Northeast Bank Reports Second Quarter Results and Declares Dividend

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LEWISTON, Maine, Jan. 27, 2020 (GLOBE NEWSWIRE) -- Northeast Bank (the “Bank”) (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of $4.9 million, or $0.53 per diluted common share, for the quarter ended December 31, 2019, compared to net income of $5.1 million, or $0.56 per diluted common share, for the quarter ended December 31, 2018. Net income for the six months ended December 31, 2019 was $9.6 million, or $1.05 per diluted common share, compared to $9.7 million, or $1.05 per diluted common share, for the six months ended December 31, 2018.

On January 24, 2020, the Board of Directors declared a cash dividend of $0.01 per share, payable on February 24, 2020, to shareholders of record as of February 10, 2020.

“During the second quarter, we generated a record level of loan originations and purchases, and at quarter end we surpassed $1 billion in total loans,” said Richard Wayne, Chief Executive Officer. “Our Loan Acquisition and Servicing Group produced $163.4 million of loans, including originations of $98.6 million and purchases with an investment of $64.8 million during the quarter. As a result, we earned $0.53 per diluted common share, a return on average equity of 12.1%, a return on average assets of 1.7%, and a net interest margin of 5.6%.”

As of December 31, 2019, total assets were $1.2 billion, an increase of $53.6 million, or 4.6%, from total assets of $1.2 billion as of June 30, 2019. The principal components of the changes in the balance sheet follow:

1. The following table highlights the changes in the loan portfolio for the three and six months ended December 31, 2019:

	Loan Portfolio Changes Three Months Ended December 31, 2019			
	December 31, 2019 Balance	September 30, 2019 Balance	Change ($)	Change (%)
	(Dollars in thousands)			
LASG Purchased	$ 367,625	$ 332,227	$ 35,398	10.65 %
LASG Originated	497,386	457,350	40,036	8.75 %
SBA	54,572	58,270	(3,698)	(6.35 %)
Community Banking	81,195	86,192	(4,997)	(5.80 %)
Total	$ 1,000,778	$ 934,039	$ 66,739	7.15 %

	Six Months Ended December 31, 2019			
	December 31, 2019 Balance	June 30, 2019 Balance	Change ($)	Change (%)
	(Dollars in thousands)			
LASG Purchased	$ 367,625	$ 326,640	$ 40,985	12.55 %
LASG Originated	497,386	493,413	3,973	0.81 %
SBA	54,572	63,053	(8,481)	(13.45 %)
Community Banking	81,195	91,954	(10,759)	(11.70 %)
Total	$ 1,000,778	$ 975,060	$ 25,718	2.64 %

Loans generated by the Bank's Loan Acquisition and Servicing Group ("LASG") for the quarter ended December 31, 2019 totaled $163.4 million, which consisted of $64.8 million of purchased loans, at an average price of 97.1% of unpaid principal balance, and $98.6 million of originated loans. The Bank sold the guaranteed portion of Small Business Administration ("SBA") loans totaling $4.0 million in the secondary market, of which $419 thousand were originated in the current quarter and $3.5 million were originated or purchased in the prior quarter. Residential loan production sold in the secondary market totaled $10.8 million for the quarter.

An overview of the Bank’s LASG portfolio follows:

	LASG Portfolio Three Months Ended December 31,					
	2019			2018		
	Purchased	Originated	Total LASG	Purchased	Originated	Total LASG
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	$ 66,784	$ 98,563	$ 165,347	$ 52,672	$ 64,117	$ 116,789

Net investment basis	64,840		98,563		163,403		49,334		64,117		113,451	
Loan returns during the period:												
Yield	9.76	%	7.67	%	8.57	%	10.30	%	7.61	%	8.75	%
Total Return on Purchased Loans (1)	10.21	%	7.67	%	8.77	%	10.30	%	7.61	%	8.75	%

	Six Months Ended December 31,					
	2019			2018		
	Purchased	Originated	Total LASG	Purchased	Originated	Total LASG
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	$ 97,116	$ 139,100	$ 236,216	$ 89,748	$ 135,253	$ 225,001
Net investment basis	93,462	139,100	232,562	84,137	135,253	219,390
Loan returns during the period:						
Yield	9.74 %	7.62 %	8.52 %	9.88 %	7.53 %	8.53 %
Total Return on Purchased Loans (1)	9.98 %	7.62 %	8.61 %	9.88 %	7.53 %	8.53 %
Total loans as of period end:						
Unpaid principal balance	$ 401,393	$ 497,386	$ 898,779	$ 368,345	$ 435,817	$ 804,162
Net investment basis	367,625	497,386	865,011	330,643	435,817	766,460

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on asset sales, gains on real estate owned and other noninterest income recorded during the period divided by the average invested balance, which includes purchased loans held for sale, on an annualized basis. The total return on purchased loans does not include the effect of purchased loan charge-offs or recoveries during the period. Total return on purchased loans is considered a non-GAAP financial measure. See reconciliation in below table entitled “Total Return on Purchased Loans.”

2. Deposits decreased by $3.5 million, or 0.4%, from June 30, 2019, attributable primarily to decreases in time deposits of $13.7 million, or 2.7%, demand deposits of $1.9 million, or 2.7%, and money market deposits of $1.8 million, or 0.7%, partially offset by an increase in savings and interest checking accounts of $13.9 million, or 13.8%.

3. Shareholders’ equity increased by $9.8 million, or 6.4%, from June 30, 2019, primarily due to net income of $9.6 million.

Net income decreased by $258 thousand to $4.9 million for the quarter ended December 31, 2019, compared to net income of $5.1 million for the quarter ended December 31, 2018.

1. Net interest and dividend income before provision for loan losses decreased by $98 thousand to $15.5 million for the quarter ended December 31, 2019, compared to $15.6 million for the quarter ended December 31, 2018. The decrease was primarily due to higher deposit and borrowing costs and lower transactional interest income in the purchased portfolio, partially offset by higher average balances in the LASG portfolio, as well as a decrease in interest expense on subordinated debt from the redemption of trust preferred securities in May 2019.

The following table summarizes interest income and related yields recognized on the loan portfolios:

	Interest Income and Yield on Loans Three Months Ended December 31,					
	2019			2018		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	$ 85,989	$ 1,193	5.52 %	$ 108,344	$ 1,448	5.30 %
SBA	57,371	1,003	6.96 %	73,467	1,440	7.78 %
LASG:						
Originated	456,877	8,814	7.67 %	420,816	8,077	7.61 %
Purchased	345,748	8,480	9.76 %	307,094	7,969	10.30 %
Total LASG	802,625	17,294	8.57 %	727,910	16,046	8.75 %
Total	$ 945,985	$ 19,490	8.20 %	$ 909,721	$ 18,934	8.26 %

	Six Months Ended December 31,					
	2019			2018		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield

	(Dollars in thousands)							
Community Banking	$ 88,187	$ 2,458	5.54	%	$ 114,342	$ 2,970	5.15	%
SBA	60,062	2,472	8.19	%	72,316	2,726	7.48	%
LASG:								
Originated	463,092	17,742	7.62	%	409,575	15,541	7.53	%
Purchased	337,284	16,521	9.74	%	305,600	15,223	9.88	%
Total LASG	800,376	34,263	8.52	%	715,175	30,764	8.53	%
Total	$ 948,625	$ 39,193	8.22	%	$ 901,833	$ 36,460	8.02	%

(1) Includes loans held for sale.

