



Northeast Bank Reports First Quarter Results and Declares Dividend

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PORTLAND, Maine, Oct. 29, 2020 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$7.8 million, or \$0.94 per diluted common share, for the quarter ended September 30, 2020, compared to net income of \$4.8 million, or \$0.52 per diluted common share, for the quarter ended September 30, 2019.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on November 24, 2020, to shareholders of record as of November 10, 2020.

Discussing results, Rick Wayne, Chief Executive Officer, said, "We began the new fiscal year with a very strong first quarter. We earned \$0.94 per diluted common share, a return on average equity of 18.5%, a return on average assets of 2.5% and an efficiency ratio of 46.4%. Our earnings substantially benefitted from our correspondent arrangement with The Loan Source, Inc. ("Loan Source") and ACAP SME, LLC ("ACAP"). For the quarter, we recognized \$4.7 million of correspondent fee income in connection with \$3.4 billion of Paycheck Protection Program ("PPP") loans purchased by Loan Source through September 30, 2020. Subsequent to quarter end, Loan Source purchased an additional \$613.8 million of PPP loans for a total of \$4.0 billion purchased PPP loans."

Mr. Wayne continued, "We are also pleased with the performance of loans under deferment. Out of the \$136.2 million of three-month principal and interest deferments, only \$26.8 million were on deferment at quarter end and all of the \$44.7 million of six-month interest-only deferments were current at quarter end."

As of September 30, 2020, total assets were \$1.26 billion, a decrease of \$855 thousand, or 0.1%, from total assets of \$1.26 billion as of June 30, 2020. The principal components of the changes in the balance sheet follow:

- The following table highlights the changes in the loan portfolio for the three months ended September 30, 2020:

	September 30, 2020 Balance	June 30, 2020 Balance	Change (\$)	Change (%)
			(Dollars in thousands)	
National Lending Purchased	\$ 358,203	\$ 386,624	\$ (28,421)	(7.35%)
National Lending Originated	462,974	467,612	(4,638)	(0.99%)
SBA	48,775	47,095	1,680	3.57%
Community Banking	62,158	70,271	(8,113)	(11.55%)
Total	<u>\$ 932,110</u>	<u>\$ 971,602</u>	<u>\$ (39,492)</u>	<u>(4.06%)</u>

Loans generated by the Bank's National Lending Division for the quarter ended September 30, 2020 totaled \$45.5 million, which consisted of \$4.6 million of purchased loans, at an average price of 78.6% of unpaid principal balance, and \$40.9 million of originated loans.

Additionally, the Bank originated \$23.1 million of PPP loans in the first quarter. The Bank sold PPP loans with a total principal balance of \$53.7 million during the quarter ended September 30, 2020, recording a net gain of \$1.1 million on the sales primarily resulting from the recognition of net deferred fees, partially offset by purchase price discounts.

An overview of the Bank's National Lending portfolio follows:

	National Lending Portfolio					
	Three Months Ended September 30,					
	2020			2019		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 5,822	\$ 40,908	\$ 46,730	\$ 30,333	\$ 40,537	\$ 70,870
Net investment basis	4,578	40,908	45,486	28,622	40,537	69,159
Loan returns during the period:						
Yield	9.11%	7.04%	7.98%	9.73%	7.57%	8.46%
Total Return on Purchased Loans (1)	9.11%	N/A	9.11%	9.73%	N/A	9.73%
Total loans as of period end:						
Unpaid principal balance	\$ 391,895	\$ 462,974	\$ 854,869	\$ 365,984	\$ 457,350	\$ 823,334
Net investment basis	358,203	462,974	821,177	332,227	457,350	789,577

(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."

- Short-term investments increased by \$59.6 million, or 42.3%, from June 30, 2020, primarily due to a \$67.6 million decrease in loans (including loans held for sale).

- Other assets increased by \$4.0 million, or 24.2%, from June 30, 2020, primarily due to a \$3.9 million receivable recorded for net servicing income related to the Bank's correspondent arrangement with Loan Source and ACAP, under which the Bank receives 50% of the net servicing income earned over time on loans purchased by Loan Source.

