



October 28, 2011

## Northeast Bancorp Reports First 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, today reported net income of \$529,000 or \$0.12 per diluted common share for its fiscal 2012 first quarter ended September 30, 2011.

The Board of Directors has declared a cash dividend of \$0.09 per share, payable on November 28, 2011 to shareholders of record as of November 14, 2011.

Results include the gain earned on the sale of the Company's insurance agency business. As previously announced, Northeast's insurance division was acquired by local agencies in two separate transactions, effective September 1, 2011. The gross sales price of \$9.7 million, net of related expenses and taxes, yielded a gain of \$1.0 million and served to increase the Company's tangible capital by approximately \$8.4 million or \$2.40 per share. Principally as a result of this transaction, the Company's tangible book value increased to \$16.14 per share at quarter-end from \$13.58 per share at June 30, 2011.

"We are pleased with the progress being made in executing our business strategy," said Richard Wayne, President and Chief Executive Officer of Northeast. "We are making significant investments in our people, and our business platforms in order to provide additional capacity for growth. In addition, we have further strengthened our balance sheet by transferring ownership of our insurance franchise to two well-established, local owners in Maine, providing us with additional capital. These activities have positioned Northeast well for growth in our Community Banking Division, and in our two new business lines: the Loan Acquisition and Servicing Group and our planned Online Affinity Deposit Program."

Quarterly results also included a loss of \$53,000 on the sale of the Company's remaining equity securities portfolio. Excluding the effect of this non-recurring item and the insurance sale gain, the operating loss for the quarter was approximately \$430,000, a result that reflects up-front staffing and infrastructure costs for the Company's new lending and deposit initiatives.

Total assets declined by \$9.2 million or 1.5% to \$587.2 million at September 30, 2011, compared to total assets of \$596.4 million on June 30, 2011. The principal components of the change in the balance sheet during the fiscal 2012 first quarter were as follows:

1. Loan growth of \$7.7 million or 2.5%, lead by growth of \$14.7 million in purchased commercial loans. Launched in the fourth quarter of fiscal 2011, the Bank's new Loan Acquisition and Servicing Group purchases performing commercial loans nationwide for the Bank's portfolio. Such purchased commercial loans are typically acquired at a discount from their outstanding principal balances, producing yields higher than those normally achievable on the Bank's originated commercial loans. The remainder of the Bank's loan portfolio decreased by \$7.0 million during the quarter, principally due to an increased level of mortgage refinance activity. During the quarter, most refinances of loans in the Bank's existing portfolio were fixed rate loans, which the Bank sold in the secondary market.
2. An \$11.7 million reduction in funding sources, consisting of a \$7.4 million, or 1.8%, net decrease in deposits and a \$4.3 million, or 3.4%, decrease in borrowed funds. The latter is primarily the result of repaying Northeast Bank Insurance Group debt in connection with the insurance transaction;
3. A \$9.9 million or 4.2% decrease in cash and securities, the net result of changes in loans and funding sources. Cash and securities, net of holdings pledged as collateral for borrowed funds, represent 24% of total assets at quarter-end, a level of balance sheet liquidity that is intended in part for future purchases of commercial loans.

Non-performing assets improved to \$7.9 million or 1.3% of total assets at September 30, 2011, compared to \$8.6 million or 1.5% of total assets at June 30, 2011.

Principally as a result of the insurance transaction, the Company's tier 1 leverage ratio increased to 11.8% from 10.3% at June 30, 2011 and the total risk-based capital ratio increased to 20.9% from 19.0% at June 30, 2011.

### 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 derives its income from a combination of traditional banking services as well as from its Loan Acquisition and Servicing Group, which purchases performing commercial loans for the Bank's portfolio. Northeast Bank operates ten traditional bank branches, three investment centers and four 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.

#### **Non-GAAP Financial Measure**

In addition to results presented in accordance with generally accepted accounting principles ("GAAP"), this press release contains certain non-GAAP financial measures. Northeast's management believes that the supplemental non-GAAP information, which consists of tangible book value, is utilized by regulators and market analysts to evaluate a company's financial condition and therefore, such information is useful to investors. These disclosures should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names.

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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 Adviser. 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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