Working Together
Delivering Results

2021 Annual Report

BAR HARBOR
BANK & TRUST

Personal Banking · Business Banking · Wealth Management

Over 50 locations in Maine, New Hampshire & Vermont

Working Together We Help

Our Customers Achieve More

Chelsea Sawyer, VP, Branch Relationship Manager

As the only bank headquartered in Northern New England with a branch presence in Maine, New Hampshire, and Vermont, we are uniquely positioned to serve the needs of the region.

Maine Branches:

Bangor
Bar Harbor
Blue Hill
Brewer
Brunswick
Deer Isle
Ellsworth
Lubec
Machias
Milbridge
Newport
Northeast Harbor
Orono
Pittsfield
Rockland
Somesville
South China
Southwest Harbor
Waterville
Winter Harbor

New Hampshire Branches:

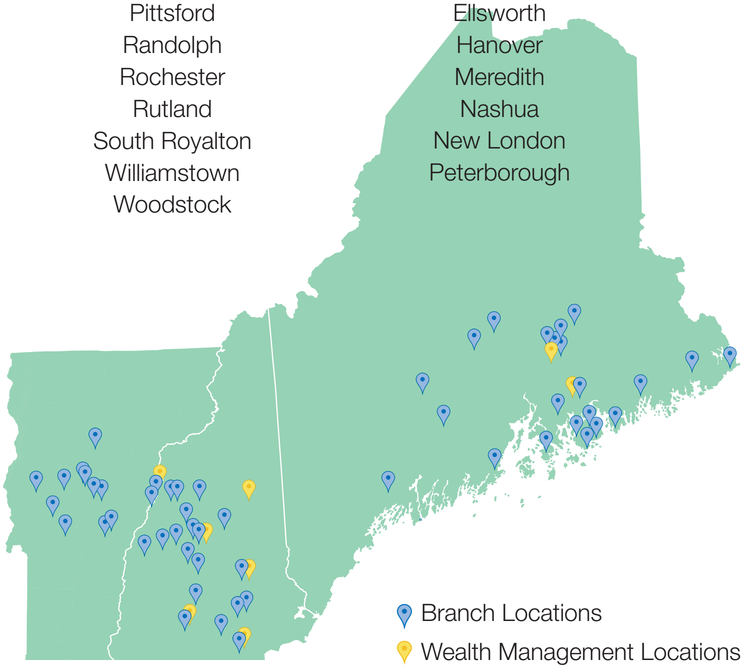
Andover
Bedford
Bradford
Claremont
Concord
Enfield
Grantham
Hanover
Hillsborough
Lebanon
Manchester
Milford
Nashua
New London
Newbury
Newport
Peterborough
Sunapee
West Lebanon

Vermont Branches:

Bethel/Royalton
Brandon
Pittsford
Randolph
Rochester
Rutland
South Royalton
Williamstown
Woodstock

Wealth Management Locations:

Bangor
Concord
Ellsworth
Hanover
Meredith
Nashua
New London
Peterborough



Cover Image: Adam Robertson, SVP, Relationship Manager and Jason Richard, CFO, S.W. Cole Engineering Inc.

GOOD THINGS HAPPEN WHEN WE WORK TOGETHER

Delivering results through creative banking solutions and solid strategy.

Marie Pelletier, VP, Regional Relationship Manager and John Tauriello, President & CEO, Wallace Building Products Corporation

Proud To Be Named One of America's Best Banks

DELIVERING 2021 BUSINESS RESULTS

19% YoY Growth in Core Deposits

17% YoY Growth in Core Banking Service Charge Fee Income

15% YoY Growth in Commercial Loans Originated

9% YoY Growth in Wealth Management Income

Letter to Shareholders

Greetings Fellow Shareholders,

As individuals and as a company, we have endured another year of uncertainty with continuing shifts in local, national, and international landscapes. As one crisis is averted, another seems to develop. These have varied across financial, social, medical, economic, and political landscapes. Virtually all aspects of our everyday lives have been open for debate. Perhaps this is permanent or simply the nature of cycles.

While we had hoped and even anticipated that vaccines in early 2021 would provide the initial catalyst for normalcy as the year began, we are always preparing for some developing dislocation that creates uncertainty. We, therefore, decided to approach the year with a continued environment of relentless consistency, which is truly all that we can control. More specifically, we united around being the same Bank in all environments, which we have repeatedly messaged in our communications. Indeed, minor adjustments and improvements are constantly under review, but we kept our brand behaviors as the beacon our teams could follow.

Curtis C. Simard
President & Chief Executive Officer

POSITIVITY - Be all-in.
Create a rewarding and exciting place to work.

