

# 2022 Annual Report

Good things happen

*When we work together.*



Personal Banking · Business Banking · Wealth Management

*Over 50 locations in Maine, New Hampshire & Vermont*





Good things happen

When we work together.

## We're Proud to be Nationally Recognized for our Commitment to our Shareholders, Customers, and Community



2022 Recipient of the Doing Well by Doing Good Award in the Mastercard Community Institutions Segment Awards



Recognized as one of America's Best Banks by Newsweek in collaboration with LendingTree



Named as a 2022 Best-in-State Bank by Forbes Magazine

Pictured above L-R: Sarah Catanese, VP Colleague & Customer Engagement Manager; Joshua Yarbrough, VP Community Banking Relationship Manager; Lisa Parsons, SVP Regional Market Manager; Steve Gurin, SVP Director of Community Banking; Krystal Jordan, VP Community Banking Relationship Manager; and Jack Frost, VP Director of Community Giving volunteering at Neighborhood House community center in Northeast Harbor, ME.

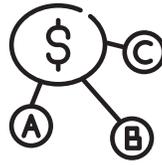
Cover images beginning at top left and going clockwise: Krystal Jordan, VP, Community Banking Relationship Manager, with Eric Beal, Owner of Marsh Cove Lobster Pound; aerial view of Manchester, NH; Daryl Wentworth, SVP, Director Middle Market Banking, with Justin Tait, Treasurer at Casco Bay Steel; Bar Harbor Bank & Trust Debit Card; Bar Harbor Wealth Management Office in Concord, NH; and aerial view of Bar Harbor, ME.

# Delivering Results in 2022



**1.16%**

Return on Assets (ROA)



