

NORTHEAST BANCORP CORPORATE GOVERNANCE GUIDELINES

INTRODUCTION

The business and affairs of Northeast Bancorp, a Maine corporation (the “Company”), are subject to the general oversight and authority of its Board of Directors (the “Board”). The Board has adopted these guidelines to promote the effective functioning of the Board and its committees. Together with the Company’s Articles of Incorporation, Bylaws, and charters of the Board’s Committees, these guidelines provide the authority and practices for governance of the Company.

ROLE OF THE BOARD

The business and affairs of Company are managed by or under the direction of its Board in accordance with Maine law. The directors' fiduciary duty is to exercise their business judgment in the best interests of the Company's shareholders.

BOARD STRUCTURE

Board Size. The size of the Board will provide for sufficient diversity among non-employee directors while also facilitating substantive discussions in which each director can participate meaningfully. The Board size will be within the limits prescribed by Company's Bylaws, which currently provide that the Board may have no fewer than 9 and no more than 12 members, and no more than 3 directors may be employees of the Company.

Independent Directors. A majority of the Board will consist of directors whom satisfy the independence requirements of the Sarbanes-Oxley Act of 2002 (“SOX”) and the rules and regulations of the Securities and Exchange Commission (the “Commission”) and the American Stock Exchange (“AMEX”). In general, an independent director must have no material relationship with Company, directly or indirectly, except as a director. The Board will review factors affecting independence at the time a director is proposed for election or reelection.

Under the AMEX Rules, the Board is required to review factors affecting independence at the time a director is proposed for election or reelection. A director is not independent if the director is an officer or employee of the Company or its subsidiaries. A director also is not independent unless the Board affirmatively determines that the director does not have a material relationship with the Company that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The following persons, among others, will not be considered independent:

1. a director who is, or at any time during the past three years was, employed by the Company or by any subsidiary of the Company (other than employment as an interim chairman or CEO);
2. a director who accepted, or who has a Family Member (i.e., a person’s spouse, parent, child or sibling, whether by blood, marriage or adoption, or anyone residing in such person’s home) who accepted, any payments from the Company or any subsidiary of the Company in excess of \$60,000 during the current or any of the past three fiscal years, other than the following:

- (a) compensation for board or board committee service;
 - (b) payments arising solely from investments in the Company's securities;
 - (c) compensation paid to a Family Member who is a non-executive employee of the Company or a subsidiary of the Company;
 - (d) compensation received for former services as an interim chairman or CEO,
 - (e) benefits under a tax-qualified retirement plan, or non-discretionary compensation; or
 - (f) a loan to the extent permitted under Sarbanes-Oxley (but note that audit committee members are subject to additional, more stringent requirements under the AMEX corporate governance rules);
3. a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company or by any subsidiary of the Company as an executive officer;
 4. a director who is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:
 - (a) payments arising solely from investments in the Company's securities; or
 - (b) payments under non-discretionary charitable contribution matching programs;
 5. a director of the Company who is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company serve on the compensation committee of such other entity; or
 6. a director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

Election of Directors. All directors will stand for election at the annual meeting of shareholders.

Chairman and CEO. The Board has no policy requiring the separation of the Company's Chief Executive Officer ("CEO") and Chairman of the Board.

Term Limits. The Board believes that experience as a Company director is a valuable asset. Therefore, directors are not subject to term limits except as a result of reaching the Board's mandatory retirement age.

Mandatory Retirement. No director may stand for election after reaching age 72.

Other Directorships. Recognizing the substantial time commitment required of directors, it is expected that directors will serve on the board of directors of other companies which have a class of securities registered under §12 or §15(d) of the Securities Exchange Act of 1934, as amended (“public company”), only to the extent that, in the judgment of the Board, such services do not detract from the directors' ability to devote the necessary time and attention to the Company.

Change in Status. To avoid any potential conflict of interest, directors will not accept a seat on any additional public company board without first reviewing the matter with the Nominating and Corporate Governance Committee. In addition, an employee director will tender his or her resignation for consideration by the Board in the event of retirement or other substantial change in the nature of the director's employment or other significant responsibilities. The Nominating and Corporate Governance Committee shall consider such resignation and recommend to the Board of Directors whether such resignation should be accepted.

