

**A One-Stop Shop Atmosphere, Diversified Products And 43% Of Their Revenue Coming From Non-Interest Income Sets Northeast Bancorp Apart From The Competition, Which Rely Totally On Interest Income**

**Financial  
Regional – Northeast Banks  
(NBN-NASDAQ)**

**Northeast Bancorp**

**500 Canal Street  
Lewiston, ME 04240  
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**James D. Delamater  
President and CEO**

**BIO:**

**Jim Delamater**

*Northeast Bank Director  
President and CEO, Northeast Bank*

Jim has served Northeast Bank as President, CEO, and board member since 1981. He has served in numerous leadership positions and sits on two corporate boards: Syris Scientific (where he serves as Chair) and Oxford Networks (where he was past Chair). Jim is also a past Chairman of both the Maine Bankers Association and the Maine Association of Community Bankers. He was recognized

as the SBA Small Business Advocate of the Year. Before joining Northeast, he served as a licensed representative for the New York Stock Exchange with a major stock brokerage firm. Jim recently authored *The Great American Mismatch*, a book about the value of selecting the right financial planner.

**Company Profile:**

Northeast Bancorp (NasdaqGM:NBN) is the holding company for Northeast Bank, a leader in delivering one-stop shopping for financial services. 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 eleven traditional bank branches, fourteen insurance offices, three investment centers and a loan production office that serve seven counties in Maine and two in New Hampshire.

**Interview conducted by:  
Walter Banks, Publisher  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Delamater, you have been with the bank since 1981; how have things changed since then and what is your current vision?

**Mr. Delamater:** “The biggest change for Northeast Bancorp is growth. I joined the bank in 1981, and we were an \$18 million, small savings bank, tucked in Western Maine, with 9 employees and one product, basically being the mortgage product. My vision, which became the company vision, was to create a diversified financial-services company that

could deliver one-stop shopping for all financial products, wrapped around our dearest principle, which is needs-based advice. That is getting to know each customer, sitting down with them, and helping them figure out what their needs are, then finding out what the solutions might be, such as the right products to put into a financial plan. Over the years, our company has grown to its present size of about \$630 million. We now have about 260 employees and we are very diversified, unlike most banks in our region. We deliver insurance, investments, wealth management and banking solutions. It’s very much a one-stop shopping atmosphere and style of company. So the biggest change has been the growth in our diversity. About 43% of our revenue comes from non-interest income, versus most of our peers in Maine, which rely on net interest income. It has been a very strong asset of our company.”

**CEOCFO:** Tell us about your branches and your philosophy there.

**Mr. Delamater:** “We have 25 different locations, some of which are insurance branches and some of which are full service, bank type branches that offer all products and services. We serve a market area of western central, coastal and southern Maine, and New Hampshire. It is a broad market area representing a large majority of the population of our region. We don’t see much growth outside of that footprint. We think that market area is robust enough to serve our needs. It is noteworthy to point out that the Maine market is not a growth market. We, as a state, are not seeing any kind of meaningful population growth. It fits our strategy well, which is to gather more income from each individual household

by delivering multiple products and services. For us, branching is very much unlike traditional banks that are opening branches wherever they see fit. We are looking to take advantage of our technology, online capacity, and to grow locations that fit our strategy, which is to deliver this broad-based platform of financial services and products for customers.”

**CEOCFO:** Is your company fully up to speed with the current technologies such as image capture?

**Mr. Delamater:** “Yes, and every day, more of our customers convert to the online environment, taking more advantage of doing business without paper. We now allow them to open accounts online. We’re taking as much advantage as we can of this new technology, because we are finding that our customers want that convenience.”

**CEOCFO:** Do you grow through acquisitions?

**Mr. Delamater:** “We did earlier in the development of our model in the late 1980’s, and early 1990’s, by acquiring some other banks and bank branches, but organic growth has been our focus for some time. The exception is the insurance business. We determined that the property and casualty business would be a wonderful fit for our model and that has turned out to be the case. We are now probably one of the five largest property and casualty agencies in Maine. We have done that through acquiring several agencies over the last several years, which has helped us get the platform to the desired size. So, certainly, acquisitions played a big role in development in that line of business.”

**CEOCFO:** How did the economic slowdown affect the communities that you are in, and did it have an affect on your bank?

**Mr. Delamater:** “When you do business in a state that doesn’t have a lot of growth, you don’t tend to witness great boom periods, nor do you witness big bust periods. Maine has not seen anywhere near the kind of examples of falling real estate prices or the kind of economic distress that other areas of the country have

seen. That has been good for our company. We’re a conservative lender. We believe that credit risk and interest rate risk are paramount. We need to manage them well, and we’ve avoided them to this stage. I believe that we have positioned ourselves to not have to deal with any substantial amount of bad assets or mis-priced loans. We believe our portfolio is in excellent shape and we have had strong examination reviews. We believe that we’ve done what we should have done, which was to avoid lending to people that can’t afford to pay it back, and to be conservative at a time when, certainly, some areas of this country have learned that being aggressive on the debt side can come back to hurt you in the long run. This market has been good to us, and we think that its position will continue to be good to us, particularly given our strategy of delivering multiple products and services.”