The components of total income on purchased loans are set forth in the table below entitled “Total Return on Purchased Loans.” When compared to the quarter ended December 31, 2018, transactional income for the quarter ended December 31, 2019 increased by $241 thousand, while regularly scheduled interest and accretion increased by $665 thousand due to the increase in average balances. The total return on purchased loans for the quarter ended December 31, 2019 was 10.2%, a decrease from 10.3% for the quarter ended December 31, 2018. The following table details the total return on purchased loans:

	Total Return on Purchased Loans Three Months Ended December 31,					
	2019			2018		
	Income	Return (1)		Income	Return (1)	
	(Dollars in thousands)					
Regularly scheduled interest and accretion	$ 6,525	7.51	%	$ 5,860	7.57	%
Transactional income:						
Gain on loan sales	-	0.00	%	-	0.00	%
Gain on real estate owned	395	0.45	%	-	0.00	%
Other noninterest income	-	0.00	%	-	0.00	%
Accelerated accretion and loan fees	1,955	2.25	%	2,109	2.73	%
Total transactional income	2,350	2.70	%	2,109	2.73	%
Total	$ 8,875	10.21	%	$ 7,969	10.30	%

	Six Months Ended December 31,					
	2019			2018		
	Income	Return (1)		Income	Return (1)	
	(Dollars in thousands)					
Regularly scheduled interest and accretion	$ 12,580	7.42	%	$ 11,621	7.54	%
Transactional income:						
Gain on loan sales	-	0.00	%	-	0.00	%
Gain on real estate owned	395	0.24	%	-	0.00	%
Other noninterest income	-	0.00	%	-	0.00	%
Accelerated accretion and loan fees	3,941	2.32	%	3,602	2.34	%
Total transactional income	4,336	2.56	%	3,602	2.34	%
Total	$ 16,916	9.98	%	$ 15,223	9.88	%

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on asset sales and gains on real estate owned recorded during the period divided by the average invested balance, which includes purchased loans held for sale, on an annualized basis. The total return does not include the effect of purchased loan charge-offs or recoveries in the quarter. Total return is considered a non-GAAP financial measure.

2. Noninterest income decreased by $208 thousand for the quarter ended December 31, 2019, compared to the quarter ended December 31, 2018, principally due to the following:

- A decrease in gain on sale of SBA loans of $638 thousand, due to lower volume of SBA loans sold in the quarter due to lower originations in recent quarters; and
- An increase in net unrealized loss on equity securities of $75 thousand; partially offset by,
- An increase in gain on real estate owned of $338 thousand, due to the gain recorded on the transfer of a loan into real estate owned, partially offset by a write-down on an existing property; and
- An increase in gain on sale of residential loans held for sale of $108 thousand, due to both a higher volume of loans sold and higher pricing on loans sold.

3. Noninterest expense decreased by $114 thousand for the quarter ended December 31, 2019 compared to the quarter ended December 31, 2018, primarily due to the following:

- A decrease in professional fees of $211 thousand, due to a decrease in legal expenses related to the corporate reorganization completed in the prior period, as well as lower other professional fees;
- A decrease in occupancy and equipment expense of $108 thousand, primarily due to a decrease in computer equipment repairs and maintenance expense; and
- A decrease in loan acquisition and collection expense of $104 thousand, primarily due to collection expense reimbursements received during the quarter; partially offset by,
- An increase in salaries and employee benefits of $227 thousand, primarily due to increases in regular compensation and incentive compensation, offset by a decrease in stock-based compensation; and
- An increase in data processing fees of $172 thousand, primarily due to increased IT outsourcing costs.

4. Income tax expense decreased by $76 thousand to $2.0 million, or an effective tax rate of 28.9%, for the quarter ended December 31, 2019, compared to $2.1 million, or an effective tax rate of 28.7%, for the quarter ended December 31, 2018.

As of December 31, 2019, nonperforming assets totaled $21.3 million, or 1.76% of total assets, as compared to $16.7 million, or 1.45% of total assets, as of June 30, 2019. The increase was primarily due to one LASG originated loan totaling $2.7 million and three LASG purchased loans totaling $2.1 million that were placed on nonaccrual, offset by the payoff of one nonperforming Community Banking loan totaling $1.1 million during the six months ended December 31, 2019.