**\$3.9B**

in Assets



**19%**

Year-over-Year  
Commercial Loan Growth



**\$3B**

in Deposits  
89% Core Deposits



**\$2.3B**

in Wealth Assets  
under Management



**53**

Full-Service  
Branches



**97 ATMs**

including 35 in  
Hannaford stores



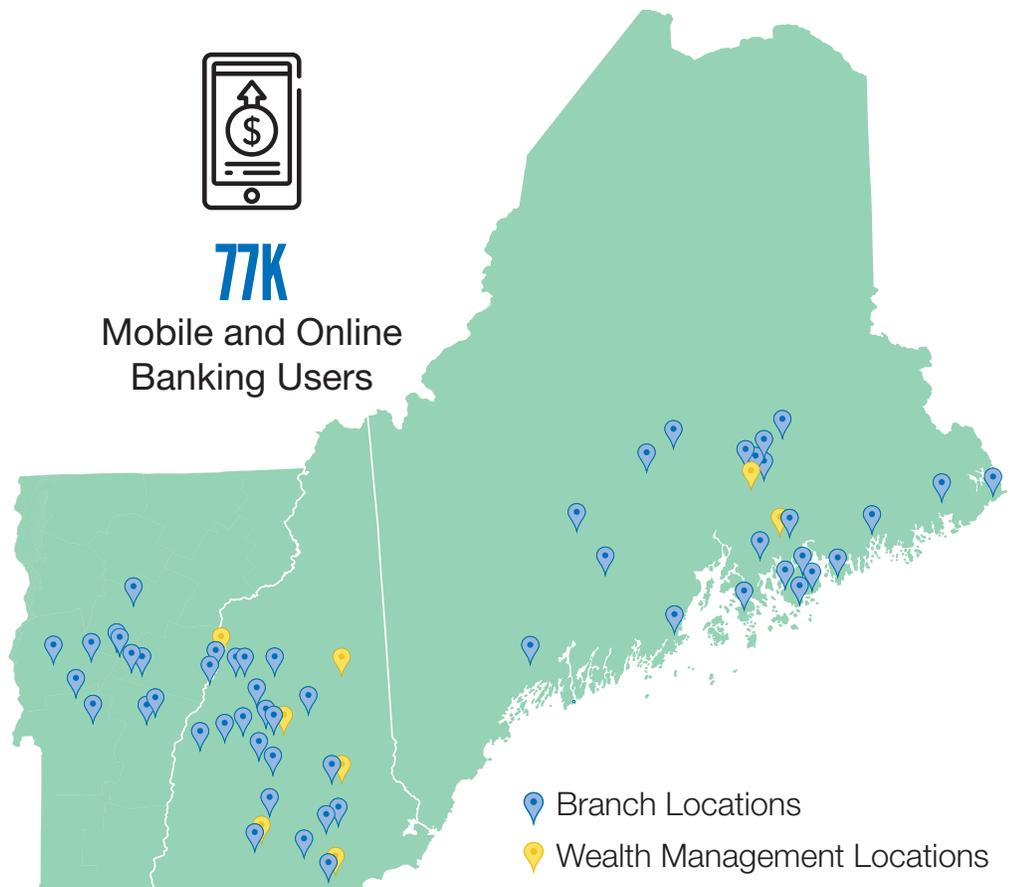
**77K**

Mobile and Online  
Banking Users



**400+**

Community  
Organizations  
Supported



# Letter to Shareholders

Greetings Fellow Shareholders,

I always enjoy sharing my views on our performance and communicating our strategy. Our colleagues are passionate about a business that many continue to think can be commoditized and minimized through technology. While technology has its place, we are inspired by a pretty impressive year of performance in which the soundness of our strategy demonstrated how versatile and resilient we are. We are relentlessly focused on balancing growth with earnings, having multiple earnings levers that can thrive in various market conditions, and are laser-focused on risk; past, present, and developing.

## 2022 Simplified

In the face of unclear economic conditions, we significantly increased our earnings year-over-year. We expanded our net interest margin materially as we recognized historic interest rate lows were unsustainable. We committed to a commercial focus that consistently reviews credit, experiences rate increases with markets, and reduces risk through transactional occurrences, even at the relationship level. We will always model our interest rate sensitivity well before market swings, whether severe or measured. We have messaged this strategy for some time, and our ability to increase margins by 100 basis points shows its merits.

We have always known that we have a great Bank with a deliberately assembled team that knows exactly what we want to be: a company that always thinks about culture, risk management, balanced growth, and aggressive calling. Our stock has had some of the best total returns in our peer group over the last three, five, and ten-year periods. We are not looking to reinvent banking but to be committed to time-tested strategies that evolve necessarily with digital experience and associated customer security. We proudly carry the Bar Harbor name and associated home ideals throughout Northern New England. It resonates. It's valued. It is hard working and values working with people, not making demands. That trust now extends its consistency in delivering performance, which is the barometer for publicly traded Banks of every size



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

throughout every cycle. We base our decisions on this fact and desire to be consistent and predictable in risk-taking, marketing, service standard, and technology adoption rates.

## What Works and Carrying that Throughout 2023

At Bar Harbor Bank & Trust, every interaction has a purpose, and every decision is calculated with an eye toward making this the best Bank for our customers, colleagues, and communities. We are increasingly using the phrase purposeful decision-making. We are not

chasing the “flavor of the day” or thinking something “might work.” Nothing at Bar Harbor happens by accident. Over the past few years, we have seen how our vision can take root, and 2022 separated us from the pack; in sustainable earnings performance, stock comparisons, and the impact of lasting and sincere culture. We plan to continue to improve further and expect more by not wavering from a plan founded on working together with clients, communities, and one another. We aim to be every customer’s primary Bank, make commercial loans, be superior in Wealth, and make residential loans that can be sold if that is best

for our balance sheet. What happens if you couple these “levers” with great attention to risk management, IT planning, functionality, and financial acumen with an appreciation for service and getting paid for our efforts? A different kind of organization is the result, regardless of industry.

## How Success is Defined

Consistency is the word that will define the winners from the losers. Anyone can be lucky, but successful organizations are consistent and predictable. Our goal has been to steer the Bank’s performance so that our metrics are a positive outlier compared to our peers. We aim to deliver these results consistently, quarter-over-quarter and year-over-year. Because of the thoughtful decisions, hard work, sales development, and unwavering focus on quality that occur consistently across the Bank, we can achieve the type of results we did in 2022. Consistency is and will be valued, especially in shareholder value standards.