- Deposits increased by \$5.3 million, or 0.5%, from June 30, 2020, attributable to increases in demand deposits of \$39.2 million, or 41.3%, savings and interest-bearing checking accounts of \$27.5 million, or 19.9%, and money market accounts of \$9.2 million, or 3.1%, partially offset by a decrease in time deposits of \$70.5 million, or 14.8%. The primary reason for the net increase in deposits was due to timing of receipt of short-term customer funds which were subsequently withdrawn after the end of the quarter.

- Shareholders' equity increased by \$7.8 million, or 4.7%, from June 30, 2020, primarily due to net income of \$7.8 million.

Net income increased by \$3.0 million to \$7.8 million for the quarter ended September 30, 2020, compared to net income of \$4.8 million for the quarter ended September 30, 2019.

- Net interest and dividend income before provision for loan losses decreased by \$744 thousand to \$15.0 million for the quarter ended September 30, 2020, compared to \$15.7 million for the quarter ended September 30, 2019. The decrease was primarily due to lower rates earned on loans and short-term investments, partially offset by decreased interest expense on deposits.

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

	Interest Income and Yield on Loans					
	Three Months Ended September 30,					
	2020			2019		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	\$ 65,438	\$ 843	5.11%	\$ 90,384	\$ 1,267	5.58%
SBA National	48,252	556	4.57%	62,755	1,469	9.31%
SBA PPP	16,901	80	1.88%	-	-	-
National Lending:						
Originated	452,744	8,029	7.04%	469,307	8,928	7.57%
Purchased	374,200	8,597	9.11%	328,819	8,040	9.73%
Total National Lending	<u>826,944</u>	<u>16,626</u>	<u>7.98%</u>	<u>798,126</u>	<u>16,968</u>	<u>8.46%</u>
Total	<u>\$ 957,535</u>	<u>\$ 18,105</u>	<u>7.50%</u>	<u>\$ 951,265</u>	<u>\$ 19,704</u>	<u>8.24%</u>

(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 September 30, 2019, regularly scheduled interest and accretion for the quarter ended September 30, 2020 increased by \$510 thousand due to the increase in average balances and transactional income increased by \$46 thousand. The total return on purchased loans for the quarter ended September 30, 2020 was 9.1%, a decrease from 9.7% for the quarter ended September 30, 2019. The following table details the total return on purchased loans:

	Total Return on Purchased Loans			
	Three Months Ended September 30,			
	2020		2019	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 6,565	6.96%	\$ 6,054	7.33%
Transactional income:				
Gain on loan sales	-	0.00%	-	0.00%
Gain on real estate owned	-	0.00%	-	0.00%
Other noninterest income	-	0.00%	-	0.00%
Accelerated accretion and loan fees	<u>2,032</u>	<u>2.15%</u>	<u>1,986</u>	<u>2.40%</u>
Total transactional income	<u>2,032</u>	<u>2.15%</u>	<u>1,986</u>	<u>2.40%</u>
Total	<u>\$ 8,597</u>	<u>9.11%</u>	<u>\$ 8,040</u>	<u>9.73%</u>

(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 periods shown. Total return is considered a non-GAAP financial measure.

- Provision (credit) for loan losses increased by \$513 thousand to \$377 thousand for the quarter ended September 30, 2020, from a \$136 thousand credit in the quarter ended September 30, 2019. The increase in the provision for loan losses reflects increases in certain qualitative factors during the current quarter as a result of continued impacts from the COVID-19 pandemic, partially offset by a decrease in loan balances during the quarter. There were no significant changes in qualitative factors during the quarter ended September 30, 2019.

- Noninterest income increased by \$5.2 million for the quarter ended September 30, 2020, compared to the quarter ended September 30, 2019, primarily due to the following:

- An increase in correspondent fee income of \$4.7 million from the recognition of correspondent fees and net servicing income as a result of the correspondent arrangement entered into with Loan Source during the quarter ended June 30,

2020. The correspondent arrangement provides for the Bank to earn a correspondent fee when Loan Source purchases PPP loans and the Bank subsequently shares in net servicing income on such purchased PPP loans. Correspondent income for the quarter is comprised of the following components:

	Income Earned	
	(In thousands)	
Correspondent Fee	\$	822
Amortization of Purchased Accrued Interest		279
Earned Net Servicing Interest		3,646
Total	\$	4,747

