

NORTHEAST BANCORP /ME/  
Form FWP  
May 03, 2012

Investor Presentation:  
Common Stock Offering  
NASDAQ: NBN  
May 2012  
Filed  
Pursuant  
to  
Rule  
433  
Registration  
No.  
333-180215  
Issuer  
Free  
Writing  
Prospectus  
dated  
May  
3,  
2012

Relating  
to  
Preliminary  
Prospectus  
dated  
May  
3,  
2012

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Safe  
Harbor  
Regarding  
Forward-Looking  
Statements  
DISCLAIMER  
Free  
Writing  
Prospectus  
Statement

This presentation contains certain forward-looking statements about Northeast Bancorp (the Company) within the meaning of Section 27E of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, such as statements of

including the redemption of Series A preferred stock. Forward-looking statements, which are based on various assumptions (some outside the Company's control), may be identified by reference to a future period or periods, or by the use of forward-looking terminology such as expect, estimate, anticipate, continue, plan, approximately, intend, objective, goal, project, or other similar terms, or the future or conditional verbs such as will, may, should, could, and would. Actual results could differ materially from those expressed or implied by such forward-looking statements as a result of, among other factors, the factors referenced in the Registration Statement under the heading "Risk Factors": changes in interest rates and real estate values; competitive pressures from other financial institutions; a continuing deterioration in general economic conditions on a national basis or in the local markets in which the Company operates; factors which adversely affect borrowers' ability to service and repay the Company's loans; changes in loan defaults and charge-off ratios; changes in the value of securities and other assets, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans; increasing government regulation, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; changes in the Company's participation for the TARP Capital Purchase Program promulgated by the U.S. Department of the Treasury under the Emergency Economic Stabilization Act of 2008, which may be changed unilaterally and restrictively by legislative or regulatory actions; establishment of a new consumer protection bureau with the broad authority to implement new consumer protection regulations; the risk that the Company may not be successful in the implementation of its business strategy; and changes in assumptions used in making such forward-looking statements. Forward-looking statements speak only as of the date on which they are made. The Company does not undertake any obligation to update or revise any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made. The Company has filed a registration statement (including a prospectus) with the SEC (File No. 333-180215) for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents filed with the SEC for more complete information about the Company and the offering. You may obtain these documents with the Company's Form FWP on EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Alternatively, copies of the prospectus relating to the offering may be obtained from the Company, Partners, L.P., 1251 Avenue of the Americas, 6th Floor, New York, NY 10020, (866) 805-4128.

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Offering Summary

Issuer:

Ticker/Exchange:

Offering:

Type of Security:

Primary Shares to be Issued by NBN:

Secondary Shares to be Sold by R3 FHB Master, L.P. :

Total Shares:

Over-Allotment Option:

Northeast Bancorp (the Company )

NBN / NASDAQ Global Market

Follow-on Public Offering

Primary and Secondary Shares of Voting and Non-Voting<sup>1</sup>

Common Stock

4,760,000 Shares

149,952 Shares

4,909,952 Shares

15%

Sole Book-Running Manager:

Sandler O'Neill + Partners, L.P.

Use of Proceeds:

The Company intends to contribute the net proceeds to the capital of Northeast Bank, where it is expected to be used for general corporate purposes, including leveraging Northeast Bank's balance sheet to allow for loan purchases, organic loan growth and investment in securities.

The Company, subject to regulatory approval

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, also intends to use a portion of the

net proceeds to redeem some or all of the outstanding shares of Series A preferred stock issued to the U.S. Treasury under the TARP Capital Purchase Program.

The Company will not receive any proceeds from the sale of shares of common stock by the selling shareholder.

(1)

Certain investors may elect or be obligated to hold shares of non-voting common stock under the Company's articles of incorporation.

(2)

The Company

must

establish,

to

its

regulators

satisfaction,

that

it

has

met

all

of

the

conditions

to

repurchase

and

must

obtain

the

approval

of

the

Federal

Reserve,

which  
it  
has not  
yet  
sought;  
if  
the  
Company  
does  
redeem  
all  
of  
the  
Series  
A  
preferred  
stock,  
it  
may  
also  
negotiate  
a  
repurchase  
of  
the  
TARP  
warrant

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Former members of FHB Formation LLC own  
approximately 60% of Company's  
outstanding common stock  
FHB Formation LLC Merger Into Northeast Bancorp  
FHB Formation LLC  
Management team with an established track  
record in the loan acquisition business  
(Capital Crossing Bank)  
Northeast Bancorp  
Established in 1872 in Maine  
Seasoned community bank  
management team



Merged  
December 29,  
2010

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Executive Summary

In December 2010, an investment group acquired a majority stake in Northeast Bancorp and implemented a new business plan focused on purchasing commercial loans

New management team consists of seasoned professionals with an established track record of success and time together in the loan acquisition business

Newly-installed board of directors is committed to executing the business plan

Loan Acquisition and Servicing Group has in-house capabilities for all aspects of

secondary loan market acquisitions and management, and is uniquely positioned to acquire performing loans at attractive risk-adjusted returns

Funding

for

growth

available

from

opportunities

within

Community

Bank's

branch

footprint, with additional potential from the recently-launched ableBanking online affinity deposit platform

The Company has made significant investments in infrastructure and personnel to support growth plans

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Claire Bean

Chief Financial Officer & Chief  
Operating Officer

Heather Campion

Chief Administrative Officer

Richard Wayne

President & Chief Executive Officer

Experienced Management Team

Co-founded Capital Crossing Bank in 1988

Served as President and Co-Chief Executive Officer of Capital Crossing Bank from 1991 until

sale in February 2007

Capital Crossing Bank was a national leader in the purchase and management of commercial loans

25-year record in financial services in the Greater Boston area -  
Benjamin Franklin  
Bancorp , Grove Bank and Lighthouse Bank (internet bank)

Experience focused on balance sheet management, strategic planning, financial management, commercial credit oversight, operations and information technology

Former Group Executive Vice President and Director of Corporate Affairs at Citizens Financial Group, Inc.

Extensive background at leading institutions in both the public and private sectors, including Harvard University s John F. Kennedy School of Government

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Experienced Management Team

Blackwell ("Bojay") Taylor

Managing Director

Patrick Dignan

Chief Credit Officer

Christopher Hickey

Managing Director

Justin Wahls

Managing Director

Focuses on sourcing and underwriting loan  
acquisition and servicing opportunities

Former Vice President at CarVal Investors

David Ellingrud

Managing Director

James Krumsiek, Esq

Managing Director

Jim Delamater

President & Chief Executive Officer

Marcel Blais

Chief Operating Officer

Served as President and CEO of the Company  
and Northeast Bank from 1981 to December  
2010

Long active in Maine civic and community  
organizations

Pender Lazenby

Chief Risk Officer

Former senior officer at FleetBoston,  
BankBoston, and Casco Northern Bank,  
specializing in corporate lending, risk  
management and finance

Loan Acquisition & Servicing Group

Risk Management

Community Banking Division

Responsible for the retail banking, loan  
administration and operational departments  
of the Community Banking Division

Formerly with Casco Northern Bank and  
Bank of Boston

Focuses on sourcing and underwriting  
loan acquisition and servicing  
opportunities in the LASG

Former Director at CarVal Investors

Manages all underwriting and due diligence  
activities for the LASG

Former Senior Vice President and Director  
of Real Estate at Capital Crossing Bank

Oversees all aspects of the Company's  
commercial and managed loan  
portfolios nationwide

Former Senior Vice President and Director  
of Asset Management at Capital  
Crossing Bank

Oversees all legal aspects of the LASG

Former VP, Legal Counsel at Capital  
Crossing Bank and Partner at  
Riemer & Braunstein, LLP

Evaluates loan purchasing opportunities  
and manages all aspects of the loan  
purchasing transaction process

Former Senior Vice President and Director  
of Investment Strategy and Analytics  
at Capital Crossing Bank



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Robert Glauber,  
Chairman  
Committed Board of Directors

Matthew

Botein

Cheryl

Dorsey

Peter

McClellan

John

Orestis

Adam

Shapiro  
David  
Tanner  
Judith E.  
Wallingford  
Richard  
Wayne

Chairman of the Company and Northeast  
Bank since 2010

Lecturer at Harvard University's Kennedy  
School of Government

Served as Chairman and CEO of NASD (now  
FINRA), 2001 to 2006; as Under Secretary of  
the Treasury, 1989-1992

Served on many boards, including the Board  
of the Federal Reserve Bank of Boston

Director of the Company and Northeast Bank  
since 2010

Managing Director at BlackRock, Inc.;  
currently heads its BlackRock Alternative  
Investors unit

Previously a Managing Director at Highfields  
Capital Management

Director of the Company and Northeast  
Bank since 2010

President of Echoing Green since 2002

Director of the Company and Northeast Bank  
since 2010

Managing Director of Gulfstream Advisors  
LLC since 2004

Director of the Company and Northeast  
Bank since 2007

Owner of Schooner Estates Retirement  
Community as well as Chief Executive  
Officer of North Country Associates

Former mayor of the city of Lewiston, ME

Director of the Company and Northeast  
Bank since 2010

Partner and co-founder of East Rock  
Capital, LLC

Previously a Vice President in the Special  
Situations Group at Goldman Sachs

Director of the Company and Northeast  
Bank since 2010

Managing Director and member of the  
Investment Committee of Arlon Group  
LLC

Director of the Company and Northeast  
Bank since 1994

President of The Maine Water Company

Certified management accountant

Director of the Company and Northeast  
Bank since 2010

President & Chief Executive Officer of the  
Company and Northeast Bank

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Significant Insider and Institutional Investment in the Company  
Non-Voting  
Total  
Investors  
Voting Shares  
Voting (%)  
Shares  
Shares

Total (%)

All Directors and Executive Officers

322,636

9.74%

0

322,636

9.20%

New Investors <sup>1</sup>

Arlon Capital Partners II LP

317,286

9.58%

0

317,286

9.04%

Highfields Capital Management LP

317,286

9.58%

0

317,286

9.04%

East Rock Capital, LLC

287,150

8.67%

0

287,150

8.19%

R3 FHB Master, L.P.<sup>2</sup>

114,846

3.47%

35,106

149,952

4.28%

Other New Investors<sup>3</sup>

635,854

19.20%

160,245

796,099

22.70%

New Investor Totals

1,672,422

50.50%

195,351

1,867,773

53.25%

Other Investors

1,317,115

39.76%

0

1,317,115

37.55%

Total - All Shareholders

3,312,173

100.00%

195,351

3,507,524

100.00%

(1)

New investors were members of FHB Formation LLC prior to its merger with Northeast Bancorp in 2010. Included in All D additional New Investors holding shares of voting common stock aggregating 231,326, or 6.60% of total shares.