COMMUNICATION - Talk straight.
Share the right information clearly and quickly to build great relationships.

TEAMWORK - Actively share.
Build great teams to make positive things happen.

INITIATIVE - Embrace change.
Value innovation and fresh thinking to continually improve our customer experience and team development.

PROFESSIONALISM - Show respect.
Treat others with care and respect. Maintaining a professional manner promotes trust.

QUALITY - Build the best.
Ensure the highest quality standards are adhered to in everything we do.

Using these time-tested axioms of being good colleagues, partners, community members, and quite simply good human beings has made for a relatively uncomplicated if not comforting guide given all of the daily uncertainty. In our dealings with our customers, colleagues, communities, and shareholders, we have remained steadfast in being authentic and transparent without taking undue risk while equally not allowing uncertainty to create paralysis. This approach has been applied across the entire Bank at every level in facing adversity. To help alignment and sustain culture, we unveiled Bar Harbor Connect, an internal social media website where colleagues can appreciate one another openly or ask for help. Colleagues can even assign points to one another for a job well done that can be spent at an online catalog. Simple personal appreciation is valued in our Company and helps make BHB more than a job.

Staying on Strategy and Utilizing Markets to Our Advantage

Knowing how to embrace the culture as we approach our continued evolution across all of Northern New England, I am pleased to communicate that we utilized current market nuances to make further strides in improving the Bank's balance sheet to prime us for growth. This has been about reducing reliance on wholesale funding and mortgages and focusing on franchise-building checking accounts, commercial banking relationships, and wealth management advisory. We remain in the mortgage business, meeting the needs of substantial opportunities over the past several years. However, our commercial teams have demonstrated a natural ability to grow that segment of our balance sheet consistently, appreciably, and responsibly. In further positioning for growth, we proactively helped our customers seek PPP forgiveness so that we *together* could shift discussions to those of expansion and life beyond the pandemic. Such proactive efforts are one way we underscore that by working together, everyone achieves more.

Much like our brand behaviors, our long-term planning remains consistent. We have confirmed our strategy in changing times and have leveraged rate environments to accelerate our direction, backed by our firm belief in our culture and dedication to one another. We are consistent in what motivates and guides us:

- Balancing growth with earnings
- Commitment to risk management
- Sales cultures must be relentless idea originators
- Consistent cross-selling makes for entrenched customers
- And of course, thinking differently while working together

These previously enacted objectives continue to prove accurate as the residential mortgage euphoria is waning due to rising rates and lack of housing inventory. Our ongoing progress in creating a commercial loan machine funded by low-cost high franchise value checking accounts while relentlessly cross-selling was the correct strategy and remains so more than ever. Fee income, the earnings driver that is more immune to erratic rate movements, continues to be as important to us as our commitment to risk management. The continued growth in our Wealth and Treasury businesses are proving to be valuable cornerstones to our franchise. In the face of global adversity over the past few years, our strategy has not changed much. We suspect this too will be confirmed in future uncertainty, as we have always anticipated the unexpected. That is because we like predictable sustainability as it yields better long-run performance, lasting valuation, and defining culture.

“Indeed, minor adjustments and improvements are constantly under review, but we kept our brand behaviors as the beacon our teams could follow.”

Managing Change into our 136th year

As one challenge is resolved, we always know another is not far behind. Our approach is not based in pessimism or fear but pragmatic realism that successful companies and cultures can never rest, especially those that manage risk. As such, we always ask the following questions:

- Where do we have duplication in effort?
- How do we make processes more efficient?
- How do we make jobs easier for colleagues and customers without sacrificing risk management?
- Where are our blind spots?
- How do we create continued growth opportunities for our deserving colleagues?
- Ultimately, how do we continue to improve and sustain long-term shareholder returns?

As we celebrate our 135th anniversary, we will *always* look to address questions such as these which are as pertinent today as at our founding. We are taking guidance from our past and reasonably applying the required evolution to make us a Bank for the future. We greatly value a distinctive culture that thinks differently and gains tremendous enthusiasm around the opportunity of being Northern New England’s Bank.

In closing, I would like to acknowledge the retirement of Steve Theroux from our Board of Directors in May 2022. Steve was the prior President & CEO of Lake Sunapee Bank Group. Steve worked closely with BHB to bring our two banks together in our first steps of expanding across Northern New England and has been a valued counselor ever since. I have valued his viewpoints greatly, and while he is retiring from the Board, I am fortunate to consider him a friend for life.

Thank you for your continued interest in and support of Bar Harbor Bankshares. Both matter to us greatly.

Respectfully,

Curtis C. Simard

Curtis C. Simard
President & Chief Executive Officer

Consolidated Balance Sheets

Years Ended December 31, 2020 and 2021

(in thousands, except share data)	Years Ended 2021	2020
Assets		
Cash and due from banks	$ 33,508	$ 27,566
Interest-earning deposits with other banks	216,881	198,441
Total cash and cash equivalents	**250,389**	**226,007**
Securities available for sale, at fair value	618,276	585,046
Federal Home Loan Bank stock	7,384	14,036
Total securities	**625,660**	**599,082**
Loans held for sale	5,523	23,988
Total loans	**2,531,910**	**2,562,885**
Less: Allowance for credit losses	(22,718)	(19,082)
Net loans	**2,509,192**	**2,543,803**
Premises and equipment, net	49,382	52,458
Goodwill	119,477	119,477
Other intangible assets	6,733	7,670
Cash surrender value of bank-owned life insurance	79,020	77,870
Deferred tax assets, net	5,547	3,047
Other assets	58,310	70,873
Total assets	**$ 3,709,233**	**$ 3,724,275**
Liabilities		
Deposits:		
Demand	$ 664,420	$ 544,636
NOW	940,631	738,849
Savings	628,670	521,638
Money Market	389,291	402,731
Time	425,532	698,361
Total deposits	**3,048,544**	**2,906,215**
Borrowing:		
Senior	118,400	276,062
Subordinated	60,124	59,961
Total borrowings	**178,524**	**336,023**
Other liabilities	58,018	74,972
Total liabilities	**3,285,086**	**3,317,210**
Shareholders' Equity		
Capital stock, par value $2.00; authorized 20,000,000 shares; issued 16,428,388 and 16,428,388 shares at December 31, 2021, and December 31, 2020, respectively	32,857	32,857
Additional paid-in capital	190,876	190,084
Retained earnings	215,592	195,607
Accumulated other comprehensive income	2,303	6,740
Less: 1,427,059 and 1,512,465 shares of treasury stock at December 31, 2021, and December 31, 2020 respectively	(17,481)	(18,223)
Total Shareholders' Equity	424,147	407,065
Total Liabilities and Shareholders' Equity	**$ 3,709,233**	**$ 3,724,275**

Refer to the Bar Harbor Bankshares 2021 Annual Report on Form 10-K for a complete set of audited financial statements and accompanying notes.

Consolidated Statements of Income

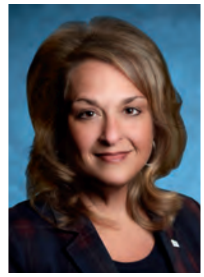
Years Ended December 31, 2019, 2020 and 2021

	Years Ended		
(in thousands)	**2021**	**2020**	**2019**
Interest and Dividend Income			
Loans	$ 95,236	$ 107,085	$ 111,042
Securities and other	15,568	19,019	24,349
Total interest and dividend income	**110,804**	**126,104**	**135,391**
Interest Expense			
Deposits	8,543	18,043	27,034
Borrowings	6,688	8,881	18,547
Total interest expense	**15,231**	**26,924**	**45,581**
Net interest income	95,573	99,180	89,810
Provision for credit losses	(1,302)	5,625	2,317
Net interest income after provision for loan losses	**96,875**	**93,555**	**87,493**
Non-Interest Income			
Trust and investment management fee income	15,179	13,378	12,063
Customer service fees	13,212	11,327	10,127
Gain on sales of securities, net	2,870	5,445	237
Mortgage banking income	6,536	6,884	1,626
Bank-owned life insurance income	2,179	2,007	2,053
Customer derivative income	1,010	2,503	2,028
Other income	1,275	1,412	935
Total non-interest income	**42,261**	**42,956**	**29,069**
Non-Interest Expense			
Salaries and employee benefits	47,117	48,920	45,000
Occupancy and equipment	16,356	16,751	14,214
Loss (gain) on premises and equipment, net	378	(32)	18
Outside services	1,943	1,985	1,818
Professional services	1,756	2,060	2,191
Communication	912	892	821
Marketing	1,541	1,385	1,872
Amortization of intangible assets	940	1,024	861
Loss on debt extinguishment	2,851	1,351	1,096
Acquisition, conversion, and other expenses	1,667	5,801	8,317
Other expenses	15,047	14,723	13,525
Total non-interest expense	**90,508**	**94,860**	**89,733**
Income before income taxes	48,628	41,651	26,829
Income tax expense	9,329	8,407	4,209
Net Income	**$ 39,299**	**$ 33,244**	**$ 22,620**
Earnings per Share			
Basic	$ 2.63	$ 2.18	$ 1.46
Diluted	$ 2.61	$ 2.18	$ 1.45
Weighted Average Common Shares Outstanding			
Basic	14,969	15,246	15,541
Diluted	15,045	15,272	15,587

Bar Harbor Bankshares

Senior Executive Team

Curtis C. Simard
President
Chief Executive Officer

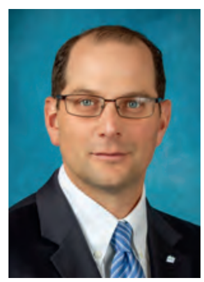


Josephine Iannelli
Executive Vice President
Chief Financial Officer
and Treasurer

John M. Mercier
Executive Vice President
Chief Lending Officer

Marion Colombo
Executive Vice President
Retail Delivery

Jenny Svenson
Senior Vice President
Chief Human Resources
Officer



Jason Edgar
President
Bar Harbor Trust Services
Charter Trust Company

John Williams
Senior Vice President
Chief Risk Officer

Joseph Scully
Senior Vice President
Chief Information Officer
and Director of Operations

In Appreciation of 35 Years of Service

Having dedicated much of his career to the success of our institution, Stephen R. Theroux will be retiring from the Board in 2022. Steve's industry expertise, keen insights, and local knowledge have been invaluable for nearly four decades.

We commend and appreciate Steve for his leadership and contributions to our institution and our industry. We wish him a rewarding and well-deserved retirement.

Bar Harbor Bankshares

Board of Directors

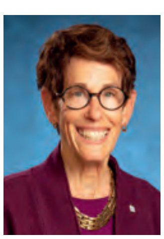
David B. Woodside -
Chairman
Bar Harbor, ME
President and CEO of Acadia Corporation

Daina H. Belair
Iva, SC
Former Owner of Inn at Sunrise Point

Matthew L. Caras
Arrowsic, ME
Owner and Managing Director of Leaders LLC

David M. Colter
Hampden, ME
President, GAC Chemical Corporation

Steven H. Dimick
Randolph, VT
Former Director for Lake Sunapee Bank Group Board



Martha T. Dudman
Northeast Harbor, ME
Fundraising Consultant and Author, former President of Dudman Communications Corporation

Lauri E. Fernald
Mt. Desert, ME
President and an Owner in Jordan–Fernald Funeral Home

Brendan O'Halloran
Chatham, MA and Naples, FL
Retired Vice Chair & Regional Head of TD Securities, a division of TD Bank

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

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

Stephen R. Theroux
New London, NH
Former President and CEO of Lake Sunapee Bank

Scott G. Toothaker
Nashua, NH
Managing Principal of Melanson Heath & Co.

Bar Harbor Bankshares

5 Year Summary of Financial Data

(in millions, except per share)	2021	2020	2019	2018	2017
Balance Sheet Data					
Total assets	$ 3,709	$ 3,724	$ 3,669	$ 3,608	$ 3,565
Earning assets*	3,377	3,360	3,349	3,327	3,300
Investments	626	599	684	761	755
Loans	2,532	2,563	2,635	2,488	2,473
Deposits	3,049	2,906	2,696	2,483	2,352
Borrowings	179	336	531	724	830
Shareholders' equity	424	407	396	371	355
Results of Operations					
Net interest income	$ 96	$ 99	$ 90	$ 91	$ 92
Non-interest income	42	43	29	28	26
Net revenue	138	142	119	119	119
Net income	39	33	23	33	27
Per Common Share Data					
Diluted earnings	$ 2.61	$ 2.18	$ 1.45	$ 2.12	$ 1.70
Adjusted earnings*	2.72	2.28	1.91	2.25	2.10
Dividends	0.94	0.88	0.86	0.79	0.75
Total book value	28.27	27.29	25.47	23.87	22.96
Tangible book value*	19.86	18.77	17.30	16.94	15.94
Performance Ratios					
Return on assets	1.06%	0.88%	0.62%	0.93%	0.75%
Adjusted return on assets*	1.10	0.92	0.82	0.99	0.93
Return on equity	9.50	8.17	5.82	9.22	7.41
Adjusted return on equity*	9.87	8.48	7.65	9.79	9.15
Interest rate spread	2.74	2.92	2.53	2.67	2.99
Net interest margin	2.75	2.97	2.77	2.86	3.08
Efficiency ratio*	61.29	61.71	64.95	59.27	55.44
Net charge-offs/average loans	0.01	0.07	0.03	0.05	0.04

**Refer to the Bar Harbor Bankshares 2021 Annual Report on Form 10-K for a complete set of audited financial statements and accompanying notes.*

Corporate Profile
as of December 31, 2021

- $3.7 billion in assets.
- 53 full-service branches.
- Branches located across Maine, New Hampshire, and Vermont.
- A full-service bank providing commercial, retail, treasury, and wealth management services.
- Wealth assets under management of $2.5 billion.

Corporate Profile
as of December 31, 2021

Ticker	NYSEAM: BHB
Stock price	$28.93 per share
Market capitalization	$434 million
Price to earnings ratio (full year 2021)	11.08X
Price to book value	102.33%
Price to tangible book value	146.00%
52 week price range	$21.26 to $32.94
Annualized dividend (Q1 2022)	$0.96 per share
Dividend yield	3.32%
Shares outstanding	15.0 million
Average daily volume (full year 2021)	31,500 shares

Bar Harbor Bankshares

Summary Financial Results

Executive Overview

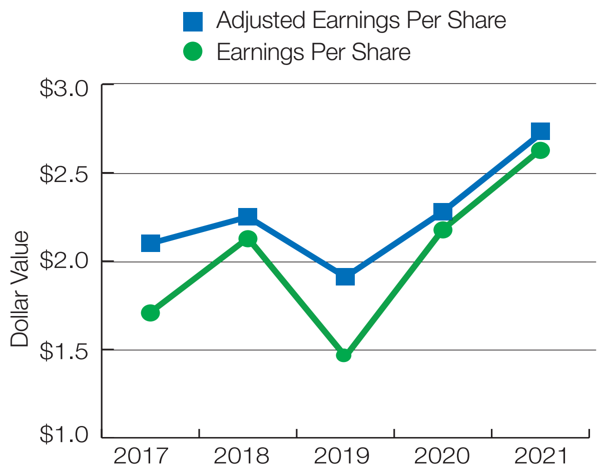
Bar Harbor Bankshares recorded 2021 net income of $39 million, or $2.61 per diluted share, compared to $33 million, or $2.18 per diluted share, in 2020. Adjusted income (non-GAAP measure) in 2021 was $41 million, or $2.72 per diluted share, and $35 million, or $2.28 per diluted share, for the same period of 2020. The Company's return on assets ratios was 1.06% for 2021, up from 0.88% in the prior year.

Net interest margin (NIM) was 2.88% for 2021 compared with 2.97% in 2020. Excluding the effects of PPP fee acceleration, excess cash, and one-time items, adjusted NIM was 2.93% in 2021, compared to 3.01% in 2020. At year-end 2021, the Company had approximately $200 thousand of remaining PPP deferred fees, which are expected to be amortized to the margin in 2022. The Company saw a leveling of NIM in the second quarter 2021, which was contributed growth in non-maturity deposits and maturities of wholesale funding that were not replaced. NIM continued to stabilize in the second half of 2021 due to the execution of several delever and security remix strategies. Also as a result, the Company's cost of interest-bearing liabilities steadily dropped to 59 basis points in 2021 from 96 basis points during 2020.

In 2021, the Company prepaid $159 million of FHLB borrowings and sold $63 million of securities to offset prepayment penalties, which were replaced with relatively short-lived securities with an average duration of approximately 4 years. The transactions took place in the second half of 2021, and the net result is expected to be fully accretive to NIM and earnings per share starting in 2022.

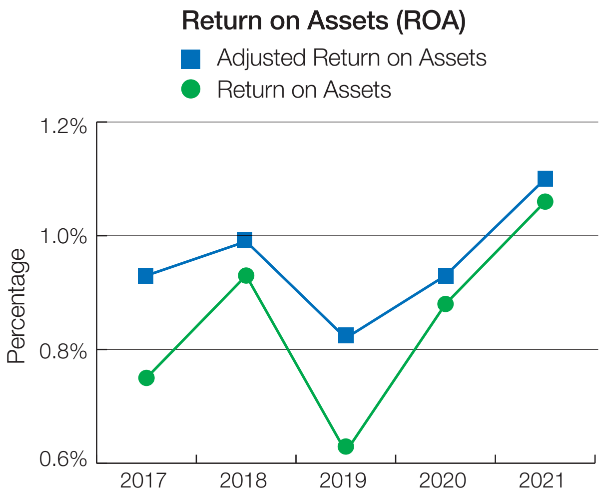
Non-maturity deposits increased 19% during 2021 due to a significant amount of accounts opened as new relationships were built and relationships with existing customers were deepened. Wholesale funding has decreased to 4% of total funding, down from 18% at year-end 2020. Non-maturity deposit reliance continues to expand, funding earning asset growth with a much more stabilized cost if rates do go up. At year-end 2021, $114 million of wholesale funding remains, which represent longer durations or have associated hedges.

Earnings Per Share (EPS)



The Company continues to focus on profitability and fee-based revenue remains a priority. The growth seen during this past year has contributed to the expansion of the Company's key performance metrics, while further enhancing the diversity and strength of revenue streams. Wealth management and customer service fees in 2021 increased 15% over the prior year, given a 13% increase in assets under management and significant increase in non-maturity deposits. Wealth Management division continues to deliver a strong performance from both a customer and shareholder perspective. Customer service revenue benefit from the increase in non-maturity deposits along with adjustments made to product fee schedules based on peer review studies performed in late 2020. Mortgage banking income benefited from higher secondary market loan sales in 2021, which also accounts for the decrease in residential loans as production was selectively moved between on-balance sheet and held for sale throughout the year.

Commercial real estate loans in 2021 grew 12% over the prior year driven by a balanced mix of new and existing customers that are proven operators and are strong relationships of the Bank. Similarly, the growth in commercial and industrial loans of 5%, excluding paycheck protection program (PPP) loans, came from new and existing customers and represented a variety of industries. Looking forward, the Company's loan pipelines remain robust and it is seeing momentum continuing into the first quarter of 2022.



The Company adopted CECL effective January 1, 2021, which increased the allowance for credit losses (ACL) by $5.2 million and reserve for unfunded commitments by $1.6 million. Upon adoption, the coverage ratio of ACL to total loans increased to 0.94% from 0.76% in the fourth quarter of 2020, excluding PPP loans. The provision for credit losses for 2021 was a credit of $1.3 million compared with expense of $5.6 million in 2020. Steady improvements in macroeconomic expectations, lower specific reserves, and relative flat growth in total loans contributed to the benefit in 2021.

The Company continues to build long-term shareholder value while providing a favorable dividend rate relative to other community banks. The Company's return on equity for 2021 rose to 9.50% from 8.29% in 2020. Credit metrics remained strong and stable throughout 2021. Non-performing loans continue to decline across all categories on a quarterly and year-over-year basis. There was also noteworthy reduction of criticized loans, down to 3% from 4% at year-end 2020. Moving into 2022, all of these trends are positive and are expected to continue based on the Company's credit disciplines.

In early 2021, the Company performed an intensive review of non-interest expense, leveraging a strategic third-party partner. The goal of the review was to identify normalized expense run-rates that are optimal for the Company's current size and footprint, and establish sustainable run-rates that allow for revenue growth in the future. Results of the study reduced salary and benefit expense by $2.3 million in 2021 and $3.0 million is expected to be fully realized in 2022.

The Company was named by Newsweek Magazine as one of "America's Best Banks." Best Bank winners were selected from over 2,500 financial institutions and assessed on more than 30 separate factors including the overall health of the bank, customer service performance and features, digital and branch presence, account and loan options, interest rate offerings, and fees.

FINANCIAL CONDITION

Securities

Securities totaled $626 million at the end of 2021 and $599 million at year-end 2020, representing 17% and 16% of total assets, respectively. During 2021, security purchases totaled $250 million and were offset by $93 million of sales; $112 million of maturities, calls and pay-downs of amortizing securities; and a $7 million reduction in FHLB stock. The majority of the sales were made in connection with the Company's balance sheet delever and security remix strategies in the third and fourth quarters of 2021. Fair value adjustments decreased the security portfolio by $10 million in 2021 compared to an increased $5.8 million during 2020. Unrealized gains decreased in 2021 due to sales and changes in the long-term treasury yield curve. The weighted average yield of the Company's securities portfolio was 2.63% as of December 31, 2021 compared to 3.20% at year-end 2020. At the end of 2021, securities held by the Company had an average life of 5.3 years with an effective duration of 4.21 years, compared to 4.8 years and 4.3 years at the end of 2020 respectively.

Loans

In 2021, total loans decreased by $31 million from year-end 2020. The decrease was the net result of the Company's strategy to grow its commercial portfolios and sell the majority of its residential loan originations in the secondary market. Commercial loans grew 10% in 2021 when excluding PPP loans, which was driven mostly from new relationships in commercial real estate products. Commercial real estate and commercial and industrial loans, excluding PPP, increased 12% and 5% in 2021, respectively. PPP loans totaled $6.7 million at quarter-end, consisting of $6.6 million from 2021 and $104 thousand from 2020, and were $53.8 million at year-end 2020. COVID loan modifications were zero, down from $68.6 million at year-end, as the majority of modified loans have resumed normal payment schedules. Total residential loans decreased $103 million from year-end 2020, which includes $173 million of originations recorded on the balance sheet and $275 million of prepayments/amortization.

Allowance for Credit Losses

The ACL was $22.7 million at the end of 2021, compared to $19.0 million at year-end 2020. The increase is primarily due to the Company's adoption of CECL as of January 1, 2021, which increased the ACL by $5.2 million and for unfunded commitment reserves by $1.6 million. Unfunded commitment reserves are recorded in other liabilities. Since adoption, the ACL has decreased due to improved economic forecasts and lower reserves on specific loans offset by changes in loan mix.

Deposits and Borrowings

Total deposits were $3.0 billion at the end of 2021, compared to $2.9 billion at year-end 2020. Non-maturity deposits increased $415 million in 2021, or 19% due to growth in new accounts with over 4,884 new customer relationships added. Growth in non-maturity deposits in 2021 and the prepayment of $159 million in FHLB borrowings resulted in a reduction of wholesale funding as a percentage of total funding to 4% from 18% at year-end 2020. Time deposits decreased $273 million to $426 million at year-end 2021 as $178 million of brokered deposits matured in 2021 and were not replaced due to excess liquidity. Retail time deposits decreased $63.1 million as customers moved funds to transactional accounts upon contractual maturity. Total borrowings decreased by $157 million, primarily from the aforementioned delever strategy.

Derivative Financial Instruments and Other Liabilities

The Company utilizes derivative instruments to minimize fluctuations in earnings and cash flows caused by interest rate volatility. The notional balance of derivative financial instruments increased to $944 million at year end 2021 from $877 million in the prior year. The increase is principally due to a $50.0 million new hedge on variable rate loans tied to one-month LIBOR. The net fair value of all derivatives was a liability of $1.1 million at the end of 2021, compared to $5.5 million at year-end 2020. The reduction in net derivative fair values reflects the rise in long-term interest rates.

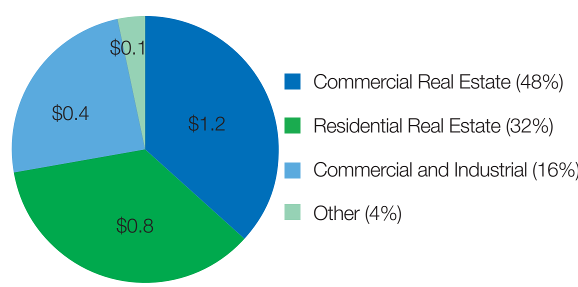
Equity

Total equity was $424 million, compared with $407 million at year-end 2020. The Company's book value per share was $28.27 as of December 31, 2021, compared with $27.29 at December 31, 2020. Equity included net unrealized gains on securities, derivative and pension revaluations, net of tax, and totaling $2.3 million at the end of 2021, compared to $6.7 million at year-end 2020. Equity was reduced by $5.2 million due to the Company's CECL adoption in the first quarter 2021. The Company evaluates changes in tangible book value, a non-GAAP financial measure that is a commonly used valuation metric in the investment community, which parallels some regulatory capital measures. Tangible book value per share increased to $19.86 per share at year-end 2021, up from $18.77 per share at year-end 2020.

During 2021 and 2020, the Company declared and distributed regular cash dividends on its common stock in the aggregate amounts of $14 million and $13 million, respectively. The Company's 2021 dividend payout ratio amounted to 36%, compared with 40% in 2020. Total cash dividends paid in 2021 was $0.94 per common share of stock, compared with $0.88 in 2020.

Loan Composition

As of December 31, 2021 ($ in billions)



On April 20, 2021, the Company's Board of Directors authorized a share repurchase plan (the "Plan"). Under the terms of the Plan, the Company is authorized to repurchase up to 5% of its outstanding common stock, representing approximately 747,000 shares. The Plan is authorized for twelve months expiring on March 31, 2022, and authorized based on the strength of the Company's balance sheet and capital position and the Company's belief in the intrinsic value of the Company's common stock. Given the current market for bank stock prices, the Company believes this program is another tool to enhance long-term shareholder value.

The Company and the Bank remained well-capitalized under regulatory guidelines at period end as further described in Note 12 - *Shareholders' Equity and Earnings Per Common Share* to the Consolidated Financial Statements on Form 10-K.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income for 2021 was $96 million, compared with $99 million in 2020. The net interest margin was 2.88% in 2021 compared to 2.97% in the prior year. The 2021 adjusted net interest margin (non-GAAP measure), which excludes PPP loans and excess cash, was 2.93%, compared to 3.01% for 2020. Acceleration of PPP loan fee amortization due to forgiveness contributed 14 basis points to NIM in 2021 and 4 basis points in the same period of 2020. Interest-bearing cash balances, held mostly at the Federal Reserve Bank, reduced NIM by 19 basis points in the year and 8 basis points in 2020. The yield on earning assets totaled 3.33%, compared to 3.87% in 2020. Excluding the impact of PPP and excess cash, the yield on earning assets totaled 3.42% and 3.97% for the same periods. The decrease was primarily due to lower yields on loans which the Company feels are near-bottom at year-end 2021. The yield on loans was 3.78% in 2021 and 4.16% in 2020. Excluding PPP loans the yield on loans was 3.62% in 2021, and 4.15% in 2020. Costs of interest-bearing liabilities decreased to 0.59% from 0.96% in 2020 due to increased core deposit levels, lower deposit rates, and reduced wholesale borrowings.

Provision for Credit Losses

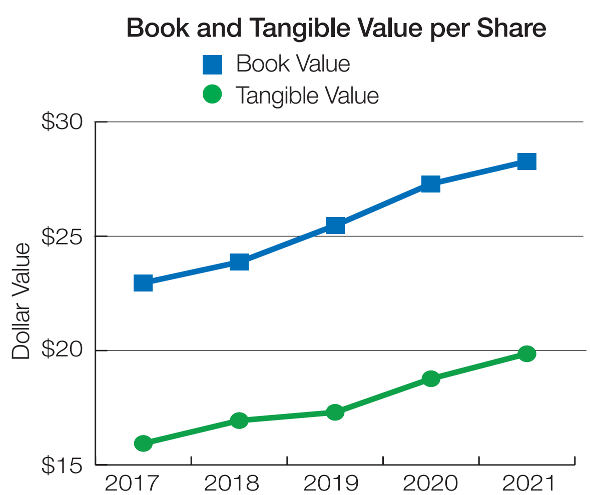
The provision in 2021 was a recapture of $1.3 million, compared to and expense of $5.6 million in 2020. The benefit in 2021 is primarily due to the recapture of the day 1 CECL allowance that was established January 1, 2021, given steady improvements in most macroeconomic drivers to the ACL. The provision also benefited from lower net charge-offs of $209 thousand in 2021 compared to $1.9 million in 2020. Overall credit quality remains strong, and credit quality metrics improved with decreases in non-accruing and past due loans.

Non-Interest Income

Non-interest income in 2021 was $42 million, compared to $43 million in 2020. The net changereflects an increase in fee income from operations offset by decreased gains on sales of securities. Non-interest income excluding gains on sales of securities increased 5% over the prior year. Trust management fees were $15 million, compared to $13 million in 2020, driven by higher assets under management of $2.5 billion, compared to $2.3 billion in 2020. Customer service fees increased 17% to $13 million in 2021, with 3,374 net new core deposit accounts opened during the year. The Company sold securities resulting in gains of $2.9 million during 2021 as part of its delever and security remix strategies. Mortgage banking activities contributed $6.5 million in 2021 and $6.9 million in 2020. The Company took advantage of volatility in the yield curve in 2021 and put residential mortgages on the balance sheet when rates were higher and sold loans in the secondary market when rates were low.

Non-Interest Expense

Non-interest expense was $91 million in 2021, compared to $95 million in 2020. The decrease is principally due to lower salary and benefit costs as well as decreased non-recurring expenses. Salaries and benefits expense decreased to $47 million, compared to $49 million in 2020. The decrease is primarily due to the reduction from the aforementioned expense study in early 2021, offset by higher employee incentive accruals. The decrease also reflects full-time equivalents of 489, compared to 531 in 2020. Non-recurring expenses in 2021 totaled $4.9 million and were mostly made up of the $2.9 million prepayment penalty on debt extinguishment. In 2020, non-recurring expenses totaled $7.5 million and included a loss on debt extinguishment and costs to consolidate wealth management systems. The efficiency ratio for 2021 was 61.29% compared to 61.71% in 2020.



Corporate Information

Annual Meeting
The Annual Meeting of shareholders of Bar Harbor Bankshares will be held at 9:00 a.m. on Tuesday, May 17, 2022, 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:

Josephine Iannelli
Executive Vice President, CFO, Treasurer
207-667-0660

Internet
Bar Harbor Bank & Trust information, as well as Bar Harbor Bankshares Form 10-K, is available at www.barharbor.bank.

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:

Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, NY 11717
877-456-4860
www.shareholder.broadridge.com

Stock Exchange Listing
Bar Harbor Bankshares common stock is traded on the NYSE American (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 year ended 2021 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.

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
207-669-6784
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, 2021.

Please contact Investor Relations via U.S. mail at the address above or through email at investorrelations@barharbor.bank.

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