A summary of PPP loans purchased by Loan Source and related amounts that the Bank will earn over the expected life of the loans is as follows:

Quarter	PPP Loans Purchased by Loan Source	Correspondent Fee	Purchased Accrued Interest ⁽¹⁾	Total ⁽²⁾
		(In thousands)		
Q4 FY 2020	\$1,272,900	\$2,891	\$688	\$3,579
Q1 FY 2021	2,112,100	5,349	2,804	8,153
Total	<u>\$3,385,000</u>	<u>\$8,239</u>	<u>\$3,492</u>	<u>\$11,731</u>

(1) - Northeast Bank's share

(2) - Expected to be recognized into income over approximately 2 years

- An increase in gain on sale of PPP loans of \$1.1 million, due to the sale of \$53.7 million of PPP loans, which resulted in a net gain based on the recognition of net deferred fees, partially offset by purchase price discounts in the quarter ended September 30, 2020; partially offset by,
- A \$252 thousand decrease in gain on Small Business Administration ("SBA") loan sales, as no SBA national loans were sold during the current quarter;
- A \$155 thousand increase in losses on real estate owned ("REO"), due to a write-down on an existing REO property during the quarter, as compared to minimal write-downs on REO properties during the quarter ended September 30, 2019;
- A \$135 thousand decrease in bank-owned life insurance income due to a gain from death benefit proceeds recognized in the quarter ended September 30, 2019, as compared to no gain recognized during the current quarter; and
- A \$130 thousand decrease in gain on sale of residential loans held for sale due to lower volume sold as compared to the quarter ended September 30, 2019.

4. Noninterest expense decreased by \$421 thousand for the quarter ended September 30, 2020 compared to the quarter ended September 30, 2019, primarily due to the following:

- A decrease in other noninterest expense of \$408 thousand, primarily due to a \$128 thousand recovery on SBA servicing assets in the quarter ended September 30, 2020, as compared to a \$74 thousand impairment charge in the quarter ended September 30, 2019, and a \$167 thousand decrease in travel and meals and entertainment expense during the current quarter; and
- A decrease in amortization of intangible assets of \$109 thousand as the core deposit intangible became fully amortized during the quarter ended June 30, 2020.

5. Income tax expense increased by \$1.4 million to \$3.3 million, or an effective tax rate of 29.8%, for the quarter ended September 30, 2020, compared to \$1.9 million, or an effective tax rate of 28.7%, for the quarter ended September 30, 2019. The increase was primarily due to higher pre-tax income, which increased by \$4.4 million during the quarter ended September 30, 2020 compared to the quarter ended September 30, 2019.

As of September 30, 2020, nonperforming assets totaled \$25.5 million, or 2.03% of total assets, as compared to \$24.4 million, or 1.94% of total assets, as of June 30, 2020. The increase was primarily due to five National Lending purchased loans totaling \$1.1 million that were placed on nonaccrual during the quarter ended September 30, 2020.

As of September 30, 2020, past due loans totaled \$18.9 million, or 2.03% of total loans, as compared to past due loans totaling \$16.4 million, or 1.69% of total loans as of June 30, 2020. The increase was primarily due to thirteen National Lending purchased loans totaling \$3.7 million becoming past due during the quarter ended September 30, 2020, partially offset by one National Lending purchased loan totaling \$1.0 million that was transferred to REO during the quarter ended September 30, 2020.

As of September 30, 2020, the Bank's Tier 1 leverage capital ratio was 14.0%, compared to 13.4% at June 30, 2020, and the Total capital ratio was 21.2% at September 30, 2020, compared to 19.6% at June 30, 2020. Capital ratios were primarily affected by increased earnings and decreased assets.