(2)

Intends to be a selling shareholder

(3)

Includes certain other private investment funds and institutions, management, and individuals

Note: Ownership as of March 7, 2012

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Loan Acquisition & Servicing Group ( LASG ) Overview

Target Loan

Profile

Transaction

Sourcing

LASG Team

Team of credit analysts, real estate analysts, servicing specialists and legal counsel with extensive experience in the loan acquisition business

The LASG team has an average of over 14 years of experience in the loan

purchasing business

Four Managing Directors worked with Richard Wayne at Capital Crossing Bank

All loans serviced by in-house team of experienced asset managers

Variety of sellers: banks, insurance companies, investment funds and government agencies

The LASG competes primarily with limited number of community banks, regional banks and private equity funds

Aggregate annual volume of loans tracked by the LASG ranged from \$9 billion to \$20 billion for 2009-2011

Recent economic crisis has led to a high level of trading volume

Market expected to remain active in times of economic prosperity as sellers have additional reserve capacity to sell unwanted and troubled assets

Performing commercial loans secured by real estate or other business assets located throughout the country

Seek to build portfolio that is diverse with respect to geography, loan type and collateral type

Focus primarily on loans with balances between \$1 and \$3 million

Through April 30, 2012, purchased loans for an aggregate investment of \$75.1 million with unpaid principal balance (UPB) of \$91.7 million



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LASG Portfolio Screening Process  
Seller Screening  
Portfolio  
Screening  
Understand Price  
Expectations  
Loan Level Triage  
Portfolio  
Stratification &  
Yield Analysis  
Decision Point

Understand sale dynamics

Determine whether seller has capital or reserves to absorb sale-related write downs

Review prior experience with seller

Review recent experience with advisor, if relevant

Assess quality of information available

Review data tape to determine which pools and/or loans are worth analyzing further

Identify pool-level reserves and pricing expectations

Determine whether portfolio is likely to trade in pools or on an all-or-none basis

Identify likely competition

Complete preliminary real estate valuation work and high-

level credit work  
to identify any  
red flags

Analyze deeper  
where necessary

Stratify portfolio  
by performance,  
geography,  
collateral type,  
vintage, etc.

Develop  
preliminary loan-  
level pricing

Determine  
whether or not  
to proceed to full  
underwriting  
1,000 loans  
\$1.4B UPB  
93 loans  
\$135MM UPB  
2011 Activity  
Loans Reviewed  
Loans Bid

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LASG Asset-Level Underwriting Process

Credit review

Financial analysis

Real estate valuation

Legal documentation  
review

Borrower/guarantor

research

Local market research

Environmental analysis

Property inspection

Note terms

Performance status

Borrower/guarantor  
strength

Collateral strength

Legal issues

Expected yield

Geographic location

Servicing restrictions, if  
any

Cash flow budget  
prepared for each asset

Specific upside and  
downside scenarios  
identified

Sensitivities tested at  
various price points

All elements fully  
documented in  
underwriting package

Distributed  
approximately 2-3 days  
before bid to LASG

Credit Committee

2011 Activity

Loans Bid

Loans Acquired<sup>1</sup>

(1)

Through April 30, 2012, LASG has acquired loans with total UPB of \$92 million

Underwriting Components

Pricing Factors

Cash Flow Modeling

Underwriting Package

93 loans

\$135MM UPB

64 loans

\$64MM UPB

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LASG Purchased Loan Book

Return Through Nine Months of FY 12<sup>1</sup>

Three components drive return:

-

Regularly scheduled interest and accretion

-

Gain on loan sales

-

Accelerated accretion and fees recognized on loan payoffs

We often achieve results in excess  
of our targeted yields when a loan  
is prepaid  
Regularly Scheduled Interest & Accretion  
10.78%  
Gain on Loan Sales  
0.99%  
Accelerated Accretion & Fees Recognized  
on Loan Payoffs  
3.43%  
Total<sup>2</sup>  
15.20%

(1)  
Return  
on  
purchased  
loans  
represents  
interest  
and  
noninterest  
income  
recorded  
during  
the  
period  
divided  
by  
the  
average  
purchased  
loan  
balance,  
on  
an  
annualized basis

(2)  
Yield excluding gain on sales is 14.21%



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Investment Size

Average  
investment was  
\$766,000/loan

Largest purchased  
investment was  
\$5.5 million  
Collateral Type

Diverse collateral

types focused  
primarily in four  
major sectors:  
retail, industrial,  
mixed use and  
multifamily  
Collateral State

Geographically  
diverse with  
collateral in 16  
different states

CA, NY and FL  
represent  
combined 46% of  
portfolio  
Purchase Price

Weighted average  
purchase price of  
80.9%

3% of portfolio  
acquired for less  
than 60%

(1)  
Based on the composition of the Company's purchased loans through March 31, 2012 by initial investment  
LASG

-  
Summary  
Purchased  
Loan  
Portfolio  
Statistics

1

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LASG

Purchased Loan Credit Quality

Purchased Loan Book Delinquency<sup>1</sup>

(1)

Based on investment amount at March 31, 2012

Total investment amount of \$56.9 million  
at March 31, 2012

2 loans totaling \$1.0 million are more  
than 30 days delinquent

No loans more than 59 days delinquent

No nonperforming loans

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Community Banking Division: Overview