## More Exciting News and Commitment

In addition to important performance standards, the Board and management are collectively focused on improving BHB in new ways. We have advanced our Casual for a Cause giving and are matching 50% of all employee donations to local charities; in addition to providing paid volunteer time to serve these organizations. We have provided increased guidance on our ESG efforts with a commitment to advancing all elements, including the growing concerns about long-term environmental impacts of all companies, large and small. We routinely publish our efforts in ESG based on defined targets so all constituents can track our progress. Toward this end, we are consolidating some facilities to reduce our environmental footprint and to be consistent with changing workforce practices introduced by a COVID environment. We will consolidate into a first-class campus for our Wealth, retail, and commercial customers while leveraging the collaborative workspace to show Hancock County what a vital organization we have evolved into over our 135 years. And it provides space for our growth while moving core technology to more advantageous locations, providing improved access redundancy. Consistent with our practices of a relentless pursuit of being a better bank, that now extends to profitability AND being the best citizen possible. We view them as connected rather than at odds.

## Culture is KING

In the face of sustained inflation and published workforce concerns, our Bank is **most** thankful for the commitment to advancing our unique and positive work culture. It drives the results, opens potential, and frankly makes life a whole lot more enjoyable at a time when we could all use it; and **our team** controls its direction. There is no ceiling on how to improve it each day, and we foster a performance-based pay structure that has us all aligned with one another and our valued shareholders. We do not take our environment for granted and communicate at every opportunity to protect it.

“We are inspired by a pretty impressive year of performance in which the soundness of our strategy demonstrated how versatile and resilient we are.”

## How Do We Beat 2022?

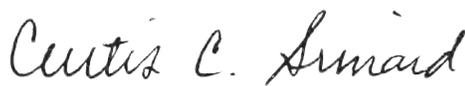
In closing, 2022 was a good year, but it did not happen accidentally. Coordinated hard work speaks volumes. While 2023 presents unique challenges, some yet to be known, and I have feared recession for some time, I am confident that we have the best employees, culture, and strategy in our markets. By flawlessly executing our strategy with attention to expenses and profitable growth, I am confident our team is fully committed to our always-present strategy of balancing growth with earnings. The strategy commits to consistent long-term performance and resulting shareholder value creation.

## A Well Deserved Thank You

In closing, I would like to acknowledge the retirement of Steve Dimick from our Board of Directors in May 2023. Steve's career included serving as a Randolph National Bank Board of Directors member from 1981-2013 and as a Director/President/CEO at Central Financial Corporation, which was ultimately part of our transformative Lake Sunapee Group acquisition. We are a better organization for the partnership and influence of Directors like Steve, who bring valuable experience while also challenging us to think about what the future requires. Like his fellow Directors, Steve has provided consistent guidance and supported a vision focused on the Northern New England markets that, while distinct, share many common values and ideals.

Thank you for your continued interest in and support of Bar Harbor Bankshares. Both matter to us immensely and are never taken for granted.

Respectfully,

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

# Consolidated Balance Sheets

Years Ended December 31, 2021 and 2022

(in thousands, except share data)	Years Ended	
	2022	2021
<b>ASSETS</b>		
Cash and due from banks	\$ 39,933	\$ 33,508
Interest-earning deposits with other banks	52,362	216,881
<b>Total cash and cash equivalents</b>	<b>92,295</b>	<b>250,389</b>
Securities available for sale, at fair value	559,516	618,276
Federal Home Loan Bank stock	14,893	7,384
<b>Total securities</b>	<b>574,409</b>	<b>625,660</b>
Loans held for sale	-	5,523
<b>Total loans</b>	<b>2,902,690</b>	<b>2,531,910</b>
Less: Allowance for credit losses	(25,860)	(22,718)
<b>Net loans</b>	<b>2,876,830</b>	<b>2,509,192</b>
Premises and equipment, net	47,622	49,382
Goodwill	119,477	119,477
Other intangible assets	5,801	6,733
Cash surrender value of bank-owned life insurance	81,197	79,020
Deferred tax assets, net	24,443	5,547
Other assets	87,729	58,310
<b>Total assets</b>	<b>\$ 3,909,803</b>	<b>\$ 3,709,233</b>
<b>LIABILITIES</b>		
<b>Deposits:</b>		
Demand	\$ 676,350	\$ 664,420
NOW	900,730	940,631
Savings	664,514	628,670
Money Market	478,398	389,291
Time	323,439	425,532
<b>Total deposits</b>	<b>3,043,431</b>	<b>3,048,544</b>
<b>Borrowing:</b>		
Senior	333,957	118,400
Subordinated	60,289	60,124
<b>Total borrowings</b>	<b>394,246</b>	<b>178,524</b>
Other liabilities	78,676	58,018
<b>Total liabilities</b>	<b>3,516,353</b>	<b>328,5086</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock, par value \$2.00; authorized 20,000,000 shares; issued 16,428,388 shares at December 31, 2022 and December 31, 2021	32,857	32,857
Additional paid-in capital	191,922	190,876
Retained earnings	243,815	215,592
Accumulated other comprehensive income	(58,340)	2,303
Less: 1,345,700 and 1,427,059 shares of treasury stock at December 31, 2022 and December 31, 2021, respectively	(16,804)	(17,481)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>393,450</b>	<b>424,147</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 3,909,803</b>	<b>\$ 3,709,233</b>