Investor Call Information

Rick Wayne, Chief Executive Officer, Jean-Pierre Lapointe, Chief Financial Officer, and Pat Dignan, Executive Vice President and Chief Credit Officer, will host a **conference call to discuss first quarter earnings and business outlook at 10:00 a.m. Eastern Time on Friday, October 30th**. Investors can access the call by dialing 800.773.2954 and entering the following passcode: 49981729. 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 Portland, Maine. We offer personal and business banking services to the Maine market via nine branches. Our National Lending Division 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 tangible common shareholders' equity, tangible book value per share, total return on purchased loans, efficiency ratio, and net interest margin excluding PPP. 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, the negative impacts and disruptions of the COVID-19 pandemic and measures taken to contain its spread on our employees, customers, business operations, credit quality, financial position, liquidity and results of operations; the length and extent of the economic contraction resulting from the COVID-19 pandemic; continued deterioration in employment levels, general business and economic conditions on a national basis and in the local markets in which the Bank operates, including changes which adversely affect borrowers' ability to service and repay our loans; changes in customer behavior due to changing political, business and economic conditions or legislative or regulatory initiatives; turbulence in the capital and debt markets; changes in interest rates and real estate values; increases in loan defaults and charge-off rates; decreases 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; competitive pressures from other financial institutions; operational risks including, but not limited to, cybersecurity incidents, fraud, natural disasters and future pandemics; 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.

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NORTHEAST BANK

BALANCE SHEETS

(Unaudited)

(Dollars in thousands, except share and per share data)

	September 30, 2020	June 30, 2020
Assets		
Cash and due from banks	\$ 2,811	\$ 2,795
Short-term investments	200,454	140,862
Total cash and cash equivalents	203,265	143,657
Available-for-sale debt securities, at fair value	67,581	64,918
Equity securities, at fair value	7,266	7,239
Total investment securities	74,847	72,157
Residential real estate loans held for sale	778	601
SBA loans held for sale	558	28,852
Total loans held for sale	1,336	29,453
Loans:		
Commercial real estate	648,455	679,537
Commercial and industrial	207,855	212,769
Residential real estate	74,376	77,722
Consumer	1,424	1,574
Total loans	932,110	971,602
Less: Allowance for loan losses	9,536	9,178
Loans, net	922,574	962,424
Premises and equipment, net	9,372	9,670
Real estate owned and other repossessed collateral, net	4,102	3,274
Federal Home Loan Bank stock, at cost	1,390	1,390
Loan servicing rights, net	2,323	2,113
Bank-owned life insurance	17,180	17,074
Other assets	20,391	16,423
Total assets	\$ 1,256,780	\$ 1,257,635
Liabilities and Shareholders' Equity		
Deposits:		

Demand	\$	133,900	\$	94,749
Savings and interest checking		165,282		137,824
Money market		311,561		302,343
Time		406,887		477,436
Total deposits		<u>1,017,630</u>		<u>1,012,352</u>
Federal Home Loan Bank advances		15,000		15,000
Paycheck Protection Program Liquidity Facility advances		-		12,440
Subordinated debt		14,967		14,940
Lease liability		4,190		4,496
Other liabilities		32,442		33,668
Total liabilities		<u>1,084,229</u>		<u>1,092,896</u>

Commitments and contingencies - -

Shareholders' equity				
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at September 30, 2020 and June 30, 2020		-		-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 8,147,003 and 8,153,841 shares issued and outstanding at September 30, 2020 and June 30, 2020, respectively		8,147		8,154
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; 44,783 shares issued and outstanding at September 30, 2020 and June 30, 2020		45		45
Additional paid-in capital		68,452		68,302
Retained earnings		97,672		89,960
Accumulated other comprehensive loss		(1,765)		(1,722)
Total shareholders' equity		<u>172,551</u>		<u>164,739</u>
Total liabilities and shareholders' equity	\$	<u>1,256,780</u>	\$	<u>1,257,635</u>

NORTHEAST BANK
STATEMENTS OF INCOME

(Unaudited)
(Dollars in thousands, except share and per share data)

