



May 5, 2011

## Northeast Bancorp Reports Third Quarter Results, Declares Dividend

### Lewiston, ME

Northeast Bancorp ("Northeast" or the "Company") (NASDAQ: NBN), a Maine-based full-service financial services company and parent of Northeast Bank ([www.northeastbank.com](http://www.northeastbank.com)), today reported net income of \$156,000 or \$0.02 per common share for the quarter ended March 31, 2011. For the 93-day period ended March 31, 2011, the Company earned \$11.9 million or \$3.33 per common share, results that included a \$15.2 million bargain purchase gain and \$3.2 million of transaction costs related to the merger of Northeast and FHB Formation LLC ("FHB"), which was consummated on December 29, 2010, and contributed approximately \$16.2 million of new capital to the Company.

The Board of Directors has declared a cash dividend of \$0.09 per share, payable on May 31, 2011 to shareholders of record as of May 17, 2011.

"Over the past three months, we've invested in positioning Northeast for future growth by substantially growing core deposits in our markets, while reducing loans outstanding and short-term borrowed funds," said Richard Wayne, President and Chief Executive Officer of Northeast Bancorp. "Building upon Northeast's solid community banking franchise, these investments will enable us to develop a Loan Acquisition and Servicing Group and an Online Deposit Program, both of which will create jobs and contribute to our success in the months ahead."

Total assets as of March 31, 2011 were \$607.4 million, a decrease of approximately 2.4%, or \$15.2 million, compared to total assets of \$622.6 million as of June 30, 2010. The principal components of the change in the balance sheet over that 9-month period were as follows:

1. A \$69.3 million, or 17.7%, reduction in loans outstanding, approximately half of which is attributable to loan sales, principally from the Company's indirect consumer loan portfolio. The remainder of the reduction is the result of net amortization and pay-offs of residential and commercial loans and a \$5.9 million decrease in loans held for sale.
2. A \$32.9 million, or 71.4%, reduction in short-term borrowed funds;
3. A \$17.2 million, or 4.5%, net increase in deposits, of which \$21.0 million occurred in the current quarter;
4. A \$52.4 million, or 28.4%, increase in cash and securities, the net result of changes in loans and funding sources, and the infusion of new capital in conjunction with the merger.

As a result of the merger with FHB, coupled with the reduction in balance sheet size, the Company's capital ratios have increased: the tier 1 leverage ratio increased to 10.15% compared to 8.4% at June 30, 2010 and the total risk-based capital ratio increased to 18.5% from 14.1% at June 30, 2010.

Earnings for the quarter ended March 31, 2011 included the effect of a number of non-recurring items, as follows:

1. A \$296,000 positive adjustment to the bargain purchase gain recorded in connection with the accounting for the merger, resulting from final valuations for the Company's identifiable intangible assets for its insurance division, its fixed assets and its Series A preferred stock and related warrants;
2. In accordance with the merger agreement, \$450,000 of compensation expense, representing retention payments owed to certain Community Bank division employees;
3. A net loss on the sale of loans (principally indirect consumer loans) of \$179,000; and
4. Merger-related expenses of \$132,000.

Non-performing loans (exclusive of the fair value adjustment associated with acquisition accounting) declined 6.1% over the fiscal year to \$9.3 million at March 31, 2011 from \$9.8 million at March 31, 2010. The quarterly provision for loan losses declined to \$49,000 in the current quarter from \$628,000 for the quarter ended March 31, 2010, reflecting both the reduction

in loan balances outstanding and the fair value adjustments recorded in conjunction with the merger transaction.

### **About Northeast Bancorp**

Northeast Bancorp (NASDAQ: NBN) is the holding company for Northeast Bank, a full service community bank headquartered in Lewiston, Maine. Northeast Bank, together with its wholly owned subsidiary Northeast Bank Insurance Group, Inc., derives its income from a combination of traditional banking services and non-traditional financial products and services, including insurance and investments. Northeast Bank operates ten traditional bank branches, ten insurance offices, three investment centers and three loan production offices that serve seven counties in Maine and two in New Hampshire. Information regarding Northeast Bank can be found on its website at [www.northeastbank.com](http://www.northeastbank.com) or by contacting 1-800-284-5989.

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Statements in this press release that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although Northeast believes that these forward-looking statements are based on reasonable estimates and assumptions, they are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors. You should not place undue reliance on our forward-looking statements. You should exercise caution in interpreting and relying on forward-looking statements because they are subject to significant risks, uncertainties and other factors which are, in some cases, beyond the Company's control. The Company's actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, changes in interest rates; competitive pressures from other financial institutions; the effects of a continuing deterioration in general economic conditions on a national basis or in the local markets in which the Company operates, including changes which adversely affect borrowers' ability to service and repay our loans; changes in loan defaults and charge-off rates; changes in the value of securities and other assets, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; increasing government regulation, such as the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; the risk that goodwill and intangibles recorded in the Company's financial statements will become impaired; changes in assumptions used in making such forward-looking statements; and the other risks and uncertainties detailed in the Company's Annual Report on Form 10-K and updated by the Company's Quarterly Reports on Form 10-Q; and other filings submitted to the Securities and Exchange Commission. These statements speak only as of the date of this release and we do not undertake any obligation to update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this communication or to reflect the occurrence of unanticipated events.

**IMPORTANT NOTE:** Securities and Advisory Services offered through Commonwealth Financial Network, Member FINRA, SIPC, and a Registered Investment Advisor. Securities are not FDIC insured, not bank obligations or otherwise bank guaranteed and may lose value. Northeast Financial is located at 202 Rte. 1, Suite 206, Falmouth, ME 04105

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