Refer to the Bar Harbor Bankshares 2022 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, 2020, 2021, and 2022

(in thousands)	Years Ended		
	2022	2021	2020
<b>INTEREST AND DIVIDEND INCOME</b>			
Loans	\$ 107,797	\$ 95,236	\$ 107,085
Securities and other	18,729	15,568	19,019
<b>Total interest and dividend income</b>	<b>126,526</b>	<b>110,804</b>	<b>126,104</b>
<b>INTEREST EXPENSE</b>			
Deposits	7,344	8,543	18,043
Borrowings	5,501	6,688	8,881
<b>Total interest expense</b>	<b>12,845</b>	<b>15,231</b>	<b>26,924</b>
Net interest income	113,681	95,573	99,180
Provision for credit losses	2,904	(1,302)	5,625
<b>Net interest income after provision for loan losses</b>	<b>110,777</b>	<b>96,875</b>	<b>93,555</b>
<b>NON-INTEREST INCOME</b>			
Trust and investment management fee income	14,573	15,179	13,378
Customer service fees	14,791	13,212	11,327
Gain on sales of securities, net	53	2,870	5,445
Mortgage banking income	1,580	6,536	6,884
Bank-owned life insurance income	2,000	2,179	2,007
Customer derivative income	310	1,010	2,503
Other income	2,014	1,275	1,412
<b>Total non-interest income</b>	<b>35,321</b>	<b>42,261</b>	<b>42,956</b>
<b>NON-INTEREST EXPENSE</b>			
Salaries and employee benefits	48,657	47,117	48,920
Occupancy and equipment	17,575	16,356	16,751
Loss (gain) on premises and equipment, net	10	378	(32)
Outside services	1,578	1,943	1,985
Professional services	1,612	1,756	2,060
Communication	880	912	892
Marketing	1,561	1,541	1,385
Amortization of intangible assets	932	940	1,024
Loss on debt extinguishment	—	2,851	1,351
Acquisition, conversion, and other expenses	266	1,667	5,801
Provision for unfunded commitments	1,758	177	45
Other expenses	16,424	14,870	14,678
<b>Total non-interest expense</b>	<b>91,253</b>	<b>90,508</b>	<b>94,860</b>
Income before income taxes	54,845	48,628	41,651
Income tax expense	11,288	9,329	8,407
<b>Net Income</b>	<b>\$ 43,557</b>	<b>\$ 39,299</b>	<b>\$ 33,244</b>
<b>EARNINGS PER SHARE</b>			
Basic	\$ 2.90	\$ 2.63	\$ 2.18
Diluted	\$ 2.88	\$ 2.61	\$ 2.18
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>			
Basic	15,040	14,969	15,246
Diluted	15,112	15,045	15,272

## 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



**Alison DiPaola**  
Senior Vice President  
Chief Human Resources  
Officer



**Jason Edgar**  
President Bar Harbor Wealth  
Management



**John Williams**  
Senior Vice President  
Chief Risk Officer



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



**Joseph Schmitt**  
Senior Vice President  
Chief Marketing Officer



### In Appreciation of 42 Years of Service

Having dedicated much of his career to the success of our industry, Steven H. Dimick will be retiring from the Board in 2023. Steve's local knowledge, industry expertise, and keen insights have been invaluable to our organization.