As of December 31, 2019, past due loans totaled $28.4 million, or 2.84% of total loans, as compared to past due loans totaling $14.6 million, or 1.50% of total loans as of June 30, 2019. The increase was primarily due to nine LASG purchased loans totaling $9.6 million, three LASG originated loans totaling $2.8 million, and six SBA loans totaling $1.9 million, becoming past due during the six months ended December 31, 2019.

As of December 31, 2019, the Bank's Tier 1 leverage capital ratio was 14.3%, compared to 12.9% at June 30, 2019, and the Total capital ratio was 18.5% at December 31, 2019, as compared to 18.0% at June 30, 2019. Capital ratios were affected by earnings and lower average assets in the quarter.

Investor Call Information

Richard Wayne, Chief Executive Officer of Northeast Bank, and Jean-Pierre Lapointe, Chief Financial Officer of Northeast Bank, will host a **conference call to discuss second quarter earnings and business outlook at 10:00 a.m. Eastern Time on Tuesday, January 28th.** Investors can access the call by dialing 877.878.2762 and entering the following passcode: 9080916. The call will be available via live webcast, which can be viewed by accessing the Bank's website at www.northeastbank.com and clicking on the About Us - Investor Relations section. To listen to the webcast, attendees are encouraged to visit the website at least fifteen minutes early to register, download and install any necessary audio software. Please note there will also be a slide presentation that will accompany the webcast. For those who cannot listen to the live broadcast, a replay will be available online for one year at *www.northeastbank.com*.

About Northeast Bank

Northeast Bank (NASDAQ: NBN) is a full-service bank headquartered in Lewiston, Maine. We offer personal and business banking services to the Maine market via ten branches. Our Loan Acquisition and Servicing Group purchases and originates commercial loans on a nationwide basis. ableBanking, a division of Northeast Bank, offers online savings products to consumers nationwide. Information regarding Northeast Bank can be found at *www.northeastbank.com*.

Non-GAAP Financial Measures

In addition to results presented in accordance with generally accepted accounting principles ("GAAP"), this press release contains certain non-GAAP financial measures, including net operating earnings, operating earnings per common share, operating return on average assets, operating return on average equity, operating efficiency ratio, operating noninterest expense to average total assets, tangible common shareholders' equity, tangible book value per share, total return on purchased loans, and efficiency ratio. The Bank's management believes that the supplemental non-GAAP information 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.

Forward-Looking Statements

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 the Bank 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 Bank's control. The Bank'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 and real estate values; competitive pressures from other financial institutions; the effects of weakness in general economic conditions on a national basis or in the local markets in which the Bank 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; changing government regulation; operational risks including, but not limited to, cybersecurity, fraud and natural disasters; the risk that the Bank may not be successful in the implementation of its business strategy; the risk that intangibles recorded in the Bank'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 Bank's Annual Report on Form 10-K and updated by our Quarterly Reports on Form 10-Q and other filings submitted to the Federal Deposit Insurance Corporation. These statements speak only as of the date of this release and the Bank does 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.

For More Information:
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NORTHEAST BANK
BALANCE SHEETS
(Unaudited)
(Dollars in thousands, except share and per share data)

	December 31, 2019	June 30, 2019
Assets		
Cash and due from banks	$ 2,699	$ 2,482
Short-term investments	83,641	54,425
Total cash and cash equivalents	86,340	56,907
Available-for-sale debt securities, at fair value	72,895	75,774
Equity securities, at fair value	7,038	6,938
Total investment securities	79,933	82,712
Residential real estate loans held for sale	989	3,179
SBA loans held for sale	1,342	731
Total loans held for sale	2,331	3,910
Loans:		
Commercial real estate	679,959	668,496
Commercial and industrial	234,815	232,839
Residential real estate	84,142	71,218
Consumer	1,862	2,507
Total loans	1,000,778	975,060
Less: Allowance for loan losses	5,405	5,702
Loans, net	995,373	969,358
Premises and equipment, net	10,390	5,582
Real estate owned and other repossessed collateral, net	2,505	1,957
Federal Home Loan Bank stock, at cost	3,010	1,258
Intangible assets, net	217	434
Loan servicing rights, net	2,424	2,851
Bank-owned life insurance	16,858	17,057
Other assets	8,035	11,832
Total assets	$ 1,207,416	$ 1,153,858
Liabilities and Shareholders' Equity		
Deposits:		
Demand	$ 66,917	$ 68,782
Savings and interest checking	114,952	101,061
Money market	269,057	270,835
Time	487,983	501,693
Total deposits	938,909	942,371
Federal Home Loan Bank advances	60,000	15,000
Subordinated debt	14,884	14,829
Lease liability	5,196	323
Other liabilities	25,027	27,755
Total liabilities	1,044,016	1,000,278
	-	-
Commitments and contingencies		