Former Officers. The Board does not believe that former officers of the Company should continue to serve on the Board after they no longer hold that officer position

DIRECTOR SELECTION; QUALIFICATIONS; EDUCATION

Director Candidates. Subject to the terms of the Bylaws, the Board, acting on the recommendation of the Nominating and Corporate Governance Committee, will nominate a slate of director candidates for election at each annual meeting of shareholders and will elect directors to fill vacancies, including vacancies created as a result of any increase in the size of the Board, between annual meetings. The Nominating and Corporate Governance Committee will review and update the criteria for directors from time to time and make recommendations to the Board as appropriate. Such criteria will include considerations of age, skill, integrity, experience, time availability, appropriate listing standards, and applicable federal and state law and regulation. Each nominee for director must be selected or recommended by either a majority of the independent directors or the Nominating and Corporate Governance Committee which is comprised solely of independent directors.

Independent Directors. As provided above, a majority of the Board must be comprised of independent directors within the meaning of the AMEX Rules. The Company shall disclose in its annual proxy statement those directors that the Board has determined to be independent under the AMEX Rules. If the Company fails to comply with the independence requirements in this paragraph due to one vacancy, or one director ceases to be independent due to circumstances beyond his or her reasonable control, the Company shall regain compliance with the independence requirements by the earlier of its next annual shareholders meeting or one year from the occurrence of the event that caused the failure to comply with the independence requirements. The Company shall provide notice to AMEX immediately upon learning of the event or circumstance that caused the non-compliance with the independence requirements. The Board shall make an affirmative determination that each individual who is serving as an independent director is, in fact, independent, and, without limiting the generality of the foregoing, does not have any relationship with the Company that would impair such person's independence.

Orientation. New directors will receive a comprehensive orientation from appropriate executives regarding the Company's business and affairs.

Continuing Education. It is expected that, at least annually, all directors will participate in a continuing education event (which may coincide with a regular Board meeting) addressing, among other things, current developments and best practices in corporate governance. Reviews of aspects of the Company's operations will be presented by appropriate executives from time to time as part of the agenda of regular Board meetings.

DIRECTOR RESPONSIBILITIES; BOARD MEETINGS

Basic Duties. The basic duties of each director, under the Maine Business Corporation Act, are to discharge his or her duties as a director, including his or her duties as a member of a committee (a) in good faith, (b) with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and (c) in a manner that he or she believes to be in the best interests of the Company. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of his or her fellow directors, senior executives, and outside advisors and auditors.

Number of Regular Meetings. The Board normally holds twelve regular meetings per year. Additional meetings may be scheduled as required.

Agenda and Briefing Material. An agenda for each Board meeting and briefing materials will, to the extent practicable in light of the timing of matters that require Board attention, be distributed to each director prior to each meeting. The Chairman of the Board will normally set the agenda for Board meetings. Any director may request the inclusion of specific items.

Meeting Attendance. It is expected that each director will make every effort to attend each Board meeting and each meeting of any committee on which he or she sits. Attendance in person is preferred but attendance by teleconference is permitted if necessary.

Director Preparedness. Each director should be familiar with the agenda for each meeting, have carefully reviewed all other materials distributed in advance of the meeting, and be prepared to participate meaningfully in the meeting and to discuss all scheduled items of business.

Confidentiality. The proceedings and deliberations of the Board and its committees are confidential. Each director will maintain the confidentiality of information received in connection with his or her service as a director.

INDEPENDENT DIRECTOR EXECUTIVE SESSIONS

An executive session of the independent directors will normally be held four times per year immediately following each meeting of the full Board. The Chairman of the Nominating and Corporate Governance Committee will preside at the executive sessions, unless the independent directors select another director to preside for a particular session. Any independent director may raise issues for discussion at an executive session. The independent directors will maintain such records of executive sessions as they deem appropriate.

BOARD SELF-EVALUATION

At least annually, the Board will evaluate its performance and effectiveness.

CONFLICTS OF INTEREST

The Company shall conduct, on an ongoing basis, a review of all related party transactions for potential conflict of interest situations and all such transactions must be approved by the Audit Committee or another independent body of the Board. A “related party transaction” shall include those transactions required to be disclosed pursuant to Item 404 of Regulation S-K, promulgated by the Commission.

COMMITTEES

Committees. The Board will appoint from among its members, committees it determines are necessary or appropriate to conduct its business. Currently, the standing committees of the Board are the Executive Committee, Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee.

Committee Composition. The composition of each committee shall comply with the requirements of any applicable law and regulation including, but not limited to, SOX and the rules and regulations of the Commission, AMEX, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision. In particular, the Nominating and Corporate Governance Committee, Audit Committee, and Compensation Committee will consist solely of independent directors.

