

# **Northeast Bancorp Code of Ethics**

## **I. SCOPE**

This Code of Ethics (the “Code”) applies to employees, officers (including officers who are also directors) and to outside directors (except where specifically noted below) of Northeast Bancorp and its subsidiaries, including its banking subsidiary, Northeast Bank. Northeast Bancorp and its subsidiaries are collectively referred to in the Code as the “Company.” To the extent relevant, the Code also applies to Institution-Affiliated Parties, such as agents and attorneys acting on the Company’s behalf. The term “employee” as used herein refers to all of the above groups, unless the section in which the term is used specifically excludes outside directors or the context requires otherwise.

## **II. INTRODUCTION**

Each employee represents the Company and is expected to act with integrity and maintain high ethical standards. This Code highlights the Company’s expectations regarding professional and ethical behavior. This Code is comprehensive, but not all encompassing. Accordingly, every employee is expected to observe the spirit as well as the letter of this Code. This Code is to be read, understood, and acknowledged in writing annually by all employees. This Code will be updated periodically as needed to reflect changes in regulatory requirements or business activities.

The Company encourages its employees to refer to this Code frequently. The Company understands that this Code will not contain the answer to every situation an employee may encounter or every concern an employee may have about conducting the Company’s business ethically and legally. In these situations, or if you otherwise have questions or concerns about this Code, you are encouraged to speak with the Company’s Chief Risk Officer (the “CRO”).

## **III. SPECIFIC POLICIES**

### **A. Conflicts of Interest**

As an agent of the Company, each employee is obligated to act in the best interest of the Company. In varying situations and degrees, personal interests or activities of an employee may adversely affect the Company and may involve some conflict with the interests of the Company. Each employee should be constantly on the alert for potential conflicts of interest and should scrupulously examine any situation from which a personal benefit or gain might arise from knowledge acquired while conducting business for the Company or from relationships with clients of the Company.

A “conflict of interest” occurs when an employee’s personal interest interferes with the interests of the Company. Conflicts of interest may arise in many situations, including, without limitation:

- When an employee takes an action or has an outside interest, responsibility or obligation that may make it difficult for him or her to perform the responsibilities of his or her position objectively and/or effectively in the best interests of the Company;
- When an employee, or a member of his or her immediate family (spouse, children and parents or those dependent upon such employee, etc.) has a financial or other interest in a customer,

borrower, or other person doing business with the Company or its affiliated companies;

- When an employee or his or her family member receives some improper personal benefit as a result of the employee's position in the Company.

Accordingly, for all business relationships with outside individuals, companies and organizations and for all personal undertakings, employees should:

- a. consider that employment with the Company, unless expressly agreed otherwise, is full-time;
- b. protect their own reputations and the interests of the Company against actual or potential conflicting interests with outside parties; and
- c. avoid personal transactions or situations in which their own interests conflict or might be construed to conflict with those of the Company or its clients, including transactions involving people or organizations with which an employee and/or his or her family have financial or other conflicts of interest.

In identifying actual and potential conflicts of interest, each individual's situation is different and an employee will have to consider many factors.

The Company requires consultation and/or reporting of actual or potential conflicts of interest under certain circumstances:

- If there are any questions as to whether or not a specific act or situation presents, *or appears to present*, a conflict of interest, an employee should consult the CRO.
- Any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest should be reported promptly to the CRO.
- Conflicts of interest involving the CRO should be disclosed directly to the Chief Executive Officer of the Company.
- Conflicts of interest involving the Chief Executive Officer of the Company should be disclosed directly to the Chairman of the Board of Directors of the Company.
- Any suspicion of conduct affecting the integrity of the Company's financial reporting should be reported in accordance with the Company's Financial Reporting and Accounting Complaint Policy, which provides for "Anonymous Incident Reporting" through an independent third-party provider. The name and contact information of the current provider is appended to this Code.

## **B. Dual Relationships with Clients**

This Section applies to officers and employees, but not to outside directors (who should apply the general conflict of interest avoidance principles discussed above).

*Compensation for Services Rendered.* When a relationship with a client, vendor or any other person who deals with the Company or one of the Company's affiliated companies is fundamentally the result of employment by the Company, neither the employee nor any member of his or her immediate family should accept compensation from the client for services rendered. Likewise, compensation should not be accepted from any source for rendering services that might properly be performed by the Company as one of its regular services.

*Business Relationships with Clients.* No employee may have any business relationship in which the employee has a potential financial interest with any borrowing client of the Company. This prohibition

applies to any business relationship with the client or his/her related interests, and it is not restricted to a business relationship with the specific borrowing entity or the specific project that is a borrowing client. As noted above, if you have any questions or concerns about a relationship that may resemble or involve a conflict, please contact the CRO.