Shareholders' equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at December 31, 2019 and June 30, 2019	-	-
Voting common stock, $1.00 par value, 25,000,000 shares authorized; 9,007,230 and 8,997,326 shares issued and outstanding at December 31, 2019 and June 30, 2019, respectively	9,007	8,997
Non-voting common stock, $1.00 par value, 3,000,000 shares authorized; 44,783 shares issued and outstanding at December 31, 2019 and June 30, 2019	45	45
Additional paid-in capital	78,380	78,095
Retained earnings	77,039	67,581
Accumulated other comprehensive loss	(1,071)	(1,138)
Total shareholders' equity	163,400	153,580
Total liabilities and shareholders' equity	$ 1,207,416	$ 1,153,858

NORTHEAST BANK
STATEMENTS OF INCOME
(Unaudited)
(Dollars in thousands, except share and per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Interest and dividend income:				
Interest and fees on loans	$ 19,490	$ 18,934	$ 39,193	$ 36,460
Interest on available-for-sale securities	442	425	893	784
Other interest and dividend income	326	970	665	1,851
Total interest and dividend income	20,258	20,329	40,751	39,095
Interest expense:				
Deposits	4,181	3,982	8,497	7,664
Federal Home Loan Bank advances	218	125	343	242
Subordinated debt	282	573	563	1,174
Obligation under capital lease agreements	32	6	68	14
Total interest expense	4,713	4,686	9,471	9,094
Net interest and dividend income before provision for loan losses	15,545	15,643	31,280	30,001
Provision for loan losses	243	101	106	633
Net interest and dividend income after provision for loan losses	15,302	15,542	31,174	29,368
Noninterest income:				
Fees for other services to customers	414	340	827	832
Gain on sales of SBA loans	304	942	556	1,793
Gain on sales of residential loans held for sale	212	104	425	279
Net unrealized (loss) gain on equity securities	(25)	50	15	10
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	314	(24)	312	(64)
Bank-owned life insurance income	108	110	350	219
Other noninterest income	10	23	28	29
Total noninterest income	1,337	1,545	2,513	3,098
Noninterest expense:				
Salaries and employee benefits	5,926	5,699	12,312	11,208
Occupancy and equipment expense	849	957	1,747	2,084
Professional fees	445	656	837	1,190
Data processing fees	1,002	830	1,986	1,431
Marketing expense	55	130	148	253
Loan acquisition and collection expense	481	585	1,092	1,024
FDIC insurance premiums (credits)	(1)	81	(19)	162

Intangible asset amortization	109	109	217	218
Other noninterest expense	923	856	1,824	1,687
Total noninterest expense	9,789	9,903	20,144	19,257
Income before income tax expense	6,850	7,184	13,543	13,209
Income tax expense	1,983	2,059	3,901	3,550
Net income	$ 4,867	$ 5,125	$ 9,642	$ 9,659
Weighted-average shares outstanding:				
Basic	9,048,171	9,048,397	9,046,004	9,022,161
Diluted	9,223,137	9,201,557	9,217,544	9,192,643
Earnings per common share:				
Basic	$ 0.54	$ 0.57	$ 1.07	$ 1.07
Diluted	0.53	0.56	1.05	1.05
Cash dividends declared per common share	$ 0.01	$ 0.01	$ 0.02	$ 0.02

