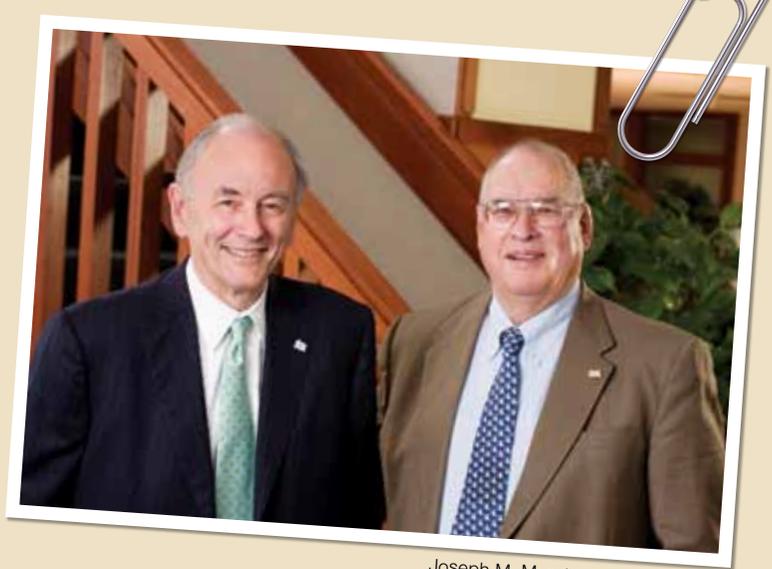
Founded in 1887, Bar Harbor Bank & Trust (the “Bank”) is a community bank with 12 locations along the coast of Maine that offers a full range of financial products and services for families, businesses, municipalities and non-profit organizations. Bar Harbor Trust Services, a subsidiary of the Bank, 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 meet the needs of 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.

Year-Over-Year Financial Highlights

(Dollars in thousands)

	2011	2010	% Change
Net Income Available to Common Shareholders	\$ 11,043	\$ 10,009	10.3%
Diluted Earnings Per Share	\$ 2.85	\$ 2.61	9.2%
Net Interest Income	\$ 34,389	\$ 31,709	8.5%
Non-interest Income	\$ 6,792	\$ 7,458	(8.9)%
Non-interest Expense	\$ 23,281	\$ 22,046	5.6%
Total Assets	\$1,167,466	\$1,117,933	4.4%
Total Securities	\$ 381,880	\$ 357,882	6.7%
Total Loans	\$ 729,003	\$ 700,670	4.0%
Total Deposits	\$ 722,890	\$ 708,328	2.1%
Total Shareholders’ Equity	\$ 118,250	\$ 103,608	14.1%





Joseph M. Murphy and Peter Dodge

Dear fellow shareholders,

Please join us in celebrating our sixth consecutive year of record earnings at Bar Harbor Bankshares. Net income available to common shareholders for 2011 was \$11.0 million, up 10% from 2010.

In addition to record net income, we are pleased to point out several other positive achievements by our team in 2011. For a complete discussion of all key performance indicators, please refer to the financial section of this report, which begins on page nine.

- During 2011, BHB's assets grew \$49.5 million, or 4.4%, to \$1.17 billion. We are especially gratified to have generated loan growth of 4.0% overall, with total loans ending the year at \$729.0 million. Despite a difficult lending market, this growth demonstrates BHB's commitment to satisfy the borrowing needs of our local customers and communities.
- BHB's business loan portfolio grew by \$7.0 million, or 1.8%, compared to 2010, ending the year at \$404.6 million. Much of this growth came from existing customers who are well-capitalized and using the downturn to increase market share through their own organic expansion or by consolidating smaller operators. We have developed the ability to service the needs of these highly skilled borrowers, many of whom recognize the attractiveness of experienced and local community banks as a funding alternative to large regional banks.

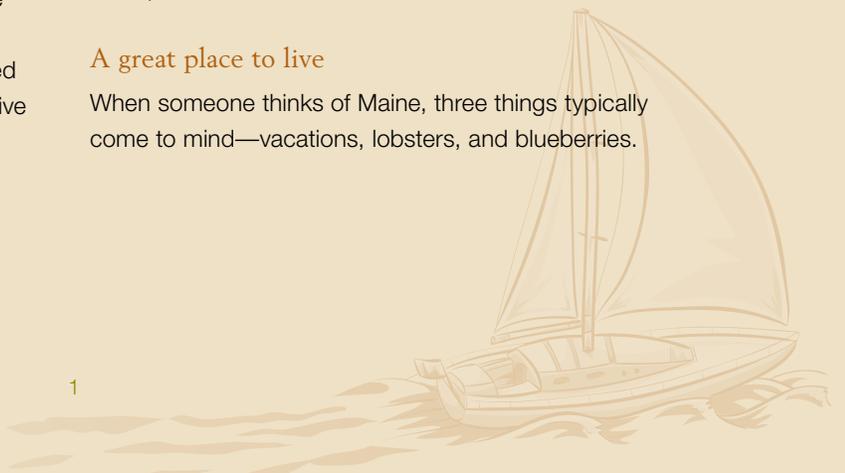
- Residential mortgage lending was up 3.6%, or \$8.4 million, in 2011, despite a generally depressed housing market. We are pleased to see some improvement in the volume of purchase transactions, which has helped fuel our growth.
- Trust and financial services revenues increased 2.6% to \$3.1 million in 2011, continuing several quarters of growth. Bar Harbor Trust Services grew assets under management 6.3%, reaching \$333.9 million at year end.

We are delighted to provide this performance for our shareholders despite difficult economic conditions which have, especially over the past four years, offered up unusually persistent challenges to bankers across the nation.

We believe that our Company's geographic location provides some distinct advantages to us in delivering the results we have been able to achieve. To that end, we dedicate our 2011 Summary Annual Report to "A Great Place," the coast of Maine.

A great place to live

When someone thinks of Maine, three things typically come to mind—vacations, lobsters, and blueberries.



a great place to Work.

Those of us fortunate enough to live and work here also think about our small, safe communities, excellent school systems, traffic-free commutes, and the beauty of our bold coastline. We appreciate the ample opportunities for outdoor recreation as much as our visitors do. High-quality healthcare resources are readily available, with excellent local hospitals nearby. A diligent non-profit sector works relentlessly to improve the social and cultural aspects of our hometowns. A vibrant scientific community with world-class genetic research facilities, a unique local college in our headquarters town of Bar Harbor, and an outstanding university system provide intellectual capital and year-round stability to our communities. We can't imagine a better place to call home.