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

# Board of Directors



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



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



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



**Debra B. Miller**  
Londonderry, NH  
New Hampshire Community Loan  
Fund, Executive VP Strategic  
Partnerships & Philanthropy



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



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



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



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



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



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



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



**Scott G. Toothaker**  
Nashua, NH  
Marcum, LLP, Office Managing  
Partner

# 5 Year Summary of Financial Data

(in millions, except ratios and share data)

	2022	2021	2020	2019	2018
<b>BALANCE SHEET DATA</b>					
Total assets	\$ 3,910	\$ 3,709	\$ 3,724	\$ 3,669	\$ 3,608
Earning assets*	3,601	3,377	3,371	3,349	3,327
Investments	574	626	599	684	761
Loans	2,903	2,532	2,563	2,635	2,488
Deposits	3,043	3,049	2,906	2,696	2,483
Borrowings	394	179	336	531	724
Shareholders' equity	393	424	407	396	371
<b>RESULTS OF OPERATIONS</b>					
Net interest income	\$ 114	\$ 96	\$ 99	\$ 90	\$ 91
Non-interest income	35	42	43	29	28
Net revenue	149	138	142	119	119
Net income	44	39	33	23	33
<b>PER COMMON SHARE DATA</b>					
Basic Earnings	\$ 2.90	\$ 2.63	\$ 2.18	\$ 1.46	\$ 2.13
Diluted earnings	2.88	2.61	2.18	1.46	2.13
Dividends	1.02	0.94	0.88	0.86	0.79
Total book value	26.09	28.27	27.29	25.47	23.87
Tangible book value*	17.78	19.86	18.77	17.30	16.94
<b>PERFORMANCE RATIOS</b>					
Return on assets	1.16%	1.06%	0.88%	0.62%	0.93%
Adjusted return on assets*	1.17	1.10	0.93	0.82	0.99
Return on equity	10.91	9.50	8.29	5.82	9.22
Adjusted return on equity*	10.97	9.87	8.68	7.65	9.79
Return on tangible equity	16.28	14.46	13.02	10.86	14.29
Efficiency ratio*	59.26	61.29	61.71	64.95	59.27
Net interest margin	3.36	2.88	2.97	2.77	2.86
Adjusted net interest margin	3.35	2.93	2.93	2.77	2.86
Net charge-offs/average loans	(0.01)	0.01	0.07	0.03	0.05

\*Refer to the Bar Harbor Bankshares 2022 Annual Report on Form 10-K for a complete set of audited financial statements and accompanying notes.

## Corporate Profile as of December 31, 2022

- \$3.9 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 \$2.3 billion.

## Corporate Profile as of December 31, 2022

Ticker	NYSEAM: BHB
Stock price	\$32.09 per share
Market capitalization	\$483 million
Price to earnings ratio (full year 2022)	11.09X
Price to book value	122.82%
Price to tangible book value	180.20%
52 week price range	\$24.00 to \$33.11
Annualized dividend (Q1 2022)	\$1.04 per share
Dividend yield	3.25%
Shares outstanding	15.1 million
Average daily volume (full year 2022)	22,317 shares

# Summary Financial Results

## Executive Overview

- Net income was \$43.6 million, an increase of 11%, or 25% on a non-GAAP basis when excluding the accretion from Paycheck Protection Program (“PPP”) loan fees. The increase is primarily due to a benefit to net interest income as our assets repriced to higher rates and efficiency measures on non-interest expense.
- Diluted earnings per share was \$2.88, an increase of \$0.27 or 11%. Diluted earnings per share included a \$0.01 and \$0.30 benefit from PPP loans in 2022 and 2021, respectively.



- Return on assets increased to 1.16% from 1.06%. Return on equity was 10.91% compared to 9.50%. Both ratios include the benefit of higher net income and lower average balances related to unrealized losses on securities as noted below under the Financial Condition section.
- Net interest income was \$113.7 million, an increase of 19%. Net interest margin (NIM) was 3.36%, an increase of 48 basis points from the same period in 2021. The increase is primarily due to the repricing of variable rate assets and continued loan growth.
- The provision for credit losses was an expense of \$2.9 million mainly due to loan growth compared to a net benefit of \$1.3 million reflecting improved economic forecasts.
- Non-interest income was \$35.3 million, down from \$42.3 million primarily due to a \$5.0 million decrease in mortgage banking income and \$2.9 million of gains on security sales in 2021 that did not reoccur in 2022.
- Non-interest expense was \$91.2 million versus \$90.5 million. Prior year included a \$2.9 million loss on extinguishment of debt.
- Efficiency ratio improved to 59% from 61%, excluding the impact of PPP loans it improved 59% from 64%. The improvement in the ratio showcases our displaced approach to expense management.
- Total assets increased \$200.6 million to \$3.9 billion mainly due to strong loan growth offset in part by unfavorable fair value adjustments on our securities portfolio.
- Cash and cash equivalents decreased to \$92.3 million, from \$250.4 million principally due to self-funding loan growth in the first half of 2022.
- Securities were \$574.4 million, or 15% of total assets, compared to \$625.7 million, or 16% of total assets. Net unrealized losses were \$71.8 million, or 12% of gross securities, compared with a gain of \$2.6 million, or 0.4% of gross securities as fixed rate securities continued to reprice to higher interest rates. All securities are classified as available for sale preserving capital flexibility.
- Total loans grew 15% year-over-year as commercial loans increased 21%. Loan growth was generated across all of our footprint while adhering to selective criteria