NORTHEAST BANK
AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS
(Unaudited)
(Dollars in thousands)

	Three Months Ended December 31,							
	2019				2018			
	Average Balance	Interest Income/ Expense	Average Yield/ Rate		Average Balance	Interest Income/ Expense	Average Yield/ Rate	
Assets:								
Interest-earning assets:								
Investment securities	$ 81,009	$ 442	2.17	%	$ 85,325	$ 425	1.98	%
Loans (1) (2) (3)	945,985	19,490	8.20	%	909,721	18,934	8.26	%
Federal Home Loan Bank stock	2,079	18	3.44	%	1,652	24	5.76	%
Short-term investments (4)	77,268	308	1.59	%	168,768	946	2.22	%
Total interest-earning assets	1,106,341	20,258	7.28	%	1,165,466	20,329	6.92	%
Cash and due from banks	2,781				2,600			
Other non-interest earning assets	42,725				31,344			
Total assets	$ 1,151,847				$ 1,199,410			
Liabilities & Shareholders' Equity:								
Interest-bearing liabilities:								
NOW accounts	$ 70,737	$ 77	0.43	%	$ 74,027	$ 69	0.37	%
Money market accounts	269,880	1,094	1.61	%	373,409	1,461	1.55	%
Savings accounts	34,317	15	0.17	%	35,004	14	0.16	%
Time deposits	464,424	2,995	2.57	%	443,779	2,438	2.18	%
Total interest-bearing deposits	839,358	4,181	1.98	%	926,219	3,982	1.71	%
Federal Home Loan Bank advances	36,250	218	2.39	%	15,000	125	3.31	%
Subordinated debt	14,871	282	7.54	%	24,087	573	9.44	%
Capital lease obligations	5,365	32	2.37	%	490	6	4.86	%
Total interest-bearing liabilities	895,844	4,713	2.09	%	965,796	4,686	1.92	%
Non-interest bearing liabilities:								
Demand deposits and escrow accounts	85,894				81,223			
Other liabilities	9,940				6,513			
Total liabilities	991,678				1,053,532			
Shareholders' equity	160,169				145,878			

Total liabilities and shareholders' equity	$ 1,151,847				$ 1,199,410			
Net interest income		$ 15,545				$ 15,643		
Interest rate spread			5.19	%			5.00	%
Net interest margin (5)			5.59	%			5.33	%

(1) Interest income and yield are stated on a fully tax-equivalent basis using the statutory tax rate.

(2) Includes loans held for sale.

(3) Nonaccrual loans are included in the computation of average, but unpaid interest has not been included for purposes of determining interest income.

(4) Short-term investments include FHLB overnight deposits and other interest-bearing deposits.

(5) Net interest margin is calculated as net interest income divided by total interest-earning assets.

NORTHEAST BANK

AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

	Six Months Ended December 31,							
	2019				2018			
	Average Balance	Interest Income/ Expense	Average Yield/ Rate		Average Balance	Interest Income/ Expense	Average Yield/ Rate	
Assets:								
Interest-earning assets:								
Investment securities	$ 81,545	$ 893	2.18	%	$ 86,599	$ 784	1.80	%
Loans (1) (2) (3)	948,625	39,193	8.22	%	901,833	36,460	8.02	%
Federal Home Loan Bank stock	1,669	37	4.41	%	1,652	49	5.88	%
Short-term investments (4)	68,808	628	1.82	%	170,705	1,802	2.09	%
Total interest-earning assets	1,100,647	40,751	7.36	%	1,160,789	39,095	6.68	%
Cash and due from banks	2,705				2,585			
Other non-interest earning assets	39,127				31,289			
Total assets	$ 1,142,479				$ 1,194,663			
Liabilities & Shareholders' Equity:								
Interest-bearing liabilities:								
NOW accounts	$ 68,071	$ 137	0.40	%	$ 71,866	$ 124	0.34	%
Money market accounts	267,379	2,162	1.61	%	389,757	3,008	1.53	%
Savings accounts	34,397	30	0.17	%	35,590	28	0.16	%
Time deposits	474,270	6,168	2.59	%	424,965	4,504	2.10	%
Total interest-bearing deposits	844,117	8,497	2.00	%	922,178	7,664	1.65	%
Federal Home Loan Bank advances	25,625	343	2.66	%	15,000	242	3.20	%
Subordinated debt	14,856	563	7.54	%	24,042	1,174	9.69	%
Capital lease obligations	5,527	68	2.45	%	525	14	5.29	%
Total interest-bearing liabilities	890,125	9,471	2.12	%	961,745	9,094	1.88	%
Non-interest bearing liabilities:								
Demand deposits and escrow accounts	85,491				81,615			
Other liabilities	8,760				8,126			
Total liabilities	984,376				1,051,486			
Shareholders' equity	158,103				143,177			
Total liabilities and shareholders' equity	$ 1,142,479				$ 1,194,663			
Net interest income		$ 31,280				$ 30,001		
Interest rate spread			5.25	%			4.80	%
Net interest margin (5)			5.65	%			5.13	%