		Three Months Ended September 30,	
		2020	2019
Interest and dividend income:			
Interest and fees on loans	\$	18,105	\$ 19,704
Interest on available-for-sale securities		290	451
Other interest and dividend income		88	340
Total interest and dividend income		<u>18,483</u>	<u>20,495</u>
Interest expense:			
Deposits		3,058	4,316
Federal Home Loan Bank advances		124	125
Paycheck Protection Program Liquidity Facility		2	-
Subordinated debt		281	282
Obligation under lease agreements		25	35
Total interest expense		<u>3,490</u>	<u>4,758</u>
Net interest and dividend income before provision (credit) for loan losses		14,993	15,737
Provision (credit) for loan losses		377	(136)
Net interest and dividend income after provision (credit) for loan losses		<u>14,616</u>	<u>15,873</u>
Noninterest income:			
Fees for other services to customers		499	413
Gain on sales of PPP loans		1,110	-
Gain on sales of SBA loans		-	252
Gain on sales of residential loans held for sale		83	213
Net unrealized gain on equity securities		-	40
Loss on real estate owned, other repossessed collateral and premises and equipment, net		(157)	(2)
Correspondent fee income		4,747	-
Bank-owned life insurance income		106	241
Other noninterest income		28	19
Total noninterest income		<u>6,416</u>	<u>1,176</u>
Noninterest expense:			
Salaries and employee benefits		6,351	6,387
Occupancy and equipment expense		926	898
Professional fees		363	392
Data processing fees		1,025	984
Marketing expense		41	93
Loan acquisition and collection expense		689	611
FDIC insurance premiums (credits)		48	(18)
Intangible asset amortization		-	109
Other noninterest expense		490	898
Total noninterest expense		<u>9,933</u>	<u>10,354</u>
Income before income tax expense		11,099	6,695
Income tax expense		3,305	1,919
Net income	\$	<u>7,794</u>	\$ <u>4,776</u>
Weighted-average common shares outstanding:			
Basic		8,196,828	9,043,761
Diluted		8,315,096	9,211,874
Earnings per common share:			
Basic	\$	0.95	\$ 0.53
Diluted		0.94	0.52
Cash dividends declared per common share	\$	0.01	\$ 0.01

NORTHEAST BANK
AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)
(Dollars in thousands)

		Three Months Ended September 30,					
		2020		2019			
		Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
Assets:							
Interest-earning assets:							
Investment securities	\$	72,140	\$ 290	1.59%	\$ 82,081	\$ 451	2.19%
Loans (1) (2) (3)		957,535	18,105	7.50%	951,265	19,704	8.24%

Federal Home Loan Bank stock	1,390	33	9.42%	1,258	19	6.01%
Short-term investments (4)	169,609	55	0.13%	60,347	321	2.12%
Total interest-earning assets	1,200,674	18,483	6.11%	1,094,951	20,495	7.45%
Cash and due from banks	2,925			2,629		
Other non-interest earning assets	38,853			35,531		
Total assets	\$ 1,242,452			\$ 1,133,111		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 123,644	\$ 127	0.41%	\$ 65,405	\$ 60	0.36%
Money market accounts	312,271	535	0.68%	264,877	1,069	1.61%
Savings accounts	37,525	14	0.15%	34,476	14	0.16%
Time deposits	435,827	2,382	2.17%	484,115	3,173	2.61%
Total interest-bearing deposits	909,267	3,058	1.33%	848,873	4,316	2.02%
Federal Home Loan Bank advances	15,000	124	3.28%	15,000	125	3.32%
PPPLF advances	1,758	2	0.45%	-	-	0.00%
Subordinated debt	14,952	281	7.46%	14,841	282	7.56%
Lease liability	4,306	25	2.30%	5,690	35	2.45%
Total interest-bearing liabilities	945,283	3,490	1.46%	884,404	4,758	2.14%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	112,303			85,090		
Other liabilities	17,693			7,581		
Total liabilities	1,075,279			977,075		
Shareholders' equity	167,173			156,036		
Total liabilities and shareholders' equity	\$ 1,242,452			\$ 1,133,111		
Net interest income	\$ 14,993			\$ 15,737		
Interest rate spread			4.65%			5.31%
Net interest margin (5)			4.95%			5.72%