Ten branches, four investment centers and three mortgage loan production offices (LPOs) located in south central and western Maine

Diverse loan mix with stable credit profile

Expanded residential mortgage group with broader geographic focus

Sold insurance division in 2011

At March 31, 2012

Locations

Maine

New

Hampshire

Portland

Portsmouth

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Loan and Deposit Mix

Total Loans

\$345.8 Million

Total Deposits

\$403.7 Million

(1)

Core deposits are defined as non-maturity deposits and non-brokered insured time deposits

Financial data at March 31, 2012

1.50% NPLs/loans

Largest originated loan \$3.7 million and largest

purchased loan \$5.5 million (invested dollars)

Average originated CRE loan size of \$253 thousand and average purchased loan investment size of \$780 thousand

Purchased loan yield of 14.21% for the nine months ended March 31, 2012, compared to 5.99% for originated loans

Core deposits<sup>1</sup>  
of \$396.4 million, or 98.2% of total deposits

Cost of interest-bearing deposits of 0.96% for the nine months ended March 31, 2012

aBleBanking deposits of \$1.1 million  
Stable Core Deposit Base  
Diversified Loan Portfolio



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Funding

(1)

Core deposits are defined as non-maturity deposits and non-brokered insured time deposits

(2)

NBN's market includes the following Maine counties: Androscoggin, Cumberland, Kennebec and Oxford

The purchase and origination of loans is funded 100% by core deposits<sup>1</sup> which totaled \$396 million at March 31, 2012

98.2% of total deposits

The Community Banking Division, which consists of ten branches in south central and western Maine, is the primary source of core deposit funding

The pilot of ableBanking, an online affinity deposit program, was launched in March 2012 to provide an additional source of core deposit funding

2011 Maine Deposit Universe

(\$ millions)

Total Maine Bank Deposits

\$30,694.1

Portland, ME Bank Deposits

\$11,582.7

Deposits

% of

Top 10 Banks in NBN's Market<sup>2</sup>

in Market

Market

By 2011 Deposits

(\$ millions)

Share

Toronto-Dominion Bank

\$11,272.8

59.79%

KeyCorp

\$1,614.4

8.56%

Bank of America Corp.

\$1,125.7

5.97%

Norway Bancorp MHC

\$666.9

3.54%

Gorham Bancorp MHC

\$627.3

3.33%

Kennebec Savings Bank

\$524.0

2.78%

Androscoggin Bancorp MHC

\$500.2

2.65%

Camden National Corp.

\$408.6

2.17%

Northeast Bancorp

\$402.2

2.13%

SBM Financial Inc.

\$368.6

1.96%

Deposits as of June 30, 2011

Source: FDIC

Financial Data

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Summary Overview

(1)

Financial data at March 31, 2012; dollars in millions, other than per share amounts

(2)

See Appendix for a reconciliation of non-GAAP financial measures

(3)

At March 31, 2012

(4)

At May 2, 2012

Financial Overview<sup>1</sup>

Corporate Overview

Total Assets

\$595.0  
Total Loans  
\$345.8  
Total Deposits  
\$403.7  
Total Common Equity  
\$60.6  
Tangible Book Value per Share <sup>2</sup>  
\$15.94  
Tangible Common Equity / Tangible Assets <sup>2</sup>  
9.47%  
Tier 1 Leverage Ratio  
11.85%  
Tier 1 Risk-based Capital Ratio  
19.28%  
Total Risk-based Capital Ratio  
19.49%  
Nonperforming Assets / Total Assets  
1.02%  
Nonperforming Loans / Total Loans  
1.50%  
TARP Preferred Stock  
\$4.2  
TARP Warrants  
    Underlying Shares of Common Stock  
67,958  
    Exercise Price  
\$9.33  
Bank Headquarters  
Lewiston, ME  
Corporate Offices  
Lewiston, ME  
Boston, MA  
Charter / Primary Regulators  
State of Maine  
Federal Reserve  
Composition  
of  
Shares  
Outstanding  
3  
Voting Shares  
3,312,173  
Non-Voting Shares  
195,351  
Total Shares Outstanding  
3,507,524  
Current Market Data  
4  
Current Stock Price

\$10.19

Market Capitalization

\$35.7

Price / Tangible Book Value

64%

Annual Dividend

\$0.36

Current Dividend Yield

3.53%

Balance Sheet Overview

Total Assets

Total Loans

Total Deposits

Total Common Equity<sup>2</sup>

(1)

Core deposits are defined as non-maturity deposits and non-brokered insured time deposits

(2)

As a result of the sale of Northeast Bank Insurance Group, Inc. in August 2011, tangible equity increased by approximately \$8

\$346

\$310

21



\$382  
\$309  
\$289  
\$1  
\$57  
\$200  
\$250  
\$300  
\$350  
\$400  
06/30/2010  
06/30/2011  
03/31/12  
Originated  
Purchased  
\$51  
\$61  
\$61  
\$15.19  
\$13.58  
\$15.94  
\$10.00  
\$12.00  
\$14.00  
\$16.00  
\$18.00  
\$35  
\$40  
\$45  
\$50  
\$55  
\$60  
\$65  
\$70  
06/30/2010  
06/30/2011  
03/31/12  
\$623  
\$596  
\$595  
\$500  
\$550  
\$600  
\$650  
06/30/2010  
06/30/2011  
03/31/12  
\$287  
\$373  
\$396