A great place to do business

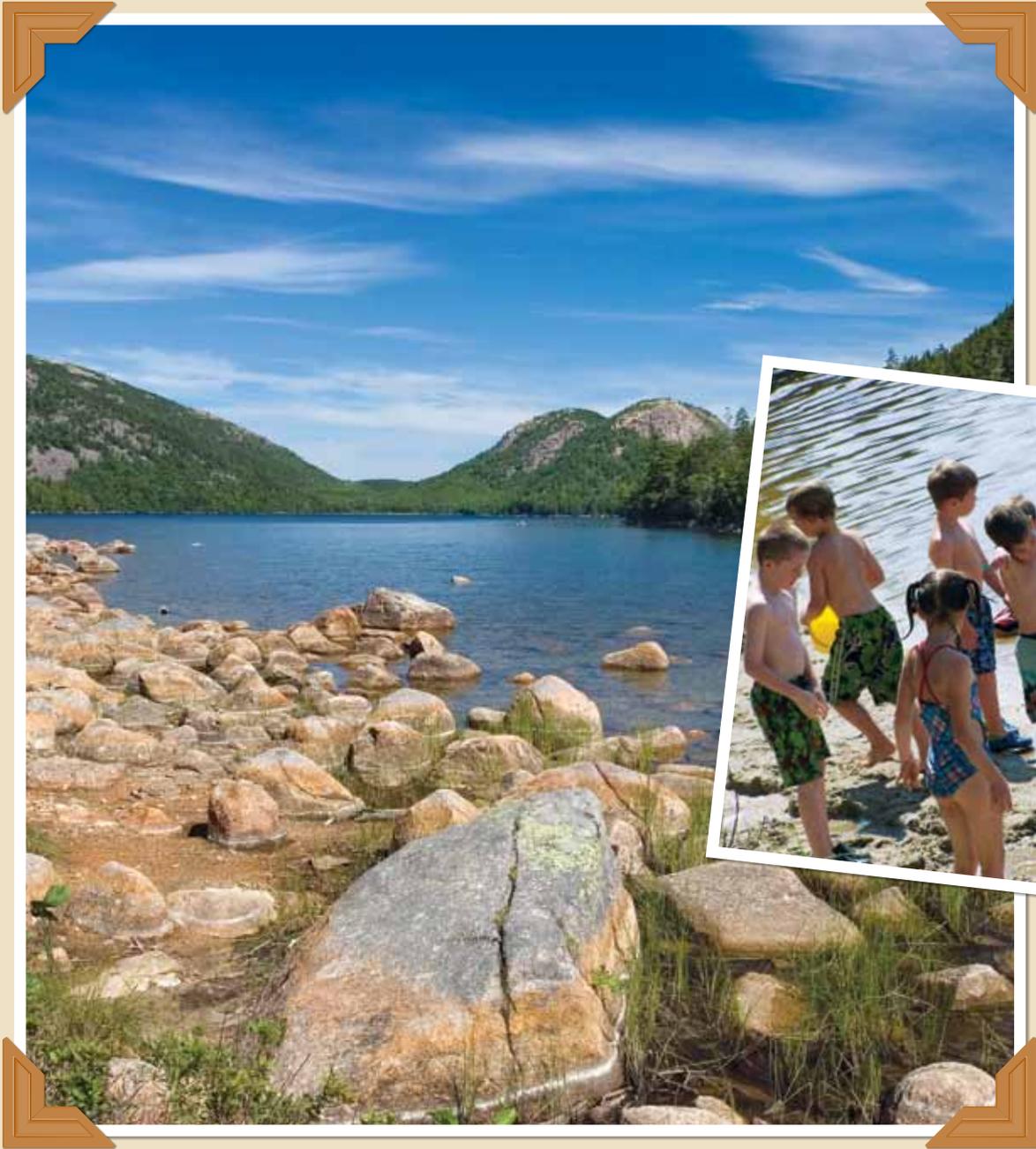
Our local economy has historically been resistant to the drastic economic swings experienced elsewhere in the nation. Thanks to that fact, our local businesses—whether

led by creative entrepreneurs, seasoned executives, or one fisherman on a boat—have typically been resilient in hard times.

All of our branches are located within a half mile of salt water so it's not surprising that Coastal Maine's three most unique industries—tourism, lobster fishing and wild blueberry production—are well-represented among our customer base. We are pleased to report that all three sectors had a good year in 2011. A major economic factor since the late 1800's, tourism is the leading contributor to the coastal economy today. In 2011, despite a week devoted to hosting Hurricane Irene, hoteliers, merchants and restaurant operators enjoyed another very strong season. Our state's lobster fishing fleet landed over 100 million pounds of lobster in 2011, the first time in history that threshold was breached, and the Maine Department of Marine Resources has indicated that strong landings are likely for the next several years. Wild blueberry production, coastal Maine's most significant



In 2011, Bar Harbor Bank & Trust was recognized as one of the “Best Places to Work in Maine” based upon feedback from our employees, who said they like the work they do, have a clear understanding of their job role, feel performance expectations are realistic, and would recommend the Bank to others. We consider this award an acknowledgment of the efforts of our entire team to build a better Company together.



a great place

to Live.



agricultural crop, enjoyed another profitable year as strong product prices and robust demand overcame slightly decreased production. Wild blueberries' ranking as highest in antioxidant capacity per serving compared with more than 20 other fruits has rewarded this industry with worldwide opportunities for growth and innovation.

We recognize and appreciate that the ongoing success of our customers has contributed significantly to BHB's results for 2011.

A great place to visit

Thanks to the appeal of our quaint towns and natural beauty, coastal Maine truly is a great place to visit. We have a lot of sparkling days here, all year round. Our villages boast some of the most unique shopping and dining opportunities anywhere. Maine's granite-lined coast is ideal for paddling, sailing, nature watching, or just relaxing. Acadia National Park, located on Mount Desert Island, where we maintain our headquarters, continues to draw more than two million visitors each year. With 120 miles of hiking trails and 45 miles of car-free gravel carriage roads for biking, horseback riding, or walking, Acadia offers something for everyone. About 120 cruise ships visit Bar Harbor each year, bringing us guests from around the world. In addition to shopping and outdoor activities, the arts play an important role in our coastal towns, with museums, galleries, concerts, and live theater adding cultural richness to the visitor experience. It's easy to see why Maine is called Vacationland.



a great place

to Visit.

A great place to bank

Our customers in coastal Maine expect what every bank's customers expect—friendliness, competence and consistency...knowing what to do and doing it right the first time with a genuine smile. We pay particular attention to these expectations as we realize that customers have a choice among banks, and in our markets most are community banks like ourselves. We believe our principal advantage is a reputation for superior service after the sale. To ensure that we sustain that edge, we have committed significant time and resources to developing high standards and investing in staff development.