- (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				
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Net interest income	\$ 14,993	\$ 17,384	\$ 16,321	\$ 15,545	\$ 15,737
Provision (credit) for loan losses	377	905	3,489	243	(136)
Noninterest income	6,416	9,812	860	1,337	1,176
Noninterest expense	9,933	10,168	10,081	9,789	10,354
Net income	7,794	11,219	1,875	4,867	4,776
Weighted-average common shares outstanding:					
Basic	8,196,828	8,337,088	9,004,819	9,048,171	9,043,761
Diluted	8,315,096	8,405,665	9,128,651	9,223,137	9,211,874
Earnings per common share:					
Basic	\$ 0.95	\$ 1.35	\$ 0.21	\$ 0.54	\$ 0.53
Diluted	0.94	1.33	0.21	0.53	0.52
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Return on average assets	2.49%	3.07%	0.61%	1.68%	1.68%
Return on average equity	18.50%	28.44%	4.57%	12.09%	12.18%
Net interest rate spread (1)	4.65%	4.66%	5.14%	5.19%	5.31%
Net interest margin (2)	4.95%	4.90%	5.50%	5.59%	5.72%
Net interest margin, excluding PPP (Non-GAAP) (3)	5.00%	5.34%	5.50%	5.59%	5.72%
Efficiency ratio (non-GAAP) (4)	46.40%	37.39%	58.68%	57.98%	61.22%
Noninterest expense to average total assets	3.17%	2.78%	3.28%	3.38%	3.64%
Average interest-earning assets to average interest-bearing liabilities	127.02%	118.53%	122.88%	123.50%	123.81%
As of:					
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 704	\$ 832	\$ 1,187	\$ 1,586	\$ 1,515
Commercial real estate	6,856	6,861	7,439	8,032	4,530
Commercial and industrial	2,013	2,058	2,226	622	87
Consumer	26	29	40	59	136
Total originated portfolio	9,599	9,780	10,892	10,299	6,268
Total purchased portfolio	11,848	11,325	13,485	8,489	7,834
Total nonperforming loans	21,447	21,105	24,377	18,788	14,102
Real estate owned and other repossessed collateral, net	4,102	3,274	3,110	2,505	1,936
Total nonperforming assets	<u>\$ 25,549</u>	<u>\$ 24,379</u>	<u>\$ 27,487</u>	<u>\$ 21,293</u>	<u>\$ 16,038</u>
Past due loans to total loans	2.03%	1.69%	3.52%	2.84%	1.50%
Nonperforming loans to total loans	2.30%	2.17%	2.36%	1.88%	1.51%
Nonperforming assets to total assets	2.03%	1.94%	2.23%	1.76%	1.43%
Allowance for loan losses to total loans	1.02%	0.94%	0.85%	0.54%	0.57%
Allowance for loan losses to nonperforming loans	44.46%	43.49%	36.14%	28.77%	37.44%
Commercial real estate loans to total capital (5)	248.47%	281.32%	304.40%	292.58%	262.92%
Net loans to core deposits (6) (9)	91.74%	96.38%	102.04%	106.52%	102.59%
Purchased loans to total loans, including held for sale	38.40%	39.77%	38.28%	36.65%	35.50%
Equity to total assets	13.73%	13.10%	12.95%	13.53%	14.08%
Common equity tier 1 capital ratio	18.57%	17.13%	15.71%	16.48%	16.92%
Total capital ratio	21.19%	19.61%	18.03%	18.52%	19.07%
Tier 1 leverage capital ratio	14.02%	13.36%	13.04%	14.26%	14.06%
Total shareholders' equity	\$ 172,551	\$ 164,739	\$ 159,525	\$ 163,400	\$ 158,101
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	172,551	164,739	159,525	163,400	158,101
Less: Intangible assets (7)	(2,323)	(2,113)	(2,116)	(2,641)	(2,940)
Tangible common shareholders' equity (non-GAAP)	<u>\$ 170,228</u>	<u>\$ 162,626</u>	<u>\$ 157,409</u>	<u>\$ 160,759</u>	<u>\$ 155,161</u>
Common shares outstanding					
Book value per common share	\$ 21.06	\$ 20.09	\$ 18.48	\$ 18.05	\$ 17.49
Tangible book value per share (non-GAAP) (8)	20.78	19.84	18.23	17.76	17.17

(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) Net interest margin excluding PPP removes the effects of the following: PPP loan interest income of \$80 thousand and \$1.6 million and PPPLF interest expense of \$2 thousand and \$174 thousand for the quarters ended September 30, 2020 and June 30, 2020, respectively, as well as PPP loan average balances of \$16.9 million and \$223.8 million for the quarters ended September 30, 2020 and June 30, 2020, respectively.

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

(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.

(9) Net loans and total loans, including loans held for sale, exclude PPP loans held for sale.

For More Information:

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