and only experienced operators. We believe that the economy in Northern New England continues to be strong despite pressures from the broader economy.

- The ratio of the allowance for credit losses to total loans was 0.89%, decreasing from 0.90%, which reflects solid credit quality. Net charge-offs continue to be insignificant and each credit metric improved during the year.
- While deposit balances were consistent with 2021, we did see a decline during the fourth quarter of 2022 primarily in institutional accounts with low activity, which tend to be most rate sensitive.
- Borrowings increased to \$394.2 million from \$178.5 million as short-term funding was used to grow loans in the second half of 2022.
- Total book value per share was \$26.09 compared to \$28.27. Net unrealized security losses reduced book value per share by \$3.87. Tangible book value per share excluding net unrealized security losses (non-GAAP) increased 9% on annualized basis on net income offset by dividends to shareholders.
- We were selected by Newsweek Magazine from over 2,500 financial institutions as one of “America’s Best Banks” in recognition of our strong customer service performance and offerings. In addition, Forbes named us as a “Best-in-State Bank”, and we were also recognized by Mastercard with a “Doing Well by Doing Good” award in recognition of our community support efforts.

## FINANCIAL CONDITION

### Securities

Securities totaled \$574.4 million at year-end 2022 and \$625.7 million at year-end 2021. During 2022, security purchases totaled \$109.0 million and were offset by \$7.1 million of sales and \$73.7 million of maturities, calls, and pay-downs of amortizing securities. There were \$11.0 million of purchases and \$3.5 million in sales of FHLB stock during the year. Fair value

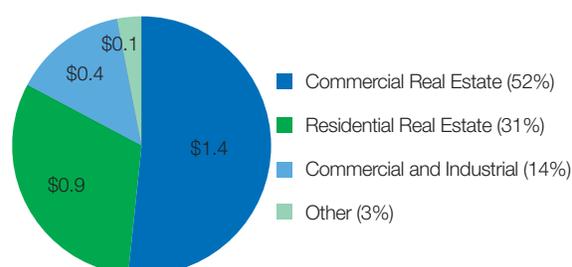
adjustments decreased the security portfolio by \$71.8 million in 2022 compared to a \$2.8 million unrealized gain in 2021. Unrealized gains shifted to loss position in 2022 due to changes in the long-term treasury yield curve. The weighted average yield of the securities portfolio was 2.99% as of December 31, 2022 compared to 2.63% at year-end 2021. At the end of 2022, our securities portfolio had an average life of 9.4 years with an effective duration of 5.0 compared to an average life of 5.3 years with an effective duration of 4.2 years at the end of 2021. The extension of duration during 2022 was driven by the increase in rates. All securities remain classified as available for sale to provide flexibility in loan funding and management of our cost of funds.

### Loans

Loans increased by \$370.8 million from year-end 2021 or 15%. The increase was the net result of the strategy to grow commercial portfolios. Total commercial loans were \$1.8 billion in 2021 when excluding PPP loans, which was driven mostly from new relationships in commercial real estate fixed-rate products. Total residential loans increased 3% or \$25.5 million from year-end 2021, as we placed more originations on the balance sheet instead of selling into the secondary market. Residential loan origination volume in 2022 is significantly down as compared to the respective period of 2021 on lower refinancing activity due to increasing market rates.