(1) Interest income and yield are stated on a fully tax-equivalent basis using the statutory tax rate.

(2) Includes loans held for sale.
(3) Nonaccrual loans are included in the computation of average, but unpaid interest has not been included for purposes of determining interest income.
(4) Short-term investments include FHLB overnight deposits and other interest-bearing deposits.
(5) Net interest margin is calculated as net interest income divided by total interest-earning assets.

NORTHEAST BANK
SELECTED FINANCIAL HIGHLIGHTS AND OTHER DATA
(Unaudited)
(Dollars in thousands, except share and per share data)

	Three Months Ended				
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Net interest income	$ 15,545	$ 15,737	$ 17,288	$ 15,033	$ 15,643
Provision (credit) for loan losses	243	(136)	262	414	101
Noninterest income	1,337	1,176	1,151	1,866	1,545
Noninterest expense	9,789	10,354	18,504	9,752	9,903
Net income (loss)	4,867	4,776	(603)	4,828	5,125
Weighted-average common shares outstanding:					
Basic	9,048,171	9,043,761	9,041,926	9,044,230	9,048,397
Diluted	9,223,137	9,211,874	9,041,926	9,198,077	9,201,557
Earnings (loss) per common share:					
Basic	$ 0.54	$ 0.53	$ (0.07)	$ 0.53	$ 0.57
Diluted	0.53	0.52	(0.07)	0.52	0.56
Operating earnings per common share (4):					
Basic	$ 0.54	$ 0.53	$ 0.60	$ 0.53	$ 0.57
Diluted	0.53	0.52	0.59	0.52	0.56
Dividends declared per common share	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Return (loss) on average assets	1.68 %	1.68 %	(0.20 %)	1.63 %	1.70 %
Return (loss) on average equity	12.09 %	12.18 %	(1.58 %)	13.00 %	13.94 %
Net interest rate spread (1)	5.19 %	5.31 %	5.55 %	4.81 %	5.00 %
Net interest margin (2)	5.59 %	5.72 %	5.95 %	5.20 %	5.33 %
Efficiency ratio (non-GAAP) (3)	57.98 %	61.22 %	100.35 %	57.71 %	57.62 %
Noninterest expense to average total assets	3.38 %	3.64 %	6.18 %	3.29 %	3.28 %
Average interest-earning assets to average interest-bearing liabilities	123.50 %	123.81 %	121.71 %	121.65 %	120.67 %
Operating return on average assets (non-GAAP) (4)	1.68 %	1.68 %	1.81 %	1.63 %	1.70 %
Operating return on average equity (non-GAAP) (4)	12.09 %	12.18 %	14.18 %	13.00 %	13.94 %
Operating efficiency ratio (non-GAAP) (3) (4)	57.98 %	61.22 %	55.15 %	57.71 %	57.62 %
Operating noninterest expense to average total assets (non-GAAP) (4)	3.38 %	3.64 %	3.40 %	3.29 %	3.28 %
	As of:				
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Nonperforming loans:					
Originated portfolio:					
Residential real estate	$ 1,586	$ 1,515	$ 2,772	$ 2,317	$ 2,595

