

**NORTHEAST BANCORP
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER**

I. PURPOSE

The Audit Committee (the "Committee") assists the Board of Directors (the "Board") of Northeast Bancorp (the "Company") in their responsibilities to oversee the independent auditor, to evaluate the Company's financial reporting practices, accounting policies and internal control structure, and to approve the audit committee report required by applicable rules of the Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement.

The Audit Committee fulfills these responsibilities by carrying out the activities enumerated in Section IV of the Charter.

II. COMPOSITION

The Committee will be comprised of three or more directors as determined by the Board. Each member of the Committee shall be a director of the Company who qualifies to be a member of an audit committee pursuant Section 10A(m)(1) of the Securities Exchange Act of 1934, and applicable listing standards of the American Stock Exchange ("AMEX"). The Committee shall be comprised of directors who are independent of management and the Company within the meaning of §10A of the Securities Exchange Act of 1934, as amended, and the rules of the SEC and AMEX, and the determination of a director's independence shall be made by the Board.

The members of the Committee shall be appointed or reappointed by the Board at the meeting of the Board immediately following each annual meeting of stockholders of the Company. Each member of the Committee shall continue as a member thereof until his or her successor is appointed by the Board or until his or her earlier death, resignation, removal or cessation as a member of the Board. The Board will elect one of the Committee members to the Committee Chair.

III. MEETINGS

The Committee will meet at least four times annually, or more frequently as circumstances dictate. A quorum, for purposes of conducting Audit Committee business, shall consist of a majority of the members of the Committee present in person or by telephone or other appropriate telecommunications services.

Committee members will strive to be present at all meetings. The Committee Chair, may, as necessary or desirable, request that the independent auditor, the chief financial officer, the internal auditor, and/or representatives from management be present at Committee meetings. The Committee may meet in separate executive sessions with the independent auditor, the chief financial officer, the internal auditor, and/or representatives from management.

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IV. RESPONSIBILITIES

1. Review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval. This should be done in compliance with applicable Amex Audit Committee requirements. The charter, as amended from time to time, shall be published in the Company's proxy statement as required by applicable AMEX and SEC rules.
2. Regularly report to the Board on the Committee's activities and annually review and report to the Board on its own performance.
3. Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
4. Evaluate, select, and where appropriate, replace an independent auditor who is ultimately accountable to the Audit Committee. The Committee shall pre-approve all services to be provided to the Company by the independent auditor, including all auditing and non-auditing services to be performed for the Company by the independent auditor, subject to the requirements of applicable law. The Committee may delegate the authority to grant such pre-approvals to one or more Committee members designated by the Committee, provided that any matters so pre-approved shall be presented to the full Committee at its next regular meeting. The Committee shall determine appropriate funding for payment of compensation to the independent auditor.
5. Review the scope and general extent of the independent auditor's annual audit. The Committee's review should include an explanation from the independent auditor of the factors considered in determining the audit scope, including the major risk factors. The independent auditor should confirm to the Committee that no limitations have been placed on the scope or nature of their audit procedures. The Committee will review annually with management the fee arrangement with the independent auditor.
6. Review with management, the internal auditor and the independent auditor the Company's accounting and financial reporting controls.
7. Review with the independent auditor, management, and the internal auditor:
 - All critical accounting policies and practices used in the preparation of the Company's financial statements.
 - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management

officials of the issuer, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor.

- Other material written communications between the auditor and management of the issuer (e.g. management letter or schedule of unadjusted differences).
 - Other material components of the Company's financial statements involving management's judgment or estimates, and the independent auditor's judgments about the quality of accounting principles and the clarity of financial disclosure practices used or proposed to be used by the Company.
 - The timing of these communications shall occur before the Company files any audited financial statements or audit report with the Commission pursuant to applicable securities laws and regulations.
8. Receive a disclosure from the Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q about (1) any significant deficiencies and material weaknesses in design or operation of internal controls over financial reporting and (2) any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal controls.
 9. Inquire as to the independence of the independent auditor and obtain from the independent auditor, at least annually, a formal written statement delineating all relationships between the independent auditor and the Company as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.
 10. Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, (d) any material issues on which the national office of the independent auditor was consulted by the Company's audit team, and (e) all relationships between the independent auditor and the Company. Discuss with the independent auditor any disclosed relationships and such relationships' impact on the independent auditor's independence.
 11. Have a predetermined arrangement with the independent auditor that they will advise the Committee through its Chair and management of any reportable matters (significant events, transactions and changes in accounting estimates) identified through procedures followed for interim quarterly financial statements,

and that such notification is to be made prior to the related press release or, if not practicable, prior to filing Forms 10-Q.

12. At the completion of the annual audit, review with management and the independent auditor the following:
 - The annual financial statements and related footnotes and financial information to be included in the Company's annual report to shareholders and on Form 10-K.
 - Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
 - Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the independent auditor during the audit, including access to all requested records, data and information. Inquire of the independent auditor whether there have been any disagreements with management, which, if not satisfactorily resolved, would have caused them to issue a nonstandard report on the Company's financial statements.
 - Other communications as required to be communicated by the independent auditor by Statement of Auditing Standards (SAS) 61 as amended by SAS 90 relating to the conduct of the audit. Such communication should include a discussion of the independent auditor's judgment about the quality of the Company's accounting principles.

If deemed appropriate after such review and discussion, recommend to the Board that the financial statements be included in the Company's annual report on Form 10-K.

13. Meet with management, the internal auditor and the independent auditor to discuss any relevant significant recommendations that the independent auditor may have, particularly those characterized as "reportable conditions". The Committee should review responses from management to the reportable conditions and receive follow-up reports on action taken concerning the aforementioned recommendations.
14. Review the appointment, replacement and compensation of the internal auditor. The internal auditor will report directly to the audit committee chairman and administratively to a designated senior officer.
15. Review the scope of the internal audit plan for the year. Evaluate the internal auditor's risk assessment of the Company's activities used in developing the annual plan.

16. Receive reports of major findings from the internal auditor and evaluate management's response in addressing the reported conditions.
17. Evaluate the performance of and, where appropriate, replace the internal auditor.
18. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee, in performing its duties herein shall have the authority to retain and terminate such outside legal, accounting or other advisors as it shall deem necessary to carry out its duties, without seeking further approval of the Board. The Company shall provide for appropriate funding thereof.
19. Review and approve annually the appointment of a Chief Risk Officer who shall report directly to the Audit Committee. The Chief Risk Officer shall oversee, integrate, develop and implement the Company's enterprise risk management including traditional and non-traditional areas of risk exposure such as strategic, credit, interest rate, liquidity, compliance, bank secrecy, security, market, technology, operations, and reputation.
20. Establish specific duties and responsibilities of the Chief Risk Officer. Essential duties and responsibilities shall include, among other things:
 - Building risk management credit processes, including policy, approval, and administrative support systems.
 - Integrating and directing risk management functions, including such areas as credit administration, asset recovery, compliance and Bank Secrecy Act.
 - Identifying other risk management functions within the Bank and subsidiaries to move under the Effective Resource Management (ERM) model.
 - Assisting line of business and support functions to develop internal processes and appropriate benchmarks to monitor ongoing risk.
 - Developing a capital allocation model assigning capital to each line of business on a risk adjusted basis to assist in risk assessment of all new lines of business/new product development and services.
 - Providing ongoing supervision to staff, following the procedures of the Bank Performance Management Program to counsel and development of employees.
 - Providing for effective implementation within the Company of the Bank Equal Employment Opportunity/Affirmative Action Plan as approved by the Board.
 - Supporting and promoting a shared values environment.

21. Meet with the Chief Risk Officer to review updated risk assessments, review summary reports of compliance reviews and receive updates regarding compliance matters.