### Loan Composition

As of December 31, 2022 (\$ in billions)



### Allowance for Credit Losses

The ACL was \$25.9 million at the end of 2022 compared to \$22.7 million at year-end 2021. The increase is primarily due to the loan portfolio growth. Non-accruing loans

decreased to \$6.5 million, or 0.23% of total loans at the end of 2022 from \$10.2 million or 0.40% of total loans at year-end 2021. The ratio of accruing past due loans to total loans improved to 0.09% of total loans from 0.32%. Total delinquent and non-accruing loans as percentage of total improved to 0.32% from 0.72%. Net charge-offs continue to be historically low with a new recovery of \$238 thousand in 2022 compared to a net charge-off of \$209 thousand in 2021.

### Deposits and Borrowings

Total deposits were \$3.0 billion at the end of 2022 and 2021. Non-maturity deposits increased \$97.0 million in 2022, or 4% due to growth in new accounts with over 2,460 new accounts opened. Time deposits decreased \$102.1 million to \$323.4 million at year-end 2022 versus \$425.5 million in 2021. \$178 million of brokered deposits matured in 2021 and were not replaced due to excess liquidity. Retail time deposits decreased \$63.0 million as customers moved funds to transactional accounts upon contractual maturity. Total borrowings increased by \$215.6 million at December 31, 2022 primarily due to funding loan growth opportunities.

### Derivative Financial Instruments and Other Liabilities

Other liabilities totaled \$78.7 million at the end of 2022 compared to \$58.0 million as of December 31, 2021. The \$20.7 million increase primarily reflects a \$10.1 million increase in capital commitments on limited partnership investments, a \$6.4 million net increase in customer loan swaps, and a \$4.2 million variable rate loan hedge increase due to higher interest rates compared to 2021. The net fair value of all derivatives was an asset of \$4.8 million at the end of 2022 compared to \$1.1 million liability at year-end 2021. The increase in net derivative fair values reflects the rise in long-term interest rates.

Unused credit lines grew at the end of 2022 increasing reserves by \$1.7 million, which are also recorded in other liabilities.

### Equity

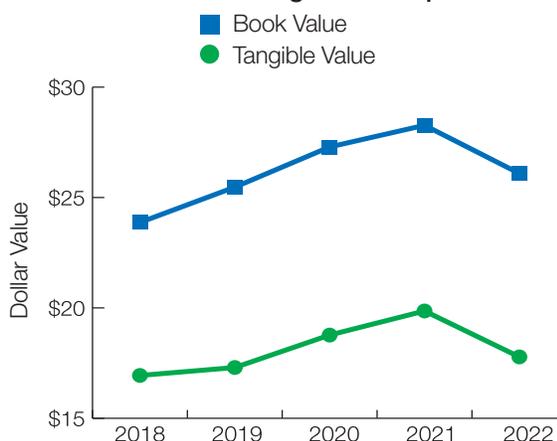
Total equity was \$393.5 million at year-end

2022, compared with \$424.1 million at year-end 2021. Book value per share was \$26.09 as of December 31, 2022 compared with \$28.27 at December 31, 2021. Equity included net unrealized losses on securities, derivative, and pension revaluations, net of tax, totaling a \$58.3 million loss at the end of 2022 compared to a \$2.3 million gain at year-end 2021.

During 2022 and 2021, the Company declared and distributed regular cash dividends on its common stock in the aggregate amounts of \$15.3 million, respectively. The Company's 2022 dividend payout ratio amounted to 35%, compared with 36% in 2021. Total cash dividends paid in 2022 was \$1.02 per common share of stock, compared with \$0.88 in 2021.

The Company and the Bank remained well-capitalized under regulatory guidelines at period end.

#### Book and Tangible Value per Share



## RESULTS OF OPERATIONS

### Net Interest Income

Net interest income for 2022 was \$113.7 million compared with \$95.6 million in 2021. The net interest margin was 3.36% in 2022 compared to 2.88% in the prior year. The 2022 adjusted net interest margin (non-GAAP measure), which excludes PPP loans was 3.35% versus 2.93% in 2021. Acceleration of PPP loan fee amortization due to forgiveness contributed 1 basis point to NIM in 2022 and 14 basis points in the same period of 2021. Interest-earning cash balances, held mostly at the Federal Reserve Bank, reduced NIM by

5 basis points in the year and 19 basis points in 2021. The yield on earning assets totaled 3.73% compared to 3.33% in 2021. Excluding the impact of PPP and excess cash, the yield on earning assets totaled 3.79% and 3.42% for the same periods. The yield on loans was 3.98% in 2022 and 3.78% in 2021. Excluding PPP loans the yield on loans was 3.97% in 2022, and 3.62% in 2021. Costs of interest-bearing liabilities decreased to 0.52% from 0.59% in 2021 due to decreased core deposit levels offset by increased deposit rates.