\$97  
\$28  
\$7  
\$384  
\$401  
\$404  
74.6%  
92.9%  
98.2%  
\$0  
\$100  
\$200  
\$300  
\$400  
\$500  
06/30/2010  
06/30/2011  
03/31/12  
Core Deposits<sup>1</sup>  
Other Deposits

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Online Affinity Deposit Program: ableBanking Pilot

Build a brand, attract customers and cost-effectively obtain core deposits

Online  
affinity  
deposit  
program

-

designed  
to allow customers to designate bank

marketing funds to any 501(c)(3) charity

\$25.00 when a new customer opens a savings or time deposit account

Thereafter, 25 bps of average annual deposit balance (remitted annually)

As part of ableBanking pilot, the Company has formed partnerships with non-profit organizations in the Boston area to highlight needs of the community

Boston-based pilot expected to continue for approximately six months

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Asset Quality Metrics

NPAs / Total Assets & NPLs / Total Loans

Allowance for Loan Losses / Gross Loans

Classified Loans<sup>3</sup>

NCOs / Average Loans

(1)

Regional peers include all public banks and thrifts in New England with assets between \$300 million and \$1 billion, as of Dec

(2)

Nationwide peers include all public banks and thrifts with assets between \$500 million and \$700 million

(3)

Classified loans includes commercial real estate, commercial business, and construction loans risk rated under the Company s

(4)

Calculated as net charge-offs divided by average loans for the previous 12 months. 6/30/11 ratio represents annualized experience (5)

Excludes \$751 thousand of accruing loans over 90 days past due that were well secured and in the process of collection

0.47%

0.16%

0.17%

0.35%

1.15%

0.00%

0.25%

0.50%

0.75%

1.00%

1.25%

1.50%

6/30/10

6/30/11

3/31/12

Regional

Peers <sup>1</sup>

Nationwide

Peers <sup>2</sup>

1.52%

0.14%

0.22%

1.37%

2.03%

0.00%

0.50%

1.00%

1.50%

2.00%

2.50%

6/30/10

6/30/11

3/31/12

Regional

Peers <sup>1</sup>

Nationwide

Peers <sup>2</sup>

Decrease reflects

reversal of ALL

through purchase

accounting.

\$17.2

\$10.1

\$5.3

\$0.0

\$5.0

\$10.0

\$15.0  
\$20.0  
\$25.0  
6/30/10  
6/30/11  
3/31/12  
1.63%  
1.32%  
1.02%  
2.16%  
4.64%  
2.31%  
2.33%  
1.50%  
3.03%  
5.35%  
0.00%  
1.00%  
2.00%  
3.00%  
4.00%  
5.00%  
6.00%  
6/30/10  
6/30/11  
3/31/12  
Regional  
Peers <sup>1</sup>  
Nationwide  
Peers <sup>2</sup>  
NPAs/Assets  
NPLs/Loans  
5  
5  
4

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Profitability

Substantial investments have been made in staffing, new software, and hardware

Current infrastructure has significant capacity for growth

The yield on purchased loans is meaningfully above that for loans originated by the Community Bank



Growth in purchased loans and  
leveraging of current expense  
structure positions the Company for  
an increase in profitability

Yield on Loans<sup>1</sup>

5.99%

14.21%

6.71%

0.00%

4.00%

8.00%

12.00%

16.00%

Originated Loan Yield

Purchased Loan Yield

Total Yield

(1)

Yield fiscal year to date through March 31, 2012

25

Pro Forma Capital Ratios

(1)

Assumes \$48.3 million of net proceeds and 20% risk-weighting of new capital

(2)

Assumes redemption of TARP preferred stock at par and repurchase of warrants for an aggregate of \$285 thousand, or \$4.20 per share. At the same time, no discussions with the Federal Reserve have taken place regarding the ability to repay TARP or to repurchase warrants

(3)

See Appendix for a reconciliation of non-GAAP financial measures

9.47%

11.85%

19.28%

19.49%

16.32%

18.52%

31.75%

31.95%

16.39%

17.94%

30.62%

30.82%

0.00%

5.00%

10.00%

15.00%

20.00%

25.00%

30.00%

35.00%

TCE / TA <sup>3</sup>

Tier 1 Leverage Ratio

Tier 1 RBC Ratio

Total RBC Ratio

As of March 31, 2012

Pro Forma Capital Raise<sup>1</sup>

Pro Forma Capital Raise and TARP Redemption<sup>2</sup>

4

26  
\$0.00  
\$5.00  
\$10.00  
\$15.00  
\$20.00  
\$25.00  
12/06  
05/07  
10/07  
02/08  
07/08  
11/08

04/09

09/09

01/10

06/10

10/10

03/11

08/11

12/11

NBN

Valuation

Stock Price Since 2007

\$10.19

(1)

Nationwide peers include all public banks and thrifts with assets between \$500 million and \$700 million

(2)

Regional peers include all public banks and thrifts in New England with assets between \$300 million and \$1 billion

Source: SNL Financial

As of May 2, 2012

Price / Tangible Book Value Since 2007

63.9%

112.9%

105.2%

May 02, 2012

Price

\$10.19

Current Price / TBV

63.9%

5/2/12

5/2/12

25%

50%

75%

100%

125%

150%

175%

200%

225%

12/06

05/07

10/07

03/08

08/08

01/09

06/09

11/09

04/10

09/10

02/11

07/11

12/11

NBN

NBN Nationwide Peers<sup>1</sup>

NBN Regional Peers<sup>2</sup>

27

Well-Positioned for Performance

Proven ability to execute loan purchasing strategies

Strong position in bidding for performing commercial loans

Experienced management team and committed board of directors

Attractive valuation  
opportunity to invest at key growth and  
profitability juncture