**“We feel that we are in very good shape right now. We are positioned where we want to be for the future. We don’t see the need for any more capital or the need to borrow any more funds. We think that we have the structure in place to grow organically and start to drive earnings, which of course is the key.”**

**- James D. Delamater**

**CEOCFO:** What sets you apart from the other banks?

**Mr. Delamater:** “Clearly today, and I think it’s always been the case for our company, we have promoted and developed the style of community banking that relates to local decision making, local authority, and local leadership. We embrace community banking. I think people, more than ever, respect the fact that they can come into one of our institutions and get to know one of our staff and, likewise, we get to know their needs and goals, and are in a better position to serve them well. People need to trust that the people that are giving them financial advice truly have their best interest at heart and are not just looking to make a sale. We have delivered that type of service quite well for years and it is the core focus of our company. It is what we call needs-based advice. What differentiates us substantially from our competition is the diver-

sity of our product offerings. There are very few banks like us that can deliver such a level of multiple products and services, which also allows us to do something called relationship price, which is bundle products and services in such a way that we can provide discounts or a value package to those folks that are buying multiple products and services from us.”

**CEOCFO:** Would you tell us about community involvement?

**Mr. Delamater:** “In all of our locations, our staff donates thousands of hours each year to community service. We try to deliver as much as we can in the form of donations, all the while being mindful of the fact that we have shareholders to serve. We certainly need to leave plenty of room to pay a good dividend to our shareholders, but being a community bank, it’s essential that we have participation in the local communities. So, we strive to do that on a regular basis, in all the locations that we serve.”

**CEOCFO:** What about the capital position of the bank?

**Mr. Delamater:** “We are well capitalized. It’s our goal to remain well capitalized, particularly in times like this. It’s noteworthy to point out that we

did participate in the CPP program from the government. We basically felt that it made sense to allow the government to buy stock in our institution to the tune of \$4 million. We did that mainly because we felt that it was an additional piece of attractive capital, which would protect us going forward and also allow us to continue to support our organic growth, which has been substantial of late. We thought that was a good decision and also somewhat of an insurance policy that is serving our organization well.”

**CEOCFO:** How did TARP fit your bank?

**Mr. Delamater:** “The TARP program had two components to it, one being the so-called TARP, which were more or less forced upon the large institutions that were deemed too big to fail by the government. Then, the government turned to the rest of the banking community, including banks like ours, and offered ac-

cess to the Capital Purchase Program. In order to qualify, we had to be a healthy, well-run bank. We were pleased to be deemed a solid, well-run institution, and that allowed us to access, in our case, approximately \$4 million of investment capital.”

**CEOCFO:** And that is working well for you?

**Mr. Delamater:** “It has served us well and given us some additional horsepower to support our growth as well as a nice insurance policy in our balance sheet that protects us in the event that the economy gets worse than anyone might expect. In our Maine market, people are paying their bill, and we are not seeing any high degree of foreclosure activity. It has been much stronger than perhaps people would realize. I think a lot of that is because we didn’t have the explosive growth. Our company certainly never participated in the sub-prime business, nor would we. We don’t think you serve anyone well by lending them money that they can’t pay back. It’s very important to help people make good credit decisions.”

**CEOCFO:** How do you acquire most of your capital?

**Mr. Delamater:** “Basically through earnings. The best way to grow capital is to have good earnings and reinvest those

earnings or a percentage of them certainly, after the dividend to our shareholders, back into capital. That is our plan for the future, to avoid any kind of dilution to our shareholders and continue to grow earnings. We are forecasting some good earnings growth over the next several quarters and are very optimistic about our future.”

**CEOCFO:** Can you tell us about future growth plans that you might have?

**Mr. Delamater:** “Well, as I indicated earlier, we’ve established a very strong market area and a strong footprint. We plan to grow organically within that footprint. There’s ample opportunity for growth of the products that we have and so organic growth would be the key for the future. We certainly don’t turn our heads to any acquisition or strategic partner opportunities, and we continue to evaluate any that come our way, always keeping in mind that we work for our shareholders and that we need to deliver the best results for them.”

**CEOCFO:** What is the financial position of the bank right now, and do you feel the need to go to the street or borrow as you go forward?

**Mr. Delamater:** “No. We feel that we are in very good shape right now. We are positioned where we want to be for the

future. We don’t see the need for any more capital or the need to borrow any more funds. We think that we have the structure in place to grow organically and start to drive earnings, which of course is the key.”

**CEOCFO:** In closing, address potential investors. Why should they consider Northeast Bancorp, and why a bank from a small state like Maine, as opposed to a big state like California?

**Mr. Delamater:** “I think the key there is that California being a bigger state and seeing some of the tremendous growth is certainly now dealing with some of the impact of that explosive growth, particularly growth based on so called “easy lending” principals. Maine is a conservative state by its nature. Slow, no-growth markets may not be exciting, but they are stable. I would say that the biggest thing that makes us attractive to investors, like so many community banks is that the current market environment has not been friendly to any public company. We have had institutions, mutual funds and the like that have owned our stock and have had to sell shares, which has created pressure on the downside. Many of us, as insiders, buy when we can, as we think our stock price is undervalued and a buying opportunity, given the overall evaluation of our company.”

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**BANK**  
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