

Officers and Staff

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

Directors

Richard V. Collier
Donald J. Cote
Richard R. Fox, Chairman
James E. McFarland
Robert L. Shaw
Peter W. Smallidge
William R. Weir, Jr., Clerk
Lee S. Wilbur



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Bar Harbor, Maine 04609



FINANCIAL STATEMENT
December 31, 2004

**Up-to-date banking,
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Bar Harbor
**SAVINGS
& LOAN**
YOUR COMMUNITY BANK SINCE 1902

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Letter from the President

It is always a pleasure to welcome you to the annual meeting of the Bar Harbor Savings and Loan Association. We welcome all of our members to these important meetings. Bar Harbor Savings and Loan is a mutual Association governed by a board of directors who are elected for three-year terms directly by you, the membership. All officers of the Association must be elected each year and serve at the pleasure of the board. Our Association by-laws, policies and community reinvestment information are available to any member for review.

The Association had another fine year in 2004 with good earnings and asset growth. The financial report as presented by the Association's auditor shows a continuation of our trend of growth, with assets now up over \$10 million from what they were in the year 2000.



"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."

—William R. Weir, Jr.
President and CEO

Last year was a year of both challenge and continued growth for your Association. I cite the following three examples:

- We successfully transferred our core computer processing operations from our outdated in-house system to a company in Connecticut called COCC. This was necessary to offer better service to our customers and meet the ever-increasing compliance criteria of our examiners. I would like to thank our staff for their hard work and our members for overlooking any inconveniences during the transition period.
- We entered into a working relationship with a local architect to finish measuring and charting the building so we may better utilize both the office and rental areas, while renovating the plumbing and heating systems.
- The Association recently received the results of a mass mail survey—believed to be the first in our 102 years of business—that was sent to all its members. We had two basic goals: to find out if our members were satisfied with the present level of service and to discover what they might like in the future. I am pleased to report that the response was both overwhelming and extremely positive. These results will be used to plan future products and services.

In closing, I would like to sincerely thank the two retiring members of the Association's board of directors for their many years of service—Henry Brown and Norman Shaw. I will miss the guidance that they both have given me and hope that they will continue to be an important part of the membership.

Respectfully submitted,

William R. Weir, Jr.
President & CEO

Sharon Kelley helps collect gifts for the cats and dogs at the Southwest Harbor Animal Shelter.



Art Corliss, as treasurer of the Elks Club, gives a check to Sharon Smythe to benefit the Bar Harbor Food Pantry.



Bill Weir, president of Island Connections, helps out at the second annual picnic, which served more than 100 people.



Volunteering helps keep us in touch with local issues, people and the spirit of the community.



Nancy Sawyer volunteers for Habitat for Humanity as treasurer, and helps with fundraising as well as hands-on work.



Ardette Spear is active on the board of directors of Jesup Memorial Library, and donates many hours shelving books and helping out at the annual book sale.

Norman Shaw and Henry Brown have retired from the board of directors after many years of dedicated service.

Robert Shaw is the fourth member of his family to be elected to the board.



Henry Brown



Norman Shaw



Robert Shaw

Statement of Condition

December 31, 2004

| | 2003 | 2004 |
|--|------------------------|------------------------|
| Assets | | |
| First Mortgage Loans | \$19,359,737.84 | \$23,207,941.01 |
| Share Loans to Members secured by members' own accounts | 93,350.00 | 100,275.00 |
| Federal Home Loan Bank Stock | 145,800.00 | 158,700.00 |
| Federal Home Loan Mortgage Corp. | 428,155.20 | 541,252.80 |
| U.S. Government and Agency Securities | 0.00 | 0.00 |
| Cash on Hand in Banks | 91,406.29 | 47,688.56 |
| Other Investments | 1,073,159.21 | 2,042,013.24 |
| Office Building and Land | 479,112.05 | 461,407.05 |
| Furniture and Equipment | 22,367.89 | 19,881.85 |
| Other Assets | 108,938.37 | 139,349.57 |
| Total Assets | \$21,802,026.85 | \$26,718,509.08 |
| Liabilities and Reserves | | |
| Shareholders' Savings Accounts entrusted to us by our members | \$16,817,879.95 | \$20,173,480.37 |
| Borrowed Money | 761,187.83 | 2,017,035.21 |
| Other Liabilities | 216,816.53 | 234,057.01 |
| Guaranty Fund Reserve Accounts | 4,006,142.54 | 4,293,936.49 |
| Total Liabilities and Reserves | \$21,802,026.85 | \$26,718,509.08 |

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.