### **C. Outside Activities**

The Company recognizes and respects the right of its employees to engage in outside activities that they may deem proper and desirable, provided that they avoid situations that present a potential or actual conflict of interest or perception of one, and provided that: (1) these activities are legal; (2) they do not impair or interfere with the conscientious performance of the employee's duties for the Company; (3) they do not involve the misuse of the Company's influence, facilities, information or other resources; (4) they do not divert opportunities from the Company; (5) they do not reflect discredit upon the name and reputation of the Company; and (6) they do not prevent (or give the appearance of preventing) the employee from fulfilling his or her obligation to act in the best interests of the Company and its customers.

### **D. Outside Directorships**

*Charitable and Civic Organizations.* Employees are encouraged to accept appointments as trustees or directors of nonprofit organizations such as educational, religious, civic, health and welfare institutions. Decisions to participate in such activities should be evaluated based on any potential conflict or perception of conflict of interest and on the level of time commitment required, to avoid interference with the employee's responsibilities at the Company.

*Business Entities.* This paragraph applies to officers and employees, but not to outside directors. While the Company recognizes its obligation to make appropriate contributions to the management of business entities (that are not financial institutions), the acceptance of directorships may pose special conflict of interest issues for employees. Accordingly, invitations to join a for-profit board should be discussed and evaluated with and approved by the CRO.

*Other Financial Institutions (Dual Service).* Employees should be aware that various statutes and regulations either prohibit, or permit only within specific limits, certain types of dual service by an officer of a bank. As a matter of policy, an employee is not permitted to serve as a director, trustee, officer or employee of any other commercial bank, banking association, bank holding company, savings bank, cooperative bank, credit union, savings and loan association or trust company.

In order to conform with applicable banking regulations and Company policies, a record should be maintained of all outside affiliations of employees. Employees are requested to report annually all outside affiliations.

### **E. Gifts; Prohibitions Under the Bank Bribery Act**

Under the federal Bank Bribery Act, that, subject to the exceptions listed below, no Company officer, employee, director, agent, or attorney may either:

- a. solicit for themselves or for a third party (other than the Company) anything of value from any person or organization in return for any Company business, service, or confidential information; or

- b. accept anything of value (other than bona fide compensation) from any person or organization in connection with Company business, either before or after a transaction is discussed or consummated.

The following is a list of exceptions to the general prohibition against acceptance of things of value in connection with the Company's business. Notwithstanding these exceptions, a person subject to this policy may not accept a series of payments or things of value that by their pattern and/or intent are designed to evade, or have the effect of evading the Code.

- a. You may accept meals, refreshment, entertainment, accommodations or travel arrangements, so long as they are of reasonable value (modest and nominal value); provided in the course of a meeting or other occasion, the purpose of which is to hold bona fide business discussions or to foster better business relations; and provided that the expense would be paid for by the Company as a reasonable business expense if not paid for by another party.
- b. You may accept loans from other banks or financial institutions made on customary and on nonpreferential terms to finance proper and usual activities of Company officers and employees, such as home mortgage loans. This exception does not apply if the loan is otherwise prohibited by law, or is limited by the insider lending restrictions described under "Extensions of Credit to Insiders" below.
- c. You may accept advertising or promotional material of reasonable value, such as pens, pencils, note pads, key chains, calendars, reasonably modest mementos of transactions, and similar items.
- d. You may accept discounts or rebates on merchandise or services that do not exceed those available to customers not affiliated with the Company.
- e. You may accept gifts of reasonable value (modest and nominal value) that are related to commonly recognized events or occasions, such as a promotion, new job, wedding, retirement, holiday or birthday.
- f. You may accept awards of reasonable value (modest and nominal value) in recognition of service and accomplishment from civic, charitable, educational, or religious organizations.
- g. You may accept gifts, gratuities, amenities or favors based on obvious family or personal relationships (such as those between the parents, children or spouse of a Company officer or employee) where the circumstances make it clear that it is those relationships, rather than the business of the Company, which are the motivating factors.

The Company may, on a case-by-case basis, approve of an individual's acceptance of something of value in connection with Company business in addition to the exceptions listed above, provided that such approval is made in writing on the basis of a full written disclosure of all relevant facts and is consistent with the Bank Bribery Act.

If you are offered or receive something of value from a customer or vendor beyond what is authorized in this Code, **you must disclose that fact**, in writing, to the CRO. Management will review such disclosures, and approve the transaction in question if it is determined to be reasonable and not to pose

a threat to the Company's integrity. The Company's management will keep contemporaneous written reports of such disclosures.

