



Northeast Bank Reports Second Quarter Results and Declares Dividend

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PORTLAND, Maine, Jan. 27, 2021 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$8.2 million, or \$0.98 per diluted common share, for the quarter ended December 31, 2020, compared to net income of \$4.9 million, or \$0.53 per diluted common share, for the quarter ended December 31, 2019. Net income for the six months ended December 31, 2020 was \$16.0 million, or \$1.92 per diluted common share, compared to \$9.6 million, or \$1.05 per diluted common share, for the six months ended December 31, 2019.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on February 24, 2021, to shareholders of record as of February 10, 2021.

"We reported strong results in our second fiscal quarter," said Rick Wayne, Chief Executive Officer. "We closed on our largest single loan pool purchase in the Bank's history, which contributed to our National Lending team generating \$175.9 million of new volume, consisting of \$91.3 million of purchased loans and \$84.6 million of originations." Mr. Wayne continued, "For the quarter, we recognized \$6.1 million of correspondent fee income under the arrangement with The Loan Source, Inc. ("Loan Source") and ACAP SME, LLC, who purchased an additional \$1.3 billion of Paycheck Protection Program loans during the quarter. As a result, we earned \$0.98 per diluted common share, a return on average equity of 18.4%, a return on average assets of 2.7%, and a net interest margin of 5.2%."

As of December 31, 2020, total assets were \$1.23 billion, a decrease of \$23.5 million, or 1.9%, from total assets of \$1.26 billion as of June 30, 2020.

1. The following table highlights the changes in the loan portfolio for the three and six months ended December 31, 2020:

Loan Portfolio Changes				
Three Months Ended December 31, 2020				
	December 31, 2020 Balance	September 30, 2020 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 418,584	\$ 358,203	\$ 60,381	16.86%
National Lending Originated	478,423	462,974	15,449	3.34%
SBA National	48,797	48,775	22	0.05%
Community Banking	55,773	62,158	(6,385)	(10.27%)
Total	<u>\$ 1,001,577</u>	<u>\$ 932,110</u>	<u>\$ 69,467</u>	<u>7.45%</u>

Six Months Ended December 31, 2020				
	December 31, 2020 Balance	June 30, 2020 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 418,584	\$ 386,624	\$ 31,960	8.27%
National Lending Originated	478,423	467,612	10,811	2.31%
SBA National	48,797	47,095	1,702	3.61%
Community Banking	55,773	70,271	(14,498)	(20.63%)
Total	<u>\$ 1,001,577</u>	<u>\$ 971,602</u>	<u>\$ 29,975</u>	<u>3.09%</u>

Loans generated by the Bank's National Lending Division for the quarter ended December 31, 2020 totaled \$175.9 million, which consisted of \$91.3 million of purchased loans, at an average price of 93.4% of unpaid principal balance, and \$84.6 million of originated loans.

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

National Lending Portfolio						
Three Months Ended December 31,						
	2020			2019		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 97,759	\$ 84,607	\$ 182,366	\$ 66,784	\$ 98,563	\$ 165,347
Net investment basis	91,284	84,607	175,891	64,840	98,563	163,403

Loan returns during the period:

Yield	9.06%	6.87%	7.89%	9.76%	7.67%	8.57%
Total Return on Purchased Loans (1)	9.06%	6.87%	7.89%	10.21%	7.67%	8.77%

	Six Months Ended December 31,					
	2020			2019		
	Purchased	Originated	Total	Purchased	Originated	Total
(Dollars in thousands)						
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 103,588	\$ 125,515	\$ 229,103	\$ 97,116	\$ 139,100	\$ 236,216
Net investment basis	95,862	125,515	221,377	93,462	139,100	232,562
Loan returns during the period:						
Yield	9.08%	6.95%	7.93%	9.74%	7.62%	8.52%
Total Return on Purchased Loans (1)	9.08%	6.95%	7.93%	9.98%	7.62%	8.61%
Total loans as of period end:						
Unpaid principal balance	\$ 456,524	\$ 478,423	\$ 934,947	\$ 401,393	\$ 497,386	\$ 898,779
Net investment basis	418,584	478,423	897,007	367,625	497,386	865,011

(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 \$28.4 million, or 2.8%, from June 30, 2020. The decrease was attributable to a decrease in time deposits of \$116.6 million, or 24.4% due to intentional runoff. The decrease was partially offset by increases in demand deposits of \$33.2 million, or 35.0%, savings and interest checking accounts of \$47.6 million, or 34.6%, and money market deposits of \$7.3 million, or 2.4%.

3. Shareholders' equity increased by \$17.2 million, or 10.5%, from June 30, 2020, primarily due to net income of \$16.0 million. Shareholders' equity also increased by \$1.0 million as a result of stock options exercised, which resulted in 153 thousