



**Bar Harbor Bankshares and Lake Sunapee Bank  
Group Combine to Create a Leading Northern  
New England Banking Institution**



May 5, 2016



Lake Sunapee Bank Group

# Safe Harbor Statement

## SAFE HARBOR

This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 about the proposed merger of Bar Harbor Bankshares (“Bar Harbor”) and Lake Sunapee Bank Group (“Lake Sunapee”). These statements include statements regarding the anticipated closing date of the transaction and anticipated future results. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like "believe," "expect," "anticipate," "estimate," and "intend" or future or conditional verbs such as "will," "would," "should," "could" or "may." Certain factors that could cause actual results to differ materially from expected results include delays in completing the merger, including as a result of delays in obtaining regulatory or shareholder approval, difficulties in achieving cost savings from the merger or in achieving such cost savings within the expected time frame, difficulties in integrating Bar Harbor and Lake Sunapee, increased competitive pressures, changes in the interest rate environment, changes in general economic conditions, legislative and regulatory changes that adversely affect the business in which Bar Harbor and Lake Sunapee are engaged, changes in the securities markets and other risks and uncertainties disclosed from time to time in documents that Bar Harbor and Lake Sunapee file with the Securities and Exchange Commission (“SEC”).

## ADDITIONAL INFORMATION ABOUT THE MERGER

In connection with the proposed merger, Bar Harbor will file with the SEC a Registration Statement on Form S-4 that will include a Joint Proxy Statement of Bar Harbor and Lake Sunapee and a Prospectus of Bar Harbor, as well as other relevant documents concerning the proposed merger. Investors and stockholders are urged to read the Registration Statement and the Joint Proxy Statement/Prospectus regarding the proposed merger when it becomes available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. A free copy of the Registration Statement and Joint Proxy Statement/Prospectus, as well as other filings containing information about Bar Harbor and Lake Sunapee, when they become available, may be obtained free of charge at the SEC’s Internet site ([www.sec.gov](http://www.sec.gov)). Copies of the Registration Statement and Joint Proxy Statement/Prospectus (when they become available) and the filings that will be incorporated by reference therein may also be obtained, free of charge, from Bar Harbor’s website at [www.bhbt.com/shareholder-relations](http://www.bhbt.com/shareholder-relations) or by contacting Bar Harbor Investor Relations at 888-853-7100 or from Lake Sunapee’s website at [www.lakesunapeebankgroup.com](http://www.lakesunapeebankgroup.com) or by contacting Lake Sunapee Investor Relations at 603-863-0886.

## PARTICIPANTS IN SOLICITATION

Bar Harbor and Lake Sunapee and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Bar Harbor and Lake Sunapee in connection with the proposed merger. Information about the directors and executive officers of Bar Harbor is set forth in the proxy statement for Bar Harbor’s 2016 annual meeting of stockholders, as filed with the SEC on a Schedule 14A on March 23, 2016. Information about the directors and executive officers of Lake Sunapee is set forth in the proxy statement for Lake Sunapee’s 2016 annual meeting of stockholders, as filed with the SEC on a Schedule 14A on March 28, 2016. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction and a description of their direct and indirect interests, by security holdings or otherwise, may be obtained by reading the Joint Proxy Statement/Prospectus and other relevant documents regarding the proposed merger to be filed with the SEC (when they become available). Free copies of these documents may be obtained as described in the preceding paragraph.

# A Strategically Compelling Transaction

## Strategic Rationale

- Expands footprint to new markets with favorable demographics
- Opportunity to partner with high performing institution with deep lending history, strong credit culture, and low cost deposits
- Trust subsidiary provides scale to fee income component
- Combined platform creates significant revenue and cross-selling opportunities (identified, not factored in projections)

## Attractive Financial Metrics

- Immediately accretive to EPS: 11.4%<sup>1</sup> in first year (2017); 17.3%<sup>1</sup> in 2018
- Maintain well-capitalized thresholds at closing
- 4.0 year tangible book value per share earn back<sup>2</sup>

## Low Risk

- Capitalizes on BHB's strategic investment in personnel and technology in anticipation of a transformative transaction
- Comprehensive due diligence process completed
- Retention of LSBG branding helps ensure continuity
- William J. McIver will join senior management team as Regional President
- Compatible cultures

1) Excludes merger related one-time costs

2) Earn back is defined as the number of years for pro forma tangible book value per share to exceed stand alone projected tangible book value per share

# Transaction Terms

|                                 |  |
|---------------------------------|--|
| <b>Aggregate Consideration:</b> | <b>Approximately \$143 million<sup>1,2</sup></b>                             |
| <b>Consideration Mix:</b>       | <b>100% Stock</b>  |
| <b>Per Share Consideration:</b> | <b>\$17.00 per share<sup>2</sup></b>   |
| <b>Board Composition:</b>       | <b>15 Total (Eleven BHB / Four LSBG)</b>                                     |
| <b>Approval Requirements:</b>   | <b>BHB &amp; LSBG Shareholder Approval<br/>Customary Regulatory Approval</b> |
| <b>Anticipated Closing:</b>     | <b>Late 4<sup>th</sup> Quarter 2016 / Early 1<sup>st</sup> Quarter 2017</b>  |
| <b>Pro Forma Ownership:</b>     | <b>BHB 59% / LSBG 41%</b>  |

1) Assumes 8,381,713 shares outstanding

2) Based on a fixed exchange ratio of 0.4970x and BHB's 10-day Volume Weighted Average Closing Price ("VWAP") of \$34.21

# Transaction Assumptions and Pricing

## Key Transaction and Model Assumptions

- One-time, pre-tax costs of approximately \$16.9 million
- Cost savings of 20% of LSBG's non-interest expense, or approximately \$10.1 million when fully phased in
- Gross credit mark of 1.0% of loans outstanding, inclusive of existing LSBG credit mark for previous transactions
- Core deposit intangible of 1.0% of LSBG's core deposits

## Transaction Value and Pricing Multiples

### Transaction Value

- Approximately \$143 million in the aggregate<sup>1,2</sup>
- \$17.00 per share<sup>2</sup>

### Price / Tangible Book Value

- 163% of March 31, 2016 tangible book value per share

### Price / LTM EPS

- 15.6x last twelve months earnings per share

### Core Deposit Premium

- 5.7% premium to core deposits<sup>3</sup>

1) Assumes 8,381,713 shares outstanding

2) Based on a fixed exchange ratio of 0.4970x and BHB's 10-day VWAP of \$34.21

3) Core deposits equal total deposits less jumbo CDs (>\$100,000)

# Overview of Lake Sunapee Bank Group

## Lake Sunapee Bank Group (NASDAQ: LSBG)

- **Lake Sunapee Bank Group**
  - \$1.6 billion in assets holding company for Lake Sunapee Bank, a federally chartered savings bank with 35 branch office locations
- **Diversified Revenue Stream**
  - Through its bank's four subsidiaries, LSBG's core product offerings include banking, insurance and wealth management services
  - \$1.5 billion AUM<sup>2</sup>
- **Low-Cost Deposit Base**
  - Community banking model producing a highly desirable deposit base with total cost of deposits of 0.32% in 1Q16

1) Financial information as of March 31, 2016. Market data as of May 4, 2016

2) As of December 31, 2015

Source: SNL Financial

## Quick Facts<sup>1</sup>

|                               |               |
|-------------------------------|---------------|
| <b>Founded:</b>               | 1868          |
| <b>Headquarters:</b>          | Newport, NH   |
| <b>Assets:</b>                | \$1.6 billion |
| <b>Loans:</b>                 | \$1.2 billion |
| <b>Deposits:</b>              | \$1.1 billion |
| <b>Market Capitalization:</b> | \$119 million |
| <b>TBV / Share:</b>           | \$10.45       |

## Three Year Stock Price Change<sup>1</sup>



# Overview of Bar Harbor Bankshares

## Bar Harbor Bankshares (NYSE MKT: BHB)

- **Bar Harbor Bank & Trust**
  - Commercial and retail banking services - 15 branch office locations throughout downeast, midcoast and central Maine
- **Bar Harbor Trust Services**
  - Trust and investment management to individuals, businesses, not-for-profit organizations, and municipalities
  - \$403 million AUM<sup>2</sup>
- **Bar Harbor Financial Services**
  - A third-party registered broker-dealer with approximately 5,000 client relationships offering securities and insurance products

1) Financial information as of March 31, 2016. Market data as of May 4, 2016

2) As of December 31, 2015

Source: SNL Financial

## Quick Facts<sup>1</sup>

|                               |                |
|-------------------------------|----------------|
| <b>Founded:</b>               | 1887           |
| <b>Headquarters:</b>          | Bar Harbor, ME |
| <b>Assets:</b>                | \$1.6 billion  |
| <b>Loans:</b>                 | \$1.0 billion  |
| <b>Deposits:</b>              | \$963 million  |
| <b>Market Capitalization:</b> | \$208 million  |
| <b>TBV / Share:</b>           | \$25.82        |

## Management Team

- Curtis C. Simard – President & CEO
- Gerald Shencavitz – EVP, Treasurer, CFO & COO
- Gregory W. Dalton – EVP, Business Banking
- Stephen M. Leackfeldt – EVP, Retail Banking
- Richard B. Maltz – EVP & Chief Risk Officer
- Joseph M. Pratt – President, Bar Harbor Trust Services



# Attractive Combined Franchise

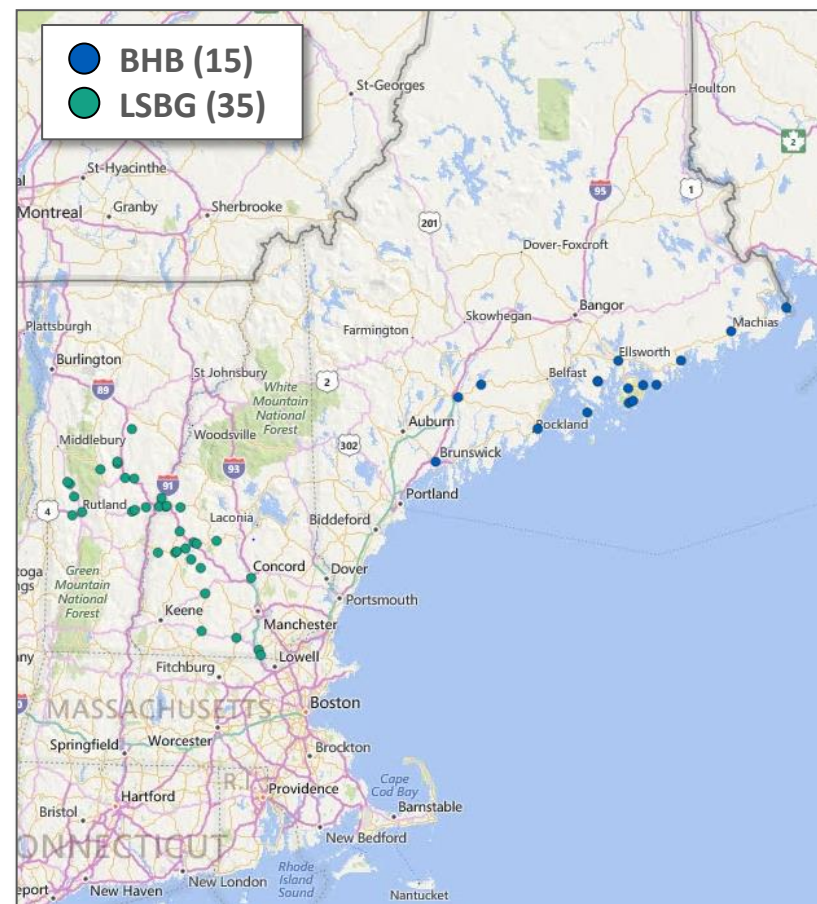
| (\$mm)   | BHB     | LSBG    | Pro Forma <sup>1</sup> |
|--|---------|---------|------------------------|
| <b>Balance Sheet 3/31/2016</b>                 |         |         |                        |
| Assets   | \$1,622 | \$1,564 | \$3,186                |
| Gross Loans                                    | \$1,007 | \$1,222 | \$2,229                |
| Deposits                                       | \$963   | \$1,141 | \$2,104                |
| <b>Market Capitalization and Branch Totals</b> |         |         |                        |
| Market Capitalization <sup>2</sup>             | \$208   | \$119   | \$352                  |
| Branches                                       | 15      | 35      | 50                     |
| <b>Trust &amp; Financial Services - 2015</b>   |         |         |                        |
| Trust AUM (As of 12/31/15)                     | \$403   | \$1,548 | \$1,951                |
| Total Revenue                                  | \$4     | \$8     | \$12                   |
| <b>Deposit Market Share</b>                    |         |         |                        |
| Maine:   | 9       | --      | 9                      |
| New Hampshire:                                 | --      | 8       | 8                      |
| Vermont:                                       | --      | 12      | 12                     |
| New England <sup>3</sup> :                     | 63      | 46      | 30                     |

1) Does not assume any purchase accounting adjustments

2) Market data as of May 4, 2016

3) New England defined as Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont

Source: SNL Financial, FDIC

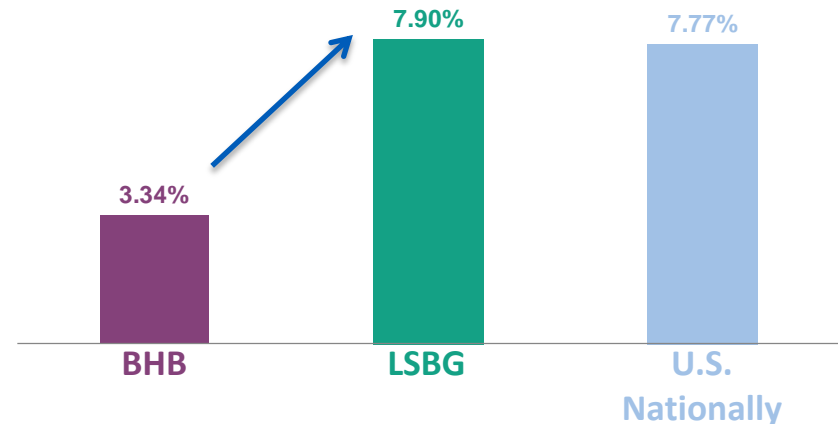




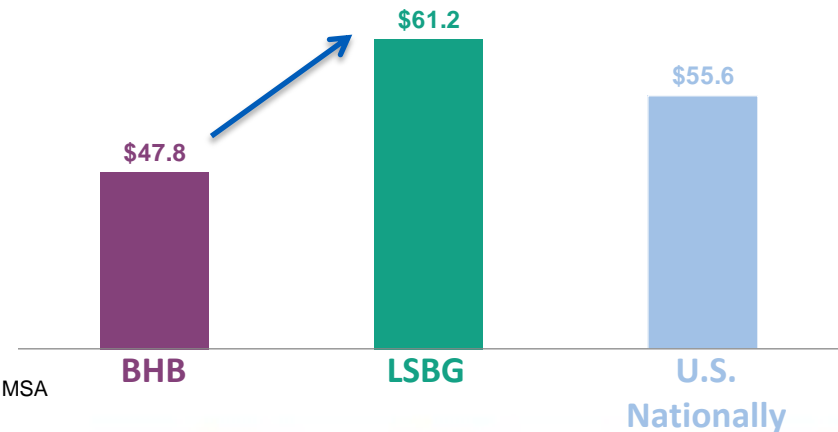
# Demographically Appealing Markets

- LSBG serves an affluent and growing target market, with median household income and projected household income growth outpacing that of both BHB and the U.S. nationally
- Expansion into New Hampshire and Vermont positions BHB in attractive markets across New England with affluent demographics and strong growth prospects
- Approximately 50 branches spanning three states across the northern New England region

## 2016 – 2021 Projected Household Income Growth



## Median Household Income (\$000)



Note: BHB and LSBG demographics deposit weighted by MSA + any counties not in a MSA  
Source: SNL Financial, Nielsen Estimates

# Contribution Analysis

| <i>(Dollars in Thousands)</i>                       |             |              |             |              |
|---|-------------|--------------|-------------|--------------|
| As of or for the last twelve months ended 3/31/2016 | BHB         | % Total      | LSBG        | % Total      |
| Total Assets  | \$1,622,493 | 50.9%        | \$1,563,960 | 49.1%        |
| Total Securities                                    | 532,919     | 75.8%        | 170,290     | 24.2%        |
| Gross Loans   | 1,006,562   | 45.2%        | 1,222,143   | 54.8%        |
| Total Deposits                                      | 962,575     | 45.7%        | 1,141,486   | 54.3%        |
| Tangible Common Equity                              | 155,212     | 63.9%        | 87,629      | 36.1%        |
| Net Interest Income (GAAP)                          | 45,172      | 52.1%        | 41,594      | 47.9%        |
| Noninterest Income                                  | 7,814       | 29.5%        | 18,644      | 70.5%        |
| Net Income  | 15,678      | 63.0%        | 9,195       | 37.0%        |
| Market Capitalization                               | 207,680     | 63.6%        | 118,937     | 36.4%        |
| <b>Pro Forma Ownership</b>                          |             | <b>59.0%</b> |             | <b>41.0%</b> |

Market data as of May 4, 2016  
Source: SNL Financial

# Pro Forma Financial Metrics and Valuation

- Projected cost saves in year one: **\$7.3 million<sup>1</sup>**
- Expected earnings accretion (2017): **10%+<sup>1,2</sup>**
- Projected cost saves in year two: **\$10.1 million<sup>1</sup>**
- Expected earnings accretion (2018): **15%+<sup>1,2</sup>**
- Estimated TBV earnback period: **4.0 years<sup>3</sup>**
- Pro Forma Price / Earnings ratio will be at significant discount to the 14.0x<sup>4</sup> where peers trade
- Pro Forma Price / TBV ratio will be below the peer median of 138%<sup>4</sup>

1) Approximately 20% cost savings of projected noninterest expense, 75% achieved in 2017, and full realization in 2018 and thereafter

2) Excludes merger-related one-time costs

3) Earn back is defined as the number of years for pro forma tangible book value per share to exceed stand alone projected tangible book value per share

4) Peer group defined as publicly-traded banks and thrifts headquartered in CT, ME, MA, NH, RI, and VT with total assets between \$1bn and \$5bn; median as of May 4, 2016

Source: SNL Financial

# Summary of the Transaction



Premium to Current Stock Price



Double Digit Earnings Accretion



Better Positioned for Organic Growth



Diversification of Business Model



Improved Liquidity



Equity Research Coverage



Retain Strong Capital Base





**Appendix:  
Lake Sunapee  
Bank Group**

# LSBG Historical Financial Information

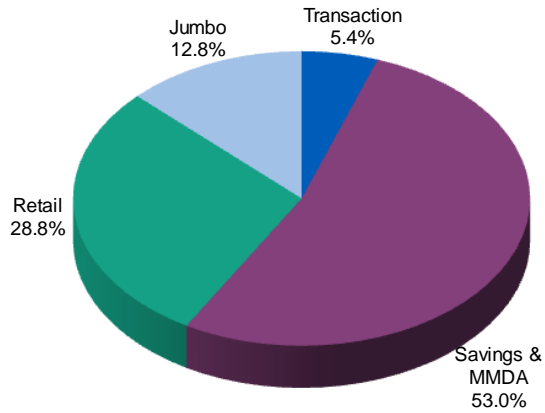
| <i>(Dollars in Thousands)</i>            | For the Year Ended December 31, |             |             |             | LTM Ended   |
|--|---------------------------------|-------------|-------------|-------------|-------------|
|  | 2012                            | 2013        | 2014        | 2015        | 3/31/2016   |
| <b><u>Consolidated Balance Sheet</u></b> |                                 |             |             |             |             |
| Total Assets                             | \$1,270,477                     | \$1,423,870 | \$1,503,786 | \$1,518,521 | \$1,563,960 |
| Total Gross Loans                        | 924,142                         | 1,144,547   | 1,218,114   | 1,228,554   | 1,222,143   |
| Total Deposits                           | 949,341                         | 1,088,092   | 1,152,714   | 1,157,352   | 1,141,486   |
| Tangible Common Equity                   | 67,683                          | 70,605      | 77,928      | 84,310      | 87,629      |
| Tang Common Equity/ Tang Assets          | 5.50%                           | 5.16%       | 5.37%       | 5.75%       | 5.80%       |
| <b><u>Profitability</u></b>              |                                 |             |             |             |             |
| Net Income                               | \$7,759                         | \$8,414     | \$10,040    | \$9,029     | \$9,195     |
| ROAA                                     | 0.69%                           | 0.66%       | 0.68%       | 0.61%       | 0.61%       |
| ROATCE                                   | 12.1%                           | 13.0%       | 14.7%       | 12.1%       | 12.0%       |
| Net Interest Margin                      | 2.85%                           | 2.97%       | 3.08%       | 2.99%       | 3.00%       |
| Efficiency Ratio                         | 70.5%                           | 73.4%       | 74.9%       | 74.9%       | 74.5%       |
| <b><u>Asset Quality</u></b>              |                                 |             |             |             |             |
| NPAs/ Assets                             | 2.02%                           | 1.57%       | 1.09%       | 0.91%       | 0.82%       |
| NCOs/ Avg Loans                          | 0.24%                           | 0.12%       | 0.12%       | 0.12%       | 0.11%       |
| Loan Loss Reserves/ Gross Loans          | 1.07%                           | 0.85%       | 0.76%       | 0.72%       | 0.71%       |

Source: SNL Financial



# Pro Forma Deposit Composition

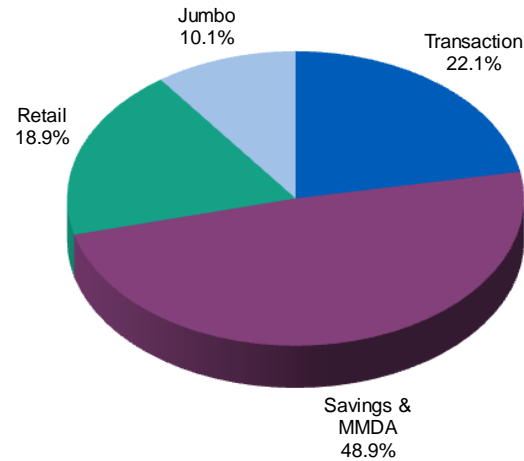
## BHB



Cost of Deposits: 0.66%

Loan / Deposit Ratio: 104.5%

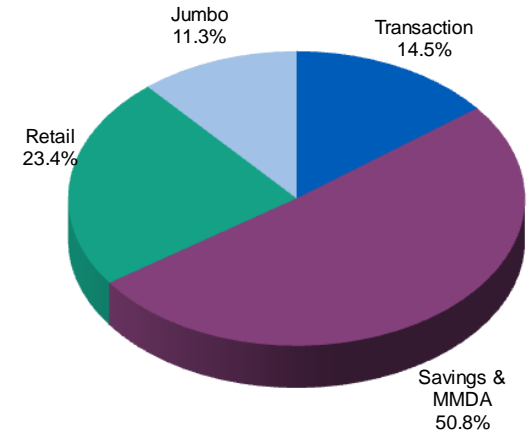
## LSBG



Cost of Deposits: 0.32%

Loan / Deposit Ratio: 106.1%

## Pro Forma Company<sup>1</sup>



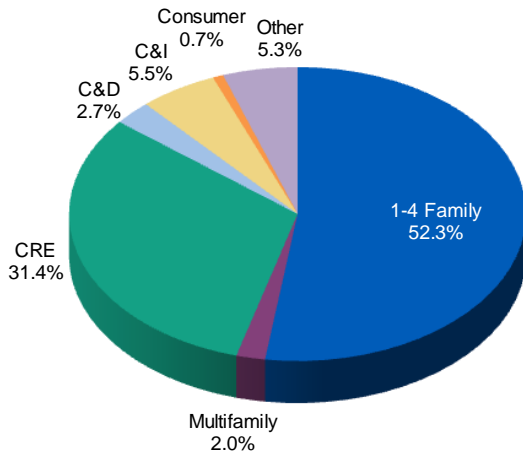
Cost of Deposits: 0.48%

Loan / Deposit Ratio: 105.4%

1) Does not assume any purchase accounting adjustments  
 Note: Bank level regulatory data as of 3/31/2016  
 Source: SNL Financial

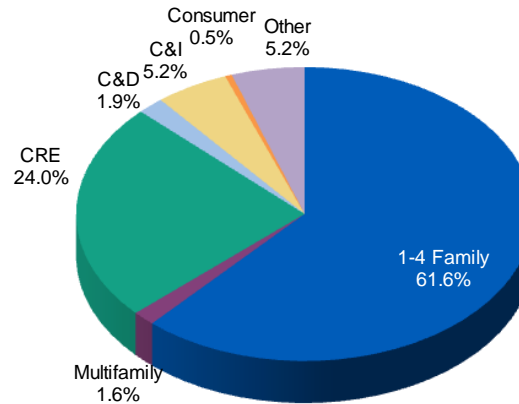
# Pro Forma Loan Composition

## BHB



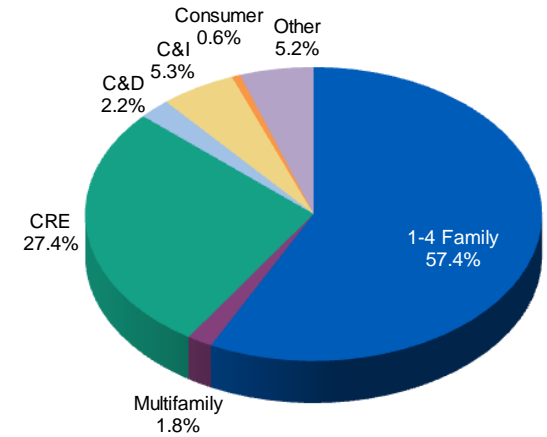
Yield on Loans: 3.99%

## LSBG



Yield on Loans: 3.76%

## Pro Forma Company<sup>1</sup>



Yield on Loans: 3.86%

1) Does not assume any purchase accounting adjustments

Note: Bank level regulatory data as of 3/31/2016

Source: SNL Financial





BAR HARBOR  
BANKSHARES