Appendix



29

Summary of Recent Financials

(1)

Predecessor  
Company  
means  
Northeast  
Bancorp  
and  
its  
subsidiary  
before  
the

closing  
of  
the  
merger  
with  
FHB  
Formation  
LLC  
on  
December  
29,  
2010  
(2)

Successor  
Company  
means  
Northeast  
Bancorp  
and  
its  
subsidiary  
after  
the  
closing  
of  
the  
merger  
with  
FHB  
Formation  
LLC  
on  
December  
29,  
2010  
(3)

As a result of the sale of Northeast Bank Insurance Group, Inc. in August 2011, tangible equity was increased by approximately  
Dollars in thousands

Predecessor  
Company  
1  
As of  
As of  
As of  
As of  
6/30/2010  
12/31/2010  
6/30/2011  
3/31/2012  
Balance

Sheet

Purchased loans

\$0

\$0

\$1

\$56,916

Total originated loans

\$382,309

\$361,233

\$309,912

\$288,861

Total loans

\$382,309

\$361,233

\$309,913

\$345,777

Total assets

\$622,607

\$644,820

\$596,393

\$594,952

Core deposits

\$286,710

\$290,975

\$372,789

\$396,365

Total deposits

\$384,197

\$380,366

\$401,118

\$403,735

Total common equity

\$46,679

\$60,748

\$60,727

\$60,643

Total risk-based capital

\$56,488

\$58,901

\$61,860

\$70,694

Tangible book value per common share <sup>3</sup>

\$15.19

\$13.41

\$13.58

\$15.94

Year Ended

181 Days Ended

184 Days Ended

Nine Months Ended

6/30/2010	
12/28/2010	
6/30/2011	
3/31/2012	
Income Statement	
Interest and dividend income	
\$31,262	
\$14,378	
\$13,304	
\$18,659	
Interest expense	
\$13,314	
\$5,877	
\$3,207	
\$4,711	
Provision for loan losses	
\$1,864	
\$912	
\$707	
\$634	
Income before taxes	
\$2,614	
\$2,564	
\$12,492	
\$1,506	
Net income	
\$1,719	
\$1,796	
\$12,552	
\$1,115	
Preferred stock dividends and accretion	
\$243	
\$119	
\$197	
\$294	
Net Income available to common	
\$1,476	
\$1,677	
\$12,355	
\$821	
Cash dividends per share	
\$0.36	
\$0.18	
\$0.18	
\$0.27	
Weighted average diluted shares outstanding	
2,334,339	
2,354,385	
3,548,164	
3,494,498	

Diluted earnings per common share

\$0.63

\$0.71

\$3.47

\$0.23

Net interest margin

3.18%

2.92%

3.58%

3.36%

Noninterest expense / Average total assets

3.18%

3.03%

5.58%

4.67%

Efficiency Ratio

82.4%

74.3%

56.6%

98.1%

Successor

Company <sup>1</sup>

Predecessor

Successor

Company <sup>2</sup>

Company <sup>2</sup>

30

Merger Requirements <sup>1</sup>

Maintain a Tier 1 leverage ratio of at least 10%;

Maintain  
a total risk-based capital ratio of at least 15%;

Limit purchased loans to 40% of total loans;  
At March 31, 2012 purchased loans of \$56.9 million represent 16.2% of total loans;

Fund 100% of loans with core deposits<sup>2</sup>  
At March 31, 2012 core deposits exceeded loans by \$45.0 million

Hold commercial real estate loans including owner-occupied commercial real estate to within 300% of total risk-based capital

At March

31,

2012

commercial

real

estate

loans

of

\$168.4

million

represent

238%

of

total

risk-based

capital

(1)

Certain

commitments

made

to

the

Maine

Bureau

of

Financial

Institutions

and

the

Federal

Reserve

in

connection

with

the

merger

of

FHB

Formation

LLC into Northeast Bancorp on December 29, 2010.

(2)

Core deposits are defined as non-maturity deposits and non-brokered insured time deposits

31

#### Financial Description of the Merger

On December 29, 2010, the merger of the Company and FHB Formation LLC was consummated. FHB was the entity through which a group of independent accredited investors purchased 937,933 shares of the Company's outstanding common stock and 1,161,166 shares of newly-issued voting and non-voting common stock, at a price equal to \$13.93 per share. As a result of this transaction, \$16.2 million of new capital was contributed to the Company and the Investors collectively own approximately 60% of the outstanding common shares of the Company. We have applied the acquisition method of accounting, as described in Accounting Standards Codification 805, Business Combinations, to this transaction, which represents an acquisition by FHB of Northeast, with Northeast as the surviving company.

As a result of application of the acquisition method of accounting to the Company's balance sheet, the Company's financial statements from the periods prior to the transaction date are not directly comparable to the financial statements for periods subsequent to the transaction date. To make this distinction, we have labeled balances and results of operations prior to the transaction date as Predecessor Company and balances and results of operations for periods



subsequent to the transaction date as Successor Company. The lack of comparability arises from the assets and liabilities having new accounting bases as a result of recording them at their fair values as of the transaction date rather than at historical cost basis.