In addition to service excellence, bank customers expect outstanding products. As increasing numbers of households rely upon online tools as a primary vehicle for financial management, Bar Harbor Bank & Trust has focused on providing products to meet that demand. We offer a full suite of electronic tools including online bill pay from a market-leading provider, e-statements and online history, and mobile banking delivered through a wide array of smart phones. BHB also offers customers an all-electronic checking account ("E-Choice") which rewards customers who meet the "online qualifiers" with an exceptional interest rate on their deposit balances. For our business customers, we offer "remote deposit capture," which transmits non-cash deposits through a computer-to-computer communication process. Since this technology eliminates the need to be physically near a BHB branch, it has extended the reach of our excellent business banking team to new and existing customers who maintain business locations throughout the state.



a great place

to Bank.



While both service and product are defining factors in the customer experience, physical facilities are also critically important. With that in mind, during 2011, we made major progress on improvements to our three Ellsworth locations, which include our busiest branch, our Operations Center, and our Trust & Financial Services Center. With over 100 employee work stations, these locations host about half of our work force. We are putting the finishing touches on a new building to replace our outdated Ellsworth branch, and we have incorporated features in all three locations to enhance the safety, comfort and convenience of our customers and employees while improving energy efficiency and reducing ongoing maintenance challenges.

A great place to work

Technological innovation, process simplification and a consistent bias toward doing more with less has helped us achieve an efficiency ratio superior to national and regional peer averages for banks of our size and character. In 2011, we improved our efficiency ratio to 55.0%, continuing a positive trend we began several years ago. Our number of FTE (full-time-equivalent) team members numbered 168 for 2011 compared to 186 in 2002. In other words, we have 18 fewer employees now than we did nine years ago. In the interval, we have added two branches, extended our geographic reach, and absorbed considerable new regulatory burdens, while doubling the size of our balance sheet. To ensure that we stay sharp, we have experimented with LEAN process engineering, a training and development methodology which engages staff members and helps them deploy products and procedures that minimize bureaucracy and bring genuine value to



customers. Given our early success, we are increasingly interested in using LEAN as a tool to manage processes going forward.

While the assumption may be that doing more with less might decrease the satisfaction of our team members, we are honored to report evidence to the contrary. In 2011, Bar Harbor Bank & Trust was selected as one of 28 “Best Places to Work in Maine” in the under-250-employees category. The selection was based upon candid feedback from our employees regarding their job satisfaction and overall work environment. BHB employees gave the highest scores in “role satisfaction,” “work environment,” and “overall engagement,” saying they like the work they do and feel they are able to maintain a reasonable balance between work life and personal life. They reported that they have a clear understanding of their job role, feel performance expectations are realistic, and expressed a willingness to give extra effort to help the Bank succeed. Perhaps most important, our employees would recommend the Bank as a provider of financial services and as a great employer. We consider this award an acknowledgment of the efforts of our entire team to build a better Company together.

During 2011, we were privileged to recognize the unique contributions of several seasoned team members with promotions to positions of increased responsibility. Michael Bonsey, Gregory Dalton and Stephen Leackfeldt were promoted to Executive Vice President while Cheryl Mullen was promoted to Senior Vice President. All have contributed

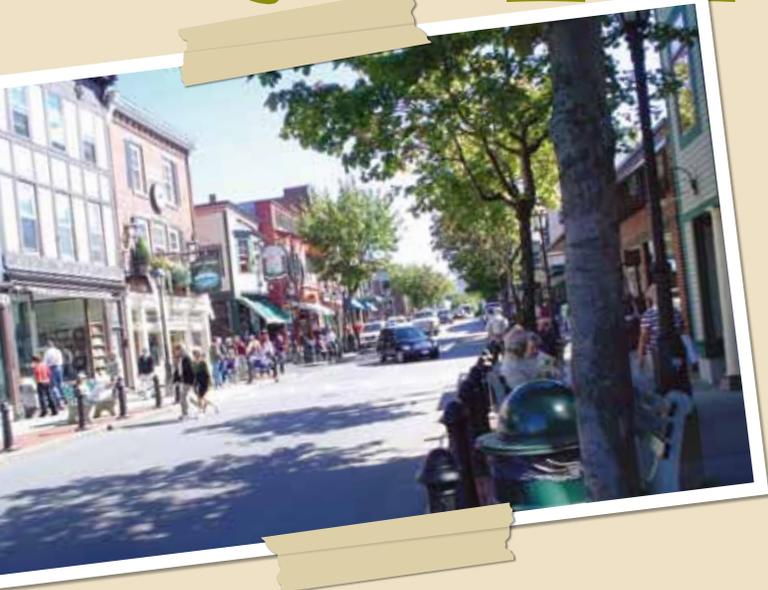


significantly to the success of BHB over the past decade as we sought to raise standards of performance throughout the Company. With their promotions, the technical, managerial or geographic scope of duties of each has been expanded to match the challenges BHB faces in continuing to provide exceptional service to our customers and strong earnings to our shareholders. In addition to the four named above, 16 other team members, representing virtually every function of the Company, won management-level promotions in 2011. We are grateful to have so many dedicated and talented team members to represent us.

a great place
to Invest.

a great place

to Prosper.



Our local economy has historically been resistant to the drastic economic swings experienced elsewhere in the nation. Thanks to that fact, our local businesses—whether led by creative entrepreneurs, seasoned executives, or one fisherman on a boat—have typically been resilient in hard times.

A great place to invest

We know that the strength of our balance sheet is of paramount interest to both investors and customers and we are pleased to report that we ended 2011 with strong capital ratios, including a Total Risk-based capital ratio of 16.06%, significantly above regulatory standards for the designation of “well-capitalized.” This capital permits us to consider such opportunities as increased business and consumer lending, purchases of existing loan portfolios, franchise expansion through the building of new branches or the acquisition of existing branches from other banks, and other strategic initiatives.

We are also conscious of giving our shareholders a competitive return. During 2011, we raised our dividend three times and have done so again during the first quarter of 2012. The decision to increase dividends demonstrates our confidence that our balance sheet is strong and that our current level of earnings is sustainable.

In closing, we again salute our home, the coast of Maine—a great place to work, to live, to visit and to do business. We hope you'll agree that it's also a great place to bank... a great place to invest...a great place to prosper. On behalf of all Bar Harbor Bankshares team members, we extend our thanks for your confidence and loyalty.

Joseph M. Murphy
President & CEO

Peter Dodge
Chairman

5-Year Selected Financial Data

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

	As of and for the Years Ended December 31st				
<i>(in thousands, except per share data):</i>	2011	2010	2009	2008	2007
Balance Sheet Data:					
Total assets	\$1,167,466	\$1,117,933	\$1,072,381	\$972,288	\$889,472
Total securities	381,880	357,882	347,026	290,502	264,617
Total loans	729,003	700,670	669,492	633,603	579,711
Allowance for loan losses	(8,221)	(8,500)	(7,814)	(5,446)	(4,743)
Total deposits	722,890	708,328	641,173	578,193	539,116
Total borrowings	320,283	300,014	311,629	323,903	278,853
Total shareholders' equity	118,250	103,608	113,514	65,445	65,974
Average assets	1,151,163	1,087,327	1,052,496	926,357	841,206
Average shareholders' equity	111,135	105,911	88,846	65,139	62,788
Results Of Operations:					
Interest and dividend income	\$ 50,907	\$ 51,141	\$ 54,367	\$ 53,594	\$ 51,809
Interest expense	16,518	19,432	21,086	26,403	28,906
Net interest income	34,389	31,709	33,281	27,191	22,903
Provision for loan losses	2,395	2,327	3,207	1,995	456
Net interest income after provision for loan losses	31,994	29,382	30,074	25,196	22,447
Non-interest income	6,792	7,458	6,022	6,432	5,929
Non-interest expense	23,281	22,046	21,754	20,513	18,201
Income before income taxes	15,505	14,794	14,342	11,115	10,175
Income taxes	4,462	4,132	3,992	3,384	3,020
Net income	\$ 11,043	\$ 10,662	\$ 10,350	\$ 7,731	\$ 7,155
Preferred stock dividends and accretion of discount	—	653	1,034	—	—
Net income available to common shareholders	\$ 11,043	\$ 10,009	\$ 9,316	\$ 7,731	\$ 7,155
Per Common Share Data:					
Basic earnings per share	\$ 2.86	\$ 2.65	\$ 3.19	\$ 2.63	\$ 2.36
Diluted earnings per share	\$ 2.85	\$ 2.61	\$ 3.12	\$ 2.57	\$ 2.30
Cash dividends per share	\$ 1.095	\$ 1.045	\$ 1.040	\$ 1.020	\$ 0.955
Dividend payout ratio	38.29%	39.43%	32.60%	38.78%	40.47%
Selected Financial Ratios:					
Return on total average assets	0.96%	0.98%	0.98%	0.83%	0.85%
Return on total average equity	9.94%	10.07%	11.65%	11.87%	11.40%
Tax-equivalent net interest margin	3.23%	3.18%	3.40%	3.13%	2.91%
Capital Ratios:					
Tier 1 leverage capital ratio	9.32%	9.01%	10.35%	6.61%	7.10%
Tier 1 risk-based capital ratio	14.29%	13.57%	15.34%	9.95%	10.76%
Total risk-based capital ratio	16.06%	15.41%	17.14%	11.60%	11.59%
Asset Quality Ratios:					
Net charge-offs to average loans	0.37%	0.24%	0.13%	0.21%	0.04%
Allowance for loan losses to total loans	1.13%	1.21%	1.17%	0.86%	0.82%
Allowance for loan losses to non-performing loans	64%	62%	85%	124%	230%
Non-performing loans to total loans	1.77%	1.95%	1.37%	0.70%	0.36%

Refer to the Bar Harbor Bankshares 2011 Annual Report on Form 10-K for a complete set of consolidated audited financial statements.

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, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity, comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2011 (not presented herein); and in our report dated March 15, 2012, 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

Albany, New York
March 15, 2012

Consolidated Balance Sheets

	As of December 31st	
<i>(in thousands, except share and per share data)</i>	2011	2010
Assets		
Cash and cash equivalents	\$ 8,720	\$ 12,815
Securities available for sale, at fair value	381,880	357,882
Federal Home Loan Bank stock	16,068	16,068
Loans	729,003	700,670
Allowance for loan losses	(8,221)	(8,500)
Loans, net of allowance for loan losses	720,782	692,170
Premises and equipment, net	16,090	13,505
Goodwill	3,158	3,158
Bank owned life insurance	7,377	7,112
Other assets	13,391	15,223
TOTAL ASSETS	\$1,167,466	\$1,117,933
Liabilities		
Deposits:		
Demand and other non-interest bearing deposits	\$ 62,648	\$ 60,350
NOW accounts	99,120	82,656
Savings and money market deposits	206,704	211,748
Time deposits	354,418	353,574
Total deposits	722,890	708,328
Short-term borrowings	175,813	119,880
Long-term advances from Federal Home Loan Bank	139,470	175,134
Junior subordinated debentures	5,000	5,000
Other liabilities	6,043	5,983
TOTAL LIABILITIES	1,049,216	1,014,325
Shareholders' equity		
Capital stock, par value \$2.00; authorized 10,000,000 shares; issued 4,525,635 shares at December 31, 2011 and December 31, 2010	9,051	9,051
Surplus	26,512	26,165
Retained earnings	86,198	80,379
Accumulated other comprehensive income:		
Prior service cost and unamortized net actuarial losses on employee benefit plans, net of tax of (\$9) and (\$29), at December 31, 2011 and December 31, 2010, respectively	(17)	(56)
Net unrealized appreciation on securities available for sale, net of tax of \$3,845 and \$445, at December 31, 2011 and December 31, 2010, respectively	7,464	865
Portion of OTTI attributable to non-credit losses, net of tax of (\$218) and (\$270), at December 31, 2011 and 2010, respectively	(423)	(525)
Total accumulated other comprehensive income	7,024	284
Less: cost of 646,742 and 702,690 shares of treasury stock at December 31, 2011 and December 31, 2010, respectively	(10,535)	(12,271)
TOTAL SHAREHOLDERS' EQUITY	118,250	103,608
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,167,466	\$1,117,933

Refer to the Bar Harbor Bankshares 2011 Annual Report on Form 10-K for a complete set of consolidated audited financial statements.

Consolidated Statements of Income

	For the Years Ended December 31st		
<i>(in thousands, except share and per share data)</i>	2011	2010	2009
Interest and dividend income:			
Interest and fees on loans	\$34,854	\$34,867	\$34,797
Interest on securities	16,006	16,274	19,570
Dividends on FHLB stock	47	—	—
Total interest and dividend income	50,907	51,141	54,367
Interest expense:			
Deposits	8,765	9,906	10,724
Short-term borrowings	260	284	602
Long-term debt	7,493	9,242	9,760
Total interest expense	16,518	19,432	21,086
Net interest income	34,389	31,709	33,281
Provision for loan losses	2,395	2,327	3,207
Net interest income after provision for loan losses	31,994	29,382	30,074
Non-interest income:			
Trust and other financial services	3,061	2,984	2,444
Service charges on deposit accounts	1,284	1,359	1,412
Mortgage banking activities	80	115	490
Credit and debit card service charges and fees	1,277	1,160	1,004
Net securities gains (losses)	2,689	2,127	1,521
Total other-than-temporary impairment ("OTTI") losses	(2,796)	(898)	(2,773)
Non-credit portion of OTTI losses (before taxes) ⁽¹⁾	577	—	1,319
Net OTTI losses recognized in earnings	(2,219)	(898)	(1,454)
Other operating income	620	611	605
Total non-interest income	6,792	7,458	6,022
Non-interest expense:			
Salaries and employee benefits	12,814	12,193	11,594
Occupancy expense	1,514	1,357	1,329
Furniture and equipment expense	1,660	1,602	1,378
Credit and debit card expenses	310	295	332
FDIC insurance assessments	1,099	1,066	1,420
Other operating expense	5,884	5,533	5,701
Total non-interest expense	23,281	22,046	21,754
Income before income taxes	15,505	14,794	14,342
Income taxes	4,462	4,132	3,992
Net income	\$11,043	\$10,662	\$10,350
Preferred stock dividends and accretion of discount	—	653	1,034
Net income available to common shareholders	\$11,043	\$10,009	\$ 9,316
Computation of Earnings Per Share:			
Weighted average number of capital stock shares outstanding			
Basic	3,860,474	3,782,881	2,916,643
Effect of dilutive employee stock options	18,140	45,821	57,182
Effect of dilutive warrants	—	—	9,604
Diluted	3,878,614	3,828,702	2,983,429
Per Common Share Data:			
Basic Earnings Per Share	\$ 2.86	\$ 2.65	\$ 3.19
Diluted Earnings Per Share	\$ 2.85	\$ 2.61	\$ 3.12

⁽¹⁾Included in other comprehensive income (loss), net of tax.

Refer to the Bar Harbor Bankshares 2011 Annual Report on Form 10-K for a complete set of consolidated audited financial statements.

2011 Financial Overview

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 this goal by focusing on increasing its loan and deposit market share in the coastal communities of 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, wild blueberry production, 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.

FINANCIAL CONDITION

Assets: The Company's total assets increased \$49.5 million, or 4.4%, during 2011, ending the year at \$1.17 billion. The increase in total assets was led by loan growth and an increase in the Bank's securities portfolio.

Loans: Consumer loans, which principally consisted of residential real estate mortgage loans and home equity loans, comprised 43.1% of the Bank's total loan portfolio at December 31, 2011. The Bank also serves the small

business market throughout downeast and midcoast 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, 2011, commercial business loans represented 55.5% of the Bank's total loan portfolio.



Total loans ended the year at \$729.0 million, representing an increase of \$28.3 million, or 4.0%, compared with December 31, 2010. The Bank's residential mortgage loan portfolio grew \$8.4 million, or 3.6%, in 2011, despite elevated levels of refinancing activity and a generally depressed real estate market. Other consumer loans were up \$18.5 million in 2011, which was principally attributed to the purchase of a Maine-based, seasoned portfolio of prime consumer loans in the first quarter of the year. Reflecting diminished business loan demand in the communities served by the Bank, commercial loan growth slowed in 2011 to \$7.0 million, or 1.8%, following a \$28.3 million, or 7.7%, increase in 2010. Commercial loan growth has been generally challenged by economic uncertainty, a weak economy and vigorous competition for quality loans. Bank management attributes the continued growth of its commercial loan portfolio to an effective business banking team, deep local market knowledge, sustained new business development efforts, and a resilient local economy that has been faring better than the nation as a whole.

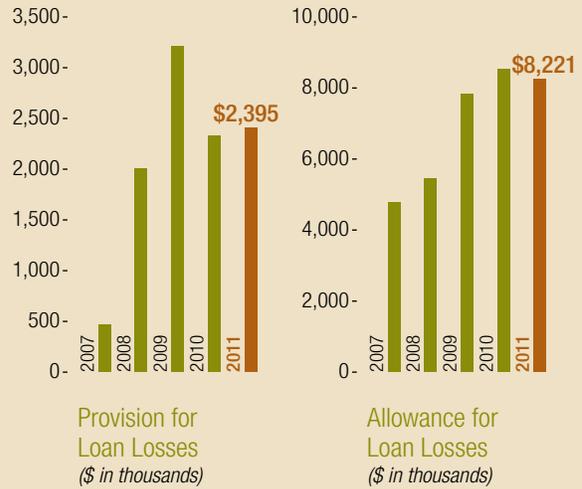
Credit Quality: Total non-performing loans ended the year at \$12.9 million, representing a decline of \$770 thousand, or 5.6%, compared with December 31, 2010. One commercial real estate development loan to a local non-profit housing authority in support of an affordable housing project accounted for \$2.8 million of total non-performing loans, down from \$5.2 million at December 31, 2010. During 2011, the Bank charged off \$1.8 million of this loan. Total net loan charge-offs amounted to \$2.7 million in 2011, or 0.37% of total average loans outstanding, compared with \$1.6 million and 0.24% in 2010, respectively.



For the year ended December 31, 2011, the Bank recorded a provision for loan losses (the “provision”) of \$2.4 million, representing an increase of \$68 thousand or 2.9% compared with 2010. The provisions recorded in 2011 and 2010 were higher than historical experience, largely reflecting elevated levels of non-performing and potential problem loans, and elevated levels of net loan charge-offs. These factors were partially mitigated by stabilizing economic conditions and real estate values, and slowing loan portfolio growth.

The Bank maintains an allowance for loan losses (the “allowance”) which is available to absorb probable losses on loans. The allowance is maintained at a level that, in management’s judgment, is appropriate for the amount of risk inherent in the current loan portfolio and adequate to provide for estimated probable losses. At December 31, 2011, the allowance stood at \$8.2 million, representing a decline of \$279 thousand, or 3.3%, compared with

December 31, 2010. The allowance expressed as a percentage of total loans stood at 1.13% at year end, down from 1.21% at December 31, 2010.



Investment Securities: During 2011 the securities portfolio continued to serve as a key source of earning assets and liquidity for the Bank. Total securities ended the year at \$381.9 million, representing an increase of \$24.0 million, or 6.7%, compared with December 31, 2010. Securities purchased during 2011 principally consisted of mortgage-backed securities issued and guaranteed by U.S. Government agencies and Government-sponsored enterprises.

Bank management considers securities 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, and generating acceptable levels of net interest income. 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 state and political subdivisions, and obligations of other U.S. Government-sponsored enterprises.



Deposits: During 2011, the most significant funding source for the Bank’s earning assets continued to be retail deposits, gathered through its network of twelve banking offices throughout downeast and midcoast Maine.

