

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; events 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 help through EDGAR on the SEC website at 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-Voting¹

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 ¹

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.²

114,846

3.47%

35,106

149,952

4.28%

Other New Investors³

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 Acquired¹

(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 12¹

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%
Total²
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 Delinquency¹

(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 deposits¹
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 deposits¹ 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 Market²

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 Overview¹

Corporate Overview

Total Assets

\$595.0
Total Loans
\$345.8
Total Deposits
\$403.7
Total Common Equity
\$60.6
Tangible Book Value per Share ²
\$15.94
Tangible Common Equity / Tangible Assets ²
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 Equity²

(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 Deposits¹
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 Loans³

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)

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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 ¹

Nationwide

Peers ²

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 ¹

Nationwide

Peers ²

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 ¹
Nationwide
Peers ²
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 Loans¹

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 ³

Tier 1 Leverage Ratio

Tier 1 RBC Ratio

Total RBC Ratio

As of March 31, 2012

Pro Forma Capital Raise¹

Pro Forma Capital Raise and TARP Redemption²

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 Peers¹

NBN Regional Peers²

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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

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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 ³

\$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 ¹

Predecessor

Successor

Company ²

Company ²

30

Merger Requirements ¹

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 deposits²
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

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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
\$

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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 Company¹
 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