Under the acquisition method of accounting, the Company assets acquired and liabilities assumed are recorded at their respective fair values as of the transaction date. In this transaction, the estimated fair values of the Company's net assets were greater than the purchase price. This resulted in a bargain purchase gain of \$14.9 million, which was reported by the Company as income in the three-day period ended December 31, 2010.

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Sale of Northeast Bank Insurance Group, Inc.

On August 31, 2011, the Company sold customer lists and certain fixed assets of its wholly-owned subsidiary, Northeast Bank Insurance Group, Inc. ( NBIG ) to local insurance agencies in two separate transactions. The Varney Agency, Inc. of Bangor, Maine purchased the assets of nine NBIG offices in Anson, Auburn, Augusta, Bethel, Livermore Falls, Scarborough, South Paris, Thomaston and Turner, Maine. The NBIG office in Berwick, Maine, which operates under the name of Spence & Matthews, was acquired by Bradley Scott, previously a member of NBIG s senior management team. The following is a summary of the sale transactions.

Operations associated with NBIG have been classified as discontinued operations in the consolidated statements of income.

The  
Company  
has

eliminated  
all  
intercompany  
transactions  
in  
presenting  
discontinued  
operations.

Insurance  
commissions  
associated  
with

NBIG  
were  
\$965  
thousand  
for  
the  
nine  
months  
ended  
March

31,  
2012,  
all  
of  
which

was  
recognized in the first quarter of fiscal 2012. Insurance commissions were \$1.5 million for the three months and 93 days ended March 31, 2011 and \$2.7 million for 181 days ended December 28, 2010. Intangible and fixed assets associated with discontinued operations totaled approximately \$7.4 million and \$168 thousand, respectively, at June 30, 2011. In connection with the transaction, the Company repaid borrowings associated with NBIG totaling \$2.1 million.

Dollars in thousands

Sale proceeds

\$9,863

Less:

Customer lists and other intangible assets, net

7,379

Fixed assets, net of accumulated depreciation

165

Severance and other direct expenses

768

Pre-tax gain recognized

\$1,551

33

Historical Balance Sheet

(1)

Successor Company means Northeast Bancorp and its subsidiary after the closing of the merger with FHB Formation LLC

(2)

Predecessor Company means Northeast Bancorp and its subsidiary before the closing of the merger with FHB Formation LLC

Dollars in thousands

Predecessor

Company

2

As of

As of

As of

As of  
6/30/2010  
12/31/2010  
6/30/2011  
3/31/2012  
Assets  
20,435  
\$  
72,182  
\$  
83,931  
\$  
64,880  
164,188  
153,521  
148,962  
136,730  
14,254  
8,195  
5,176  
6,354  
382,309  
361,233  
309,913  
345,777  
5,806  
-  
437  
748  
Loans, net  
376,503  
361,233  
309,476  
345,029  
7,997  
8,013  
8,271  
8,918  
1,292  
965  
690  
915  
2,081  
1,878  
1,244  
1,659  
4,889  
4,889  
4,889  
4,602

597  
597  
871  
871  
11,371  
13,739  
13,133  
4,749  
13,286  
13,540  
13,794  
14,171  
5,714  
6,068  
5,956  
6,074  
Total Assets  
622,607  
\$  
644,820  
\$  
596,393  
\$  
594,952  
\$  
384,197  
\$  
380,366  
\$  
401,118  
\$  
403,735  
\$  
Federal Home Loan Bank Advances  
50,500  
52,244  
43,922  
43,567  
Structured repurchase agreements  
65,000  
68,877  
68,008  
66,636  
Short-term borrowings  
46,168  
62,034  
2,515  
1,836  
Junior subordinated debentures issued to affiliated trusts  
16,496

7,889  
 7,957  
 8,066  
 Capital lease obligation  
 2,231  
 2,154  
 2,075  
 1,953  
 Other borrowings  
 2,630  
 2,134  
 2,229  
 -  
 Other liabilities  
 4,479  
 4,147  
 3,615  
 4,289  
 Total Liabilities  
 571,701  
 579,845  
 531,439  
 530,082  
 4,227  
 4,227  
 4,227  
 4,227  
 46,679  
 60,748  
 60,727  
 60,643  
 50,906  
 64,975  
 64,954  
 64,870  
 Total Liabilities and Equity  
 622,607  
 \$  
 644,820  
 \$  
 596,393  
 \$  
 594,952  
 \$  
 Successor  
 Common equity  
 Total Equity  
 Bank owned life insurance  
 Other assets  
 Liabilities

Deposits  
Equity  
TARP preferred equity  
Intangible assets, net  
Company  
1  
Cash and cash equivalents  
Available-for-sale Securities, at fair value  
Loans held for sale  
Loans  
Less: Allowance for Loan Losses  
Premises and equipment, net  
Reposessed collateral, net  
Accrued interest receivable  
Federal Home Loan Bank Stock, at cost  
Federal Reserve Bank Stock, at cost  
\$



34  
Historical Income Statement  
(1)  
Successor  
Company  
means  
Northeast  
Bancorp  
and  
its  
subsidiary  
after  
the

closing  
of  
the  
merger  
with  
FHB  
Formation  
LLC  
on  
December  
29,  
2010  
(2)

Predecessor Company

means Northeast Bancorp and its subsidiary before the closing of the merger with FHB Formation LLC on December 29, 2010