Total deposits ended the year at \$722.9 million, up \$14.6 million, or 2.1%, compared with December 31, 2010. The Bank’s low cost NOW accounts and demand deposits posted meaningful increases in 2011, up \$16.5 million and \$2.3 million, or 19.9% and 3.8%, respectively. Company management largely attributes the increase in demand deposits to a strong tourism season in the local communities served by the Bank, combined with new customer relationships. Time certificates of deposit were up less than 1% in 2011 as the Bank lowered its level of time deposits obtained from the national markets. Savings and money market accounts declined \$5.0 million, or 2.4%, in 2011, which was in part attributed to a \$5.5 million decline in money market accounts offered to clients of Trust Services, reflecting a reallocation of cash within certain managed asset portfolios in the normal course of business. Management also attributes the decline to historically low interest rates and competitive pricing considerations.

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.

Total borrowings ended the year at \$320.3 million, representing an increase of \$20.3 million, or 6.8%, compared with December 31, 2010. The increase in borrowings was utilized to help support the Bank’s 2011 earning asset growth.

Capital: Consistent with its long-term strategy of operating a sound and profitable organization, at December 31, 2011, 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, 2011, the Company’s Tier I Leverage, Tier I Risk-based, and Total Risk-based capital ratios were 9.32%, 14.29% and 16.06%, respectively.

At December 31, 2011, the Company’s tangible common equity ratio stood at 9.89%, up from 9.01% at December 31, 2010.

Shareholder Dividends: During 2011 the Company paid regular cash dividends on its common stock in the aggregate amount of \$4.23 million, compared with \$3.96 million in 2010. The Company’s 2011 dividend payout ratio amounted to 38.3%, compared with 39.4% in 2010. The total regular cash dividends paid in 2011 amounted to \$1.095 per share of common stock, compared with \$1.045 per share in 2010, representing an increase of \$0.05 per share, or 4.8%.

The Company’s Board of Directors also declared a first quarter 2012 regular cash dividend of \$0.285 per share of common stock, representing an increase of \$0.015, or 5.6%, compared with the first quarter of 2011. Based on the December 31, 2011 price of BHB’s common stock of \$29.98 per share, the dividend yield amounted to 3.80%.

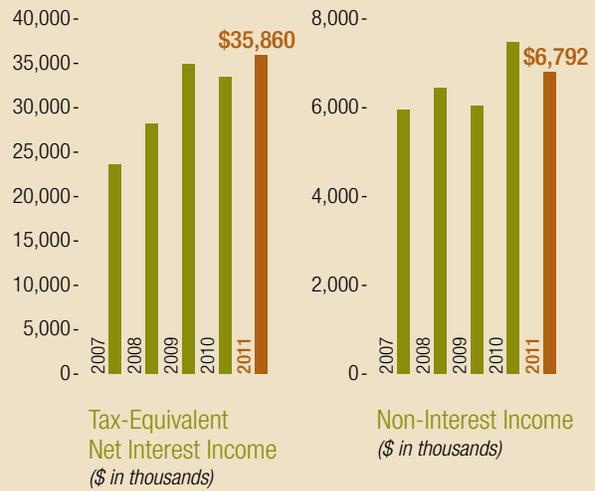
RESULTS OF OPERATIONS

Earnings and Earnings Per Share: For the year ended December 31, 2011, the Company reported record net income available to common shareholders of \$11.0 million, compared with \$10.0 million for the year ended December 31, 2010, representing an increase of \$1.0 million, or 10.3%. The Company’s diluted earnings per share amounted to \$2.85 for 2011 compared with \$2.61 in 2010, representing an increase of \$0.24, or 9.2%. The Company’s 2011 earnings performance was highlighted by a \$2.7 million, or 8.5%, increase in net interest income, which was driven by an improved net interest margin and continued earning asset growth.



For the year ended December 31, 2011, net interest income on a tax-equivalent basis amounted to \$35.9 million, up \$2.5 million, or 7.6%, compared with 2010. This increase was principally attributed to average earning asset growth of \$61.9 million, or 5.9%, combined with a five basis point improvement in the Bank's tax-equivalent net interest margin. The tax-equivalent net interest margin amounted to 3.23% in 2011, compared with 3.18% in 2010. The improvement in the 2011 net interest margin compared with 2010 was principally attributed to the Bank's weighted average cost of interest bearing funds, which declined ten basis points more than the weighted average yield on its earning asset portfolios.

Return on Average Equity: At December 31, 2011, the Company's total shareholders' equity stood at \$118.3 million, representing an increase of \$14.6 million, or 14.1%, compared with 2010. The Company's return on average shareholders' equity amounted to 9.94% in 2011, compared with 10.07% in 2010.



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

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, 2011, total non-interest income amounted to \$6.8 million, down \$666 thousand, or 8.9%, compared with 2010. The decline in 2011 non-interest income was entirely attributed to a \$759 thousand decline in securities gains, net of other-than-temporary

impairment losses. Net 2011 securities gains of \$470 thousand were comprised of realized gains on the sale of securities amounting to \$2.7 million, offset in part by other-than-temporary impairment losses of \$2.2 million on certain available-for-sale, private-label residential mortgage-backed securities.

Trust and other financial services fees amounted to \$3.1 million in 2011, representing an increase of \$77 thousand or 2.6% compared with 2010. Reflecting additional new business, at December 31, 2011 assets under management stood at \$333.9 million, up \$19.7 million, or 6.3%, compared with year-end 2010.

Service charges on deposit accounts amounted to \$1.3 million in 2011, representing a decline of \$75 thousand, or 5.5%, compared with 2010. This decrease was principally attributed to a decline in deposit account overdraft fees, reflecting reduced overdraft activity and the impact of new regulations that limit the ability of a bank to offer overdraft protection to deposit customers without their consent and to derive fees from overdraft programs.

Credit and debit card service charges and fees amounted to \$1.3 million in 2011, representing an increase of \$117 thousand, or 10.1%, compared with 2010. This increase was principally attributed to continued growth of the Bank's retail deposit base, higher levels of merchant credit card processing volumes, and continued success with a program that offers rewards for certain debit card transactions.

