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Richard R. Fox, *Chairman of the Board*
William R. Weir, Jr., *President, CEO*
Arthur G. Corliss, Jr., *Vice President, Treasurer*
Nancy L. Sawyer, *Assistant Treasurer*
Sharon L. Kelley, *Mortgage Loan Processor*
Ardette D. Spear, *Teller*

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Henry W. Brown
Richard V. Collier
Donald J. Cote
Richard R. Fox, *Chairman*
James E. McFarland
Norman P. Shaw
Peter W. Smallidge
William R. Weir, Jr., *Clerk*
Lee S. Wilbur



FINANCIAL STATEMENT
December 31, 2003

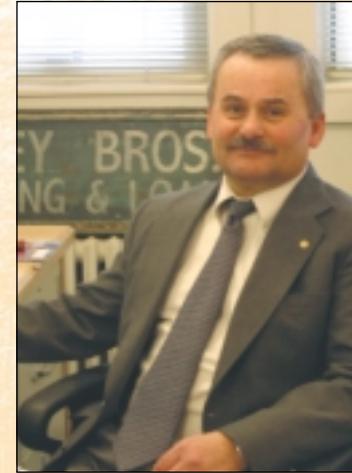
**Up-to-date banking,
old-fashioned
personal service**

Letter from the President

It is my pleasure to welcome you to the 102nd annual meeting of the Bar Harbor Savings and Loan Association. The Association had another fine year in 2003 with record profits, as the annual financial report will indicate. We were able to increase the loan portfolio by 34% while keeping delinquencies low. Total deposits increased by 19% and total assets increased by 24%.

Success is only possible if everyone works as a team. Bar Harbor Savings and Loan has a great team. From Directors to officers and staff, we are small, united and strong. Customer service is most important because our customers are also our members. Our members help manage the Association.

Sadly, in the past year, the Association and community of Bar Harbor lost a true friend and Renaissance man, Judge Edwin Smith. He was the person who first introduced me to the community of Bar Harbor, its Rotary club, and ultimately the



“As we look toward the future, with all its challenges and many opportunities, we must be willing to change what must be changed and keep our traditional core values true.”

—William R. Weir, Jr.
President and CEO

directors of this Association. Thanks to him, I stand in front of you here today. He never wavered with his excellent advice and support for me and our directors, officers and employees. It is with great honor and gratitude that I dedicate this annual report to Judge Edwin Smith for his many fine years of service to this Association and the greater MDI community.

In 2003, I chose three objectives, which I felt were critical to the Association's continued success in future years. They are as follows with current updates:

To begin offering IRAs as an investment product. IRAs were offered on a limited basis in late 2003 and will be a major emphasis for us in 2004. They are an excellent way to increase our long-term deposits and aid our members in retirement planning.

Create and maintain a Bar Harbor Savings and Loan home page on the Internet. The home page www.bhsla.com is up and running! Please take a look and give us your comments.

Continue capital improvements to the Association's building as they are needed or defined. A new bathroom was installed in apartment #4 with updates of safety equipment and a new front door to the office. Other improvements will be ongoing through 2004.

This year I have two objectives that will be extremely important in the future of the Association.

Conversion of all loan and deposit data beginning in April 2004 to a new off site processing system. We recently contracted with a specialized company to manage our core processing. This will allow for better customer service, new products and full governmental compliance.

A new, innovative advertising campaign in local newspapers, on the Internet and in our new brochures projecting our products and service. We want the people in our community to learn that our rates, service and dedication are second to none!

We have a great organization here at Bar Harbor Savings and Loan. A mutual saving and loan association must place people before profit. By doing our jobs well in serving our members, we make a real difference in our local business community. As we look toward the future, with all its challenges and many opportunities, we must be willing to change what must be changed and keep our traditional core values true.

Respectfully Submitted,

William R. Weir, Jr.
President & CEO



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BHSLA 2003

Art Corliss was named Vice President and Treasurer for 2004.



Ardette Spear, Sharon Kelley and Nancy Sawyer keep things going smoothly.



This year's annual report is dedicated to Judge Edwin Smith, former CEO and longtime member.



Dick Collier has been newly appointed to the Board of Directors.



Halloween elves, ghosts and other mysterious creatures are always a treat when they come through our door.



A record turnout at the 102nd annual meeting listens as Mr. Nickerson reviews the financial statement recording a profitable year.

- Being part of our community**
- Maintaining tradition and integrity**
- Providing efficient, friendly service**
- Technological growth**

Statement of Condition

December 31, 2003

Assets

	2002	2003
First Mortgage Loans	\$15,224,857.40	\$20,418,175.00
Share Loans to Members secured by members' own accounts	65,330.75	93,350.00
Federal Home Loan Bank Stock	559,463.20	573,955.20
U.S. Government and Agency Securities	0.00	0.00
Cash on Hand in Banks	32,909.42	91,406.29
Other Investments	1,959,008.14	1,073,159.21
Office Building and Land	483,550.29	479,112.05
Furniture and Equipment	23,141.70	22,367.89
Other Assets	115,622.30	108,938.37
Total Assets	\$18,463,883.20	\$22,860,464.01

Liabilities and Reserves

Shareholders' Savings Accounts entrusted to us by our members	\$14,152,823.33	\$16,817,879.95
Due to Borrowers	266,192.17	1,058,437.16
Borrowed Money	0.00	761,187.83
Other Liabilities	259,794.66	216,816.53
Guaranty Fund Reserve Accounts	3,785,073.04	4,006,142.54
Total Liabilities and Reserves	\$18,463,883.20	\$22,860,464.01

Mission Statement

Bar Harbor Savings and Loan Association's mission is to provide every customer with the best personal service and attentiveness possible. We will provide our customers within our business area with competitive deposit and loan services. The Association's business area consists of the communities of Mount Desert Island along with the additional towns of Swans Island, Frenchboro, Cranberry Isles, Trenton, Lamoine, Hancock, Surry and the City of Ellsworth.

Our mission is to provide mortgage loans primarily to individuals seeking to purchase, build or refinance their homes while giving a competitive rate of return for all funds deposited with us and used for this purpose. Our emphasis is on affordable single-family homes.

This will be accomplished by focusing on our core products— passbook savings accounts, money market deposit accounts, certificate of deposit accounts, conventional mortgage loans and secured consumer loans. We will discourage acceptance of deposit accounts from outside our business area and will continue to keep and service all our mortgage loans.

In following this mission, Bar Harbor Savings and Loan Association will be able to maintain steady growth, profitability and a strong capital position necessary to continue business into the future.