Dollars in thousands

181  
184  
Nine  
Year Ended  
Days Ended  
Days Ended  
Months Ended  
6/30/2010  
12/28/2010  
6/30/2011  
3/31/2012  
31,262  
\$  
14,378  
\$  
13,304  
\$  
18,659  
\$  
13,314  
5,877  
3,207  
4,711  
17,948  
8,501  
10,097  
13,948  
1,864  
912  
707  
634  
16,084  
7,589  
9,390

13,314  
1,504  
698  
670  
1,036  
(18)  
17  
1,200  
1,111  
1,264  
1,867  
830  
2,482  
2,054  
1,174  
1,435  
2,111  
502  
250  
258  
377  
-  
-  
15,441  
-  
377  
225  
348  
120  
5,683  
4,231  
20,182  
7,237  
9,921  
4,949  
7,681  
11,539  
2,772  
1,352  
1,627  
2,735  
Professional fees  
845  
509  
819  
1,231  
-  
-  
663  
935

Goodwill impairment

408

-

-

-

FDIC insurance premiums

745

346

269

364

Merger expense

547

94

3,189

-

4,235

2,205

2,900

3,978

19,473

9,455

17,148

20,782

2,294

2,365

12,424

(231)

782

698

(83)

(209)

Net income (loss) from continuing operations

1,512

1,667

12,507

(22)

Net income (loss) from discontinued operations

207

129

45

1,137

Net income

1,719

1,796

12,552

1,115

243

119

197

294

1,476  
 \$  
 1,677  
 \$  
 12,355  
 \$  
 821  
 \$  
 Weighted-average diluted common shares outstanding  
 2,334,339  
 2,354,385  
 3,548,164  
 3,494,498  
 0.54  
 \$  
 0.66  
 \$  
 3.46  
 \$  
 (0.09)  
 \$  
 0.09  
 0.05  
 0.01  
 0.32  
 Total diluted earnings per common share  
 0.63  
 \$  
 0.71  
 \$  
 3.47  
 \$  
 0.23  
 \$  
 Net interest and dividend income after provision for loan losses  
 Successor Company<sup>1</sup>  
 Interest and dividend income  
 Interest expense  
 Net Interest Income  
 Provision for Loan Losses  
 Predecessor Company  
 2  
 Other expense  
 Fees for other services to customers  
 Net security gains (losses)  
 Gain on sales of loans  
 Investment commissions  
 Bank-owned life insurance income  
 Bargain purchase gain  
 Other income

Total noninterest income  
Salaries and employee benefits  
Occupancy and equipment expense  
Intangible asset amortization  
Diluted earnings (loss) per common share:  
Continuing operations  
Discontinued operations  
Total noninterest expense  
Income (loss) from continuing operations before income tax expense (benefit)  
Income tax expense (benefit)  
Preferred stock dividends and discount accretion  
Net income available to common stockholders

35

Non-GAAP Reconciliation

(1)

Successor Company means Northeast Bancorp and its subsidiary after the closing of the merger with FHB Formation LLC

(2)

Predecessor Company means Northeast Bancorp and its subsidiary before the closing of the merger with FHB Formation LLC

We calculate tangible common equity by excluding the balance of intangible assets from common stockholders' equity. We calculate tangible book value per share by dividing tangible common equity by actual common shares outstanding, as compared to book value per common share, which we calculate by dividing common stockholders' equity by actual common shares outstanding. We calculate tangible common equity to tangible assets by dividing tangible common equity by tangible assets. We believe that this is consistent with the treatment by bank regulatory agencies, which exclude intangible assets from the calculation of risk-based capital ratios. Accordingly, we believe that these non-GAAP financial measures provide information that is important to investors and that is useful in understanding our capital position and

ratios. A reconciliation of the non-GAAP measures of tangible assets, tangible common equity and tangible book value per share to the GAAP measures of common stockholder's equity and book value per share is set forth below.

Dollars in thousands

Predecessor

Company

2

As of

As of

As of

As of

6/30/2010

12/31/2010

6/30/2011

3/31/2012

Total Assets

622,607

\$

644,820

\$

596,393

\$

594,952

\$

Less: Intangible Assets

11,371

13,739

13,133

4,749

Tangible Assets

611,236

\$

631,081

\$

583,260

\$

590,203

\$

Total Shareholders' Equity

50,906

\$

64,975

\$

64,954

\$

64,870

\$

Less: Preferred Stock

4,227

4,227

4,227



4,227  
 Common Shareholders' Equity  
 46,679  
 60,748  
 60,727  
 60,643  
 Less: Intangible Assets  
 11,371  
 13,739  
 13,133  
 4,749  
 Tangible Common Equity  
 35,308  
 \$  
 47,009  
 \$  
 47,594  
 \$  
 55,894  
 \$  
 Book Value Per Common Share  
 20.08  
 \$  
 17.33  
 \$  
 17.33  
 \$  
 17.29  
 \$  
 Less: Intangible Assets Per Common Share  
 4.89  
 3.92  
 3.75  
 1.35  
 Tangible Book Value Per Common Share  
 15.19  
 \$  
 13.41  
 \$  
 13.58  
 \$  
 15.94  
 \$  
 Tangible Common Equity / Tangible Assets  
 5.78%  
 7.45%  
 8.16%  
 9.47%  
 Share Information:  
 Common Shares Outstanding

2,323,832

3,505,524

3,507,524

3,507,524

Company

1

Successor