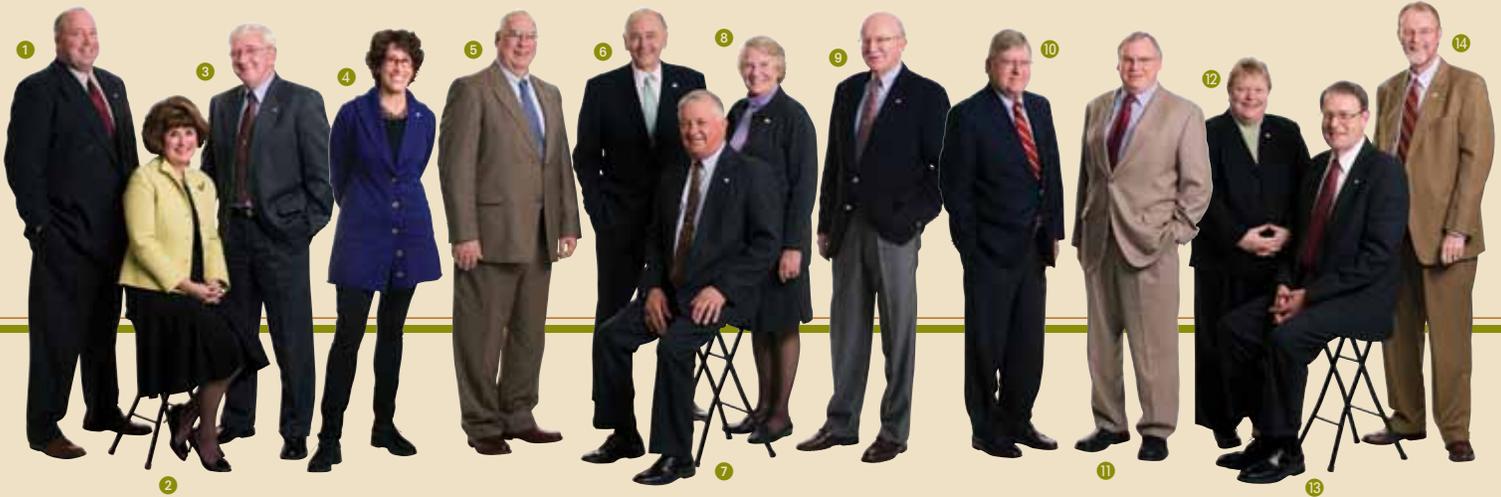
Non-Interest Expense: For the year ended December 31, 2011, total non-interest expense amounted to \$23.3 million, up \$1.2 million, or 5.6%, compared with 2010. The increase in non-interest expense was largely attributed to salaries and employee benefits, which were up \$621 thousand, or 5.1%, compared with 2010. The increase in salaries and employee benefits was principally attributed to normal increases in base salaries, increases in employee health insurance premiums, employee severance payments as well as changes in staffing levels and mix. The year-over-year increase in salaries and employee benefits also reflects \$402 thousand of employee health insurance credits attained during 2010 based on favorable claims experience.

Other factors contributing to the 2011 increase in non-interest expense included higher levels of occupancy related expenses including the disposal of certain fixed assets. The Company also experienced higher levels of depreciation and equipment expenses, audit and regulatory examination fees, loan collection expenses, marketing expenses, charitable contributions and fees for professional services.



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, 2011, the Company's efficiency ratio amounted to 55.0%, representing a modest improvement compared with the 55.5% reported in 2010.

Income Taxes: For the year ended December 31, 2011, total income taxes amounted to \$4.5 million, representing an increase of \$330 thousand, or 8.0%, compared with 2010. The Company's effective tax rate amounted to 28.8% in 2011, compared with 27.9% in 2010. 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.



Board of Directors

We salute our home—the coast of Maine—a great place to work, to live, to visit and to do business. On behalf of all Bar Harbor Bankshares team members, we extend our thanks for your confidence and loyalty.

5 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

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

3 Robert C. Carter, Machias, ME
Retired Owner of Machias Motor Inn

2 Jacquelyn S. Dearborn, Holden, ME
Mediator for the Ellsworth and Bangor Court
System, Treasurer of Joel A. Dearborn, Esq., PA

4 Martha T. Dudman,
Northeast Harbor, ME
President of Dudman Communications
Corporation and Author

12 Lauri E. Fernald, Mt. Desert, ME
Certified Funeral Service Provider, President and
an Owner in Jordan-Fernald Funeral Home

10 Gregg S. Hannah, Surry, ME
Former Treasurer of a marketing consulting firm
and past Associate Professor of Business
Management at Nichols College

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

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

9 Robert M. Phillips, Sullivan, ME
Consultant to the Wild Blueberry Industry

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

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

1 Scott G. Toothaker, Ellsworth, ME
Principal and Vice President of
Melanson Heath & Co.

11 David B. Woodside, Bar Harbor, ME
Chief Executive Officer and General Manager of
Acadia Corporation



Management and Staff

Bar Harbor Bankshares Management

Joseph M. Murphy*
President & Chief Executive Officer

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

Bar Harbor Bank & Trust Management

3 Joseph M. Murphy
President & Chief Executive Officer

1 Gerald Shencavitz
Executive Vice President,
Chief Financial Officer &
Chief Operating Officer

5 Michael W. Bonsey*
Executive Vice President &
Chief Risk Officer

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

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

Senior Vice Presidents

6 Daniel A. Hurley, III
Bar Harbor Trust Services

8 Cheryl L. Mullen
Sales & Marketing

4 Marsha C. Sawyer
Human Resources

Regional Vice Presidents

Wilfred R. Hatt
Business Banking,
Greater Ellsworth & Bangor

R. Todd Starbird
Business Banking, Knox County

Vice Presidents

Judi L. Anderson
Credit Administration

Karri A. Bailey
Managed Assets &
Credit Administration

Michelle R. Bannister
Staff Development & Training

Steven W. Blackett
Credit Administration

Marcia T. Bender
Senior Operations Officer

Penny L. Carter
Retail & Residential Lending

David S. Cohen
Controller & Assistant Treasurer

Dawn L. Crabtree
Operations

Audrey H. Eaton
Retail & Residential Lending

Ward A. Grant, II
Corporate Compliance

Joseph E. Hackett
Business Banking

Vicki L. Hall
Business Banking

Lisa A. Holmes
Retail & Residential Lending
Branch Relationship Manager, Machias

Robert J. Lavoie
Information Systems

Maureen T. Lord
Regional Branch Relationship Manager,
Machias & Lubec

Carolyn R. Lynch
Internal Audit

Elena M. Martin
Electronic Banking

Samuel S. McGee
Business Banking

J. Paul Michaud
Application Support &
Process Innovation

Lisa L. Parsons
Regional Branch Relationship Manager,
Northeast Harbor, Southwest Harbor
& Somesville