Committee Charters. Each of the committees will have a written charter outlining its responsibilities. Charters will be adopted by the Board based on the recommendation of the applicable committee. In particular, and without limiting the generality of the preceding sentence, the Audit Committee, shall have such composition and charter as meets the requirements of SOX and the rules and regulations of the Commission and AMEX.

Committee Assignments and Rotation. Membership of each committee will be determined by the Board after receiving the recommendation of the Nominating and Corporate Governance Committee. Consideration will be given to rotating committee memberships from time to time.

Committee Self-Evaluation. At least annually, each of the Board committees will conduct an evaluation of its performance and effectiveness and will consider whether to recommend to the Board any changes to the committee's charter.

Committee Reports. The Chairman of each Board committee will report to the full Board on the activities of his or her committee, including, but not limited to, the results of the committee's self-evaluation and any recommended changes to the committee's charter.

CEO PERFORMANCE REVIEW

At least annually the Compensation Committee will review the performance of the CEO in light of the Company's goals and objectives.

SUCCESSION PLANNING

At least annually, the Board will review succession plans for the CEO and other senior executives. Succession planning will address both succession in the ordinary course of business and contingency planning in case of unexpected events.

BOARD RESOURCES

Access to Employees. Directors will have full access to senior management of the Company and other employees on request to discuss the business and affairs of the Company. The Board expects that

there will be regular opportunities for directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

Authority to Retain Advisors. It is normally expected that information regarding the Company's business and affairs will be provided to the Board by the Company's management and staff and by the Company's independent auditors. However, the Board and each committee has the authority to retain such outside advisors, including, but not limited to, accountants, legal counsel, and other experts, as it deems appropriate. The fees and expenses of any such advisors will be paid by the Company.

CODE OF CONDUCT AND ETHICS

Company has adopted a Code of Conduct and Ethics applicable the Company's directors, officers, and employees to comply with applicable laws, rules, and regulations, including, without limitation, AMEX Rules. Each director is expected to be familiar with and to follow this code. In addition, directors must avoid any conflict between their own interests and the interests of the Company.

The Nominating and Corporate Governance Committee will review any allegation that an executive officer or director may have violated the Code of Conduct and Ethics and will report its findings to the full Board. The Board does not envision that any waiver to this code will be authorized.

LOANS TO DIRECTORS AND OFFICERS

Neither the Company nor any of its subsidiaries shall enter into lending relationships, deposit relationships, other banking relationships (such as depository, transfer, registrar, indenture trustee, trusts and estates, private banking, investment management, custodial, securities brokerage, cash management or similar services), or other commercial or financial relationships (whether director or indirect) with a director or executive officer of the Company or entity (whether for profit, not for profit, or otherwise) with which such director or executive officer is affiliated by reason of being a director, officer or a significant shareholder thereof, unless:

1. such relationships are in the ordinary course of business of the Company and are on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons; and
2. with respect to extensions of credit by the Company or its subsidiaries to such individuals or entities such extensions of credit have been made in compliance with applicable law, including Regulation O of the Board of Governors of the Federal Reserve and Section 13(k) of the Securities Exchange Act of 1934.

DIRECTOR COMPENSATION

Compensation for directors will be determined by the Board on the recommendation of the Compensation Committee and will be reviewed annually. Director compensation will be set at a level that is consistent with market practice, taking into account the size and scope of the Company's business and the responsibilities of its directors. The Compensation Committee is authorized and urged to seek outside consultants or advisors to assist in the evaluation of the Company's compensation program.

When making its recommendation, the Compensation Committee may take into account the appearance that directors' independence is adversely affect if director compensation and benefits exceed

customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with, or provides other indirect forms of compensation, to a director or an organization with which the director is affiliated.

INDEMNIFICATION

The Company provides reasonable directors' and officers' liability insurance for the directors and shall indemnify the directors to the fullest extent permitted by law and the Company's Articles of Incorporation and Bylaws, and shall enter into separate indemnification agreements with each director, if advisable.

COMMUNICATION WITH SHAREHOLDERS

The Nominating and Corporate Governance Committee and the Board will establish and review the process by which the Company's shareholders can communicate with the Board, including, without limitation, the manner by which shareholders can communicate with the Board and process for determining which communications will be relayed to the Board.

CORPORATE GOVERNANCE GUIDELINES REVISION

The Nominating and Corporate Governance Committee and the Board will review and revise these Corporate Governance Guidelines and related documents as and when appropriate.