Commercial real estate	8,032	4,530	3,892	3,336	2,764
Commercial and industrial	622	87	1,284	1,495	1,420
Consumer	59	136	148	236	216
Total originated portfolio	10,299	6,268	8,096	7,384	6,995
Total purchased portfolio	8,489	7,834	6,671	5,366	5,351
Total nonperforming loans	18,788	14,102	14,767	12,750	12,346
Real estate owned and other repossessed collateral, net	2,505	1,936	1,957	2,014	1,463
Total nonperforming assets	$ 21,293	$ 16,038	$ 16,724	$ 14,764	$ 13,809
Past due loans to total loans	2.84 %	1.50 %	1.50 %	2.16 %	1.95 %
Nonperforming loans to total loans	1.88 %	1.51 %	1.51 %	1.33 %	1.32 %
Nonperforming assets to total assets	1.76 %	1.43 %	1.45 %	1.20 %	1.16 %
Allowance for loan losses to total loans	0.54 %	0.57 %	0.58 %	0.59 %	0.57 %
Allowance for loan losses to nonperforming loans	28.77 %	37.44 %	38.61 %	44.38 %	42.99 %
Commercial real estate loans to total capital (5)	292.58 %	262.92 %	282.05 %	251.02 %	242.38 %
Net loans to core deposits (6)	106.52 %	102.59 %	103.33 %	94.19 %	94.84 %
Purchased loans to total loans, including held for sale	36.65 %	35.50 %	33.37 %	33.27 %	35.17 %
Equity to total assets	13.53 %	14.08 %	13.31 %	12.44 %	12.44 %
Common equity tier 1 capital ratio	16.48 %	16.92 %	15.89 %	16.23 %	16.04 %
Total capital ratio	18.52 %	19.07 %	18.01 %	19.33 %	19.15 %
Tier 1 leverage capital ratio	14.26 %	14.06 %	12.86 %	13.58 %	13.20 %
Total shareholders' equity	$ 163,400	$ 158,101	$ 153,580	$ 153,188	$ 148,491
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	163,400	158,101	153,580	153,188	148,491
Less: Intangible assets (7)	(2,641)	(2,940)	(3,285)	(3,485)	(3,583)
Tangible common shareholders' equity (non-GAAP)	$ 160,759	$ 155,161	$ 150,295	$ 149,703	$ 144,908
Common shares outstanding	9,052,013	9,038,912	9,042,109	9,041,868	9,048,863
Book value per common share	$ 18.05	$ 17.49	$ 16.98	$ 16.94	$ 16.41
Tangible book value per share (non-GAAP) (8)	17.76	17.17	16.62	16.56	16.01

(1) The net interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the period.

(2) The net interest margin represents net interest income as a percent of average interest-earning assets for the period.

(3) The efficiency ratio represents noninterest expense divided by the sum of net interest income (before the loan loss provision) plus noninterest income.

(4) Operating earnings per common share, operating return on average assets, operating return on average equity, operating efficiency ratio, and operating noninterest expense to average total assets utilize net operating earnings (non-GAAP). Net operating earnings is calculated as net loss of $603 thousand, less non-recurring reorganization expense, net of tax, of $6.0 million, for net operating earnings of $5.4 million.

(5) For purposes of calculating this ratio, commercial real estate includes all non-owner occupied commercial real estate loans defined as such by regulatory guidance, including all land development and construction loans.

(6) Core deposits include all non-maturity deposits and maturity deposits less than $250 thousand. Loans include loans held for sale.

(7) Includes the core deposit intangible asset and loan servicing rights asset.

(8) Tangible book value per share represents total shareholders' equity less the sum of preferred stock and intangible assets divided by common shares outstanding.

Source: Northeast Bank