Russell A. Patton
Risk & Information Security

Carol J. Pye
Retail & Residential Lending

Adam L. Robertson
Business Banking

Lisa F. Veazie
Regional Branch Relationship Manager,
Blue Hill & Deer Isle

J. Christopher Young
Regional Branch Relationship Manager,
Ellsworth, Milbridge & Winter Harbor

Leita K. Zeugner
Deposit Services

Assistant Vice Presidents

Stacie J. Alley
Managed Assets

Marjorie E. Gray
Product Development & Research

Donna B. Hutton
Customer Service—Direct

James W. Lacasse
Business Banking

Colleen E. Maynard
Branch Relationship Manager,
Southwest Harbor

Debra S. Mitchell-Dow
Branch Relationship Manager,
Bar Harbor

Lucas G. Morris
Credit Administration

Judith L. Newenham
Retail Lending Support

*Named executive officers

Catherine M. Planchart
Corporate Communications &
Community Relations

Bonnie A. Poland
Retail Lending Support

Lester L. Porter
Assistant Controller

Lottie B. Stevens
Operations

Terry E. Tracy
Retail Banking Operations

Ann G. Upham
Retail & Residential Lending

Jody C. Warren
Branch Relationship Manager, Ellsworth

Officers

Faye M. Allen
Deposit Services

Judith W. Fuller
Corporate Secretary

Deborah A. Maffucci
Finance

Managers

Susan L. Albee
Customer Service Manager, Machias

Holly J. Archer
Branch Relationship Manager, Milbridge

Laura A. Bridges
Servicing & Quality Assurance

Brenda B. Colwell
Human Resources

Brenda J. Condon
Customer Service Manager, Blue Hill

Krystal E. Jordan
Branch Relationship Manager,
Winter Harbor

Rebecca H. Emerson
Branch Relationship Manager,
Deer Isle

Gregory S. Jones
Branch Relationship Manager, Rockland

Wendy R. MacLaughlin
Human Resources Operations

Virginia L. MacLeod
Customer Service Manager,
Southwest Harbor

Dylan A. Mooney
Assistant Manager, Finance

Debbie B. Norwood
Regional Customer Service Manager,
Northeast Harbor & Somesville

Andrea L. Parker
Accounts & Transaction Processing

Bar Harbor Trust Services

Daniel A. Hurley, III
President

Gerald Shencavitz
Chief Financial Officer

Joshua A. Radel
Chief Investment Officer

Joseph M. Pratt
Managing Director & Trust Officer

Vice Presidents

Melanie J. Bowden
Trust Officer

Faye A. Geel
Trust Officer

Lara K. Horner
Trust Operations

Sarah C. Robinson
Trust Officer

Scott C. Storgaard
Trust Investment Officer

Officer

Julie B. Zimmerman
Trust Officer

Supervisor

Pamela L. Curativo
Trust Operations

Bar Harbor Financial Services**

Sonya L. Mitchell
Program Manager,
Vice President & Financial Consultant

Ronald L. Hamilton
Vice President & Financial Consultant

Dennis M. Kinghorn
Vice President & Financial Consultant

Employees

(As of 3/14/2012)

Abbott, Gwen M.
Abbott, Jennifer C.
Allen, Deena M.
Andrews, Holly M.
Atherton, June G.
Austin, Vicki J.
Barnes, Virginia H.
Barton, Hannah R.
Bates-Mitchell, Kristi L.
Beal, Charleen L.
Beal, Jessica L.
Beal, Karen C.
Bogue, Amy W.
Boudreau, Alain R.
Brady, Penny S.
Brown, Heather L.
Bryer, Katy A.
Capristo, Kim E.
Carroll, Heidi K.
Carter, Hillary A.
Case, Crystal N.
Colson, Theresa L.
Coombs, April E.
Cormier, Sarah A.
Crandall, Kevin J.
Crosby, Lisa L.
Culshaw, Geneva E.
Curtis, Cheryl D.
Curtis, Michelle E.
Danielson, Laura H.
Davis, Sharon J.
Douglass, Joanne M.
Eaton, Julie M.
Ellis, Theresa M.
Farnsworth, Pamela J.
Fernandez, Rebecca R.
Foskett, Amy N.
Gatcomb, Dena M.
Ginn, Candy A.
Gray, Shelley E.
Griffin, Susanne M.
Haley, Andrew J.
Hall, Kelli M.
Hamilton, Kirsten M.
Hanscom, Betsy B.
Hastings, Nancy B.
Hays, Mary D.
Heal, Ivy M.
Hepburn, Barbara F.
Higgins, Cathy A.
Hinckley, Melissa S.
Hinkel, Nicole S.
Howie, Jeanette L.
Huffman, Lynn L.
Hunt, Marianne
Hutchinson, Margaret L.
Jipson, Bruce W.
Kane, Hildie L.
Kane, Maureen E.

Kent, Rebecca H.
Kief, Kathryn M.
Lachance, Janice E.
Lambert, Jane E.
Lamoureux, Paula M.
Lare, Marissa L.
Leblanc, Bonnie S.
Liang, Xin
Linscott, Lacy R.
Lloyd, Marlene A.
Magee, Gabriella M.
Marshall, Carol M.
Matthews, Ashley S.
Miller, Kara M.
Mincions, Anna M.
Mitchell, J. Aaron
Moore, Nichole L.
Morrison, Michele L.
Nason, Dawn B.
Norton, Jennifer I.
Norwood, Nichole D.
Ohmeis, Amanda R.
Ohmeis, Claire C.
Orcutt, Alexandra
Pagan, Joseph F.
Parker, Jane M.
Parlee, Deborah I.
Patton, Ebony A.
Perkins, Jon B.
Rafferty, Michelle P.
Ratner, Mary C.
Redman, Julie A.
Richards, Judy A.
Robbins, Amanda L.
Robinson, Jane M.
Rogers, Jennifer A.
Santerre, Alicia M.
Saunders, Jennifer M.
Schaefer, Frank J.
Schwartz, Edith E.
Scott-Henderson, Debra L.
Shuster, Stephanie M.
Smith, Samantha A.
Snow, Andrea L.
Stanley, Angela M.
Stover, Teri A.
Swanberg, Peter M.
Thibault, David W.
Thompson, Dianne B.
Timmons, Bristol N.
Tripp, Brenda D.
Tripp, Erin F.
Tucker, Jennifer M.
Tucker, Jyl E.
Urquhart, Kirstie A.
Wallace, Allyson M.
Wasson, Krystal E.
Webster, Paula R.
Weeks, Jeanne L.
Wiberg, Katie G.

**Bar Harbor Financial Services is a branch of Infinex Investments, Inc., an independent registered broker-dealer which is not affiliated with the Company or the Bank.

Corporate Information

Annual Meeting

The Annual Meeting of shareholders of Bar Harbor Bankshares will be held at 11:00 a.m. on Tuesday May 15, 2012 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 Amex Exchange (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, 2011 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, 2011. Please contact Marsha C. Sawyer, Bar Harbor Bankshares Clerk, at 207-288-3314 or the above address.

Photo credits:



1-888-853-7100
www.BHBT.com

Bar Harbor

82 Main Street
Bar Harbor, ME 04609

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

Southwest Harbor

314 Main Street
Southwest Harbor, ME 04679

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

FSC LOGO