#### **F. Investments and Trading of Securities**

This Section applies to officers and employees, but not to outside directors. Outside directors are, however, required to comply with the provisions of the Company's Insider Trading Policy.

The investment of personal funds as a way to participate in the growth of the economy and to provide for the future is proper and worthwhile. However, Company and its employees must be aware that, to the public, personal financial affairs reflect on the character and integrity of the Company. The following standards are guides to minimize the risks that may arise from the way investments are selected and financed:

- a. Although the choice of investments is a personal matter, the nature of the Company or a Company employee's position with the Company requires adherence to an appropriate and prudent investment policy. For additional guidance on personal investing by employees and officers, see the Company's Insider Trading Policy (the "Insider Trading Policy").
- b. Information provided by customers in the normal course of business that is not available to the general public must never be used as a basis for personal investment decisions.
- c. Investments by employees in securities issued by the Company's borrowers must be promptly reported, in writing, to the Chief Financial Officer, and may be made only in conformity with the restrictions of state and federal securities laws applicable to purchases and sales of securities by "insiders." See the Insider Trading Policy for details on reporting such purchases.

In the case of actively traded securities of a Company client, or of Company stock, employees are responsible for observing the strict and rigorously enforced provisions of the federal Securities Exchange Act and regulations thereunder, which prohibit purchases or sales by persons having material "inside" information (*i.e.*, information not generally available to the investing public). In summary, these regulations prohibit transactions unless all significant information concerning the value of the securities has been available to the public for a reasonable period of time. For detailed information regarding trading in Company stock, employees should refer to the Company's Insider Trading Policy.

#### **G. Extensions of Credit to Insiders**

State and federal laws impose requirements on extensions of credit and certain non-credit transactions with insiders, defined for those purposes as the Company's executive officers, directors and principal shareholders. Generally, these laws and their implementing regulations place limits on the size and purpose of such loans, and require disclosures and board approvals. There are also requirements pertaining to non-credit transactions involving the assets or services of the Company by insiders. Transactions subject to these regulatory requirements are covered by the Company's on extensions of credit to executive officers, directors, and principal shareholders and insider transactions other than extensions of credit. Please refer to that Policy (commonly known as the Regulation O Policy) for detailed guidance on this subject.

## **H. Company Purchases**

Any employee engaged in the purchase of goods or services on behalf of the Company should do business with reputable vendors in an equitable and transparent manner and in the best overall interest of the Company. Refer to the Company's Third Party Management Policy for detailed direction and procedures regarding the procurement process.

## **I. Prohibition on Entertainment of Public Officials**

It is the policy of the Company that officers and employees of the Company may not offer or give anything of "substantial value" to public officials to influence an official action or influence that public official in the performance of his or her official duties. It is important to note that there does not need to be a proof of corrupt intent to establish a violation of this law; the mere providing of gratuities (entertainment, lodging, gifts, etc.) when in excess of \$50 or on a frequent basis would be construed as seeking the goodwill and/or influence of the public official. Substantial value, for purposes of this section of the Code, is defined as a gratuity which exceeds \$50 or a series of gratuities which in the aggregate exceed \$50.

## **J. Political Contributions and Activities**

An employee may choose to make personal political contributions from their own personal assets. An employee may participate in political activities, but in doing so they may at no time identify themselves as representing the Company. Employees considering running for public office should notify the Director of Human Resources prior to submitting interest.

## **K. Confidentiality**

The business of the Company involves matters of a highly private nature. It is imperative that client information be kept in the strictest confidence and that it not, under any circumstances, be revealed to any person who is not directly involved in the pertinent transaction or who does not require the information in order to carry out their responsibilities. Similarly, proprietary financial information, business strategies and records of the Company or its affiliates are confidential and must not be used or disclosed except for legitimate business purposes or when required by law or regulation. The integrity of the Company's books and records is critical and employees are responsible for the proper reporting and disclosure of financial information. The use or disclosure of confidential information about a client or anyone else, without the client's consent, to further the interests of someone other than the client is improper. For further details please refer to the Company's Privacy Policy.

## **L. Personal Use of the Company Property**

Each employee shall exercise particular care in the use of the Company's supplies, systems or other property. The use of such property for personal reasons is to be avoided, and in no event should such use interfere with the performance of any employee's duties to the Company. Each employee shall respect the limited access to certain systems and communication channels proprietary to the Company, such as on-line services including, without limitation, the Internet, and shall in no way jeopardize the preservation of client and internal confidentiality which underlies such limitation of access.