### Provision for Credit Losses

The provision in 2022 was a \$2.9 million expense versus a recapture of \$1.3 million in 2021. The expense is primarily attributed to the 15% loan growth in 2022. Overall credit quality remains strong and credit quality metrics improved with decreases in non-accruing and past due loans. The benefit in 2021 is primarily due to a partial recapture of the Day 1 CECL allowance that was established January 1, 2021 given steady improvements in most macroeconomic drivers to the ACL during that year.

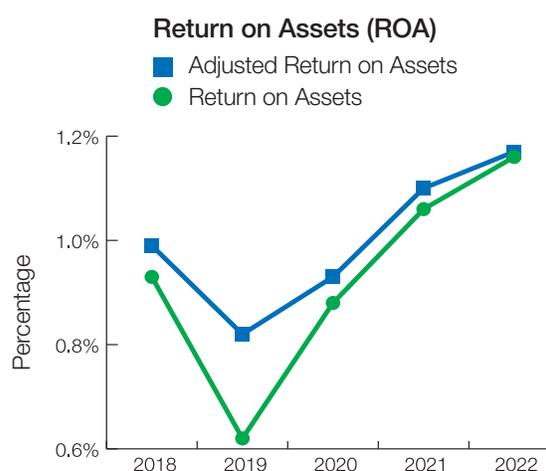
### Non-Interest Income

Non-interest income in 2022 was \$35.3 million compared to \$42.3 million in 2021. Trust management fees were \$14.6 million in 2022 compared to \$15.2 million in 2021 due to lower market valuation of assets under management (“AUM”). While assets under management were \$2.3 billion compared to \$2.5 billion in 2021, we added more than \$132 million of new account balances. We believe that we have a strong wealth management group and are well positioned to realize an organic lift as market valuations return. Customer service fees increased 12% to \$14.8 million in 2022 due to higher transaction volumes associated with 2,460 net new core accounts that opened during the year. The Company sold securities resulting in gains of \$53 thousand in 2022 compared to \$2.9 million during 2021. Mortgage banking income decreased to \$1.6 million from \$6.5 million in 2021 primarily driven by the rate environment and lower loan sales.

### Non-Interest Expense

Non-interest expense was \$91.3 million in 2022 compared to \$90.5 million in 2021. Salaries and benefits expense increased \$1.5 million to \$48.7 million in 2022 due to a \$1.5 million increase in incentive accruals on stronger performance metrics and a \$1.5 million decrease in deferred loan origination costs driven by lower residential loan volume. Those additional costs in 2022 were offset in part by a \$767 thousand benefit from the revaluation of post-retirement plan liabilities as discount rates increased throughout the year, and \$539 thousand in savings from employee insurance and other benefit plans.

The provision for credit losses on unfunded commitments increased \$1.6 million due to higher commercial construction unused lines of credit. Other expenses increased \$1.7 million in 2022 due to a \$352 thousand one-time charitable contribution and a \$1.4 million increase in various operating expenses including travel, software and statement processing and postage. The increases were offset with a \$4.1 million decrease in non-recurring expenses. Non-recurring expenses in 2022 were mostly contract renegotiation costs totaling \$267 thousand compared to \$4.9 million in 2021 which included a \$2.9 million prepayment penalty on debt extinguishment and \$1.4 million in reduction in workforce expenses.



## Corporate Information

### Annual Meeting

The Annual Meeting of shareholders of Bar Harbor Bankshares will be held at 10:00 a.m. on Thursday, May 18, 2023, 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](http://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](http://www.shareholder.broadridge.com)

### Stock Exchange Listing

Bar Harbor Bankshares common stock is traded on the NYSE American ([www.nyse.com](http://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 2022 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, 2022.

Please contact Investor Relations via U.S. mail at the address above or through email at [investorrelations@barharbor.bank](mailto:investorrelations@barharbor.bank).



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