#### **M. Legal Advice**

The Company recognizes the exclusive authority of attorneys to practice law and to give legal advice. Employees who are not attorneys cannot and should not practice law or give legal advice. Therefore, extreme care must be exercised in discussions between customers and employees; nothing should be said that might be interpreted as the giving of legal advice. Customers who have a legal question about a proposed transaction should be advised to seek advice from their own (not the Company's internal) legal counsel.

#### **N. Job-Specific Codes of Conduct**

Employees are expected to adhere to the policies, procedures and generally accepted professional practices governing their specific job's duties or responsibilities.

#### **O. Integrity of Records**

The integrity, reliability and accuracy of the Company's books, records and financial statements is fundamental. No employee may cause the Company to enter into a transaction with the intent to document or record it in a deceptive or unlawful manner. In addition, no director, executive officer or employee may create any false or artificial documentation or book entry for any transaction entered into by the Company. Similarly, executive officers and employees who have responsibility for accounting and financial reporting matters have a responsibility to accurately record all funds, assets and transactions on the Company's books and records.

#### **P. Protection of Company and Client Funds and Property**

Everyone connected with the Company is responsible for the protection of Company property and Company and client funds. It is also every employee's responsibility to ensure that all records and accounts of the Company are maintained accurately. Moreover, employees are expected to adhere to the Company's internal controls over the safeguarding of assets.

Any misapplication or improper use of Company or client funds or property must be reported to federal and state authorities, and it is the obligation of every employee to report any such occurrences to the Company's CRO immediately. Full cooperation aids not only the Company but also you and your fellow employees. Failure to report any such incident could be cause for disciplinary action, including dismissal.

Anyone suspected of theft or misapplication of Company funds will be investigated to the fullest extent of the law and face possible prosecution.

#### **Q. Company Commitments**

It is vital that the Company's word be viewed as its bond. Thus, no employee may make any actual or apparent commitments, formally or informally, regarding the Company without proper prior authorization in accordance with existing procedures.

#### **R. Compliance with Laws, Regulations and Company Policies**

The Company's directors, executive officers and employees generally have other legal and contractual obligations to the Company. This Code is not intended to reduce or limit such other obligations. Instead, the standards in this Code should be viewed as the minimum standards that the Company expects from its

directors, executive officers and employees in the conduct of the Company's business. All Company employees are expected to conduct themselves in accordance with all applicable local, state and federal laws and regulations as well as with internal policies.

**S. Candor with Examiners, Auditors, and Legal Counsel**

Employees must be truthful and candid in their dealings with the Company's examiners, auditors, and legal counsel.

**T. Professional Demeanor**

Consistent with our standards of exemplary client service, employees of the Company are expected to conduct their work in the most professional and courteous manner while conducting business on behalf of the Company, both with clients and other professional associates (*e.g.*, examiners and auditors) and internally with co-workers. Respectful and tactful communications among employees are expected at all times.

**U. Obligation to Know the Code**

Each employee is expected to be familiar with the Code's contents, to comply with its requirements, and to keep it available for future reference. All managers and senior officers are responsible for monitoring and enforcing the Code. Questions regarding the interpretation or administration of this Code should be referred to the CRO.

**IV. REPORTING CONCERNS UNDER THE CODE**

Personal honesty demands an atmosphere that fosters personal candor, and maintaining that atmosphere is among the highest priorities of the Company. If you have knowledge of apparent violations of this Code, or of any questionable actions affecting the Company, you are urged to report it to the CRO (or other designated recipient as set forth herein). The CRO is responsible for investigating such matters, and can do so without arousing suspicion or casting aspersions on the character and reputation of the person in question. By going directly to the CRO and explaining the circumstances of your suspicions, you protect yourself and the reputation of any other person if the suspicion turns out to be a misunderstanding or the transaction in question is not against Company policy. The identity of employees who report such information is confidential and no reprisal may or will be taken against them. Any reprisal would itself be a breach of this Code.

**V. VIOLATIONS OF THE CODE**

Violations of this Code may be grounds for disciplinary action up to and including termination of employment. Such action is in addition to any civil or criminal liability which might be imposed by federal or state regulatory agencies or courts.

The Board of Directors is ultimately responsible for ensuring that compliance with applicable laws, regulations and internal policies receives high priority by Company management.



**VI. APPENDIX**

The current provider of Anonymous Incident Reporting is Lighthouse Services, who can be contacted on the web at [Lighthouse-Services.com](http://Lighthouse-Services.com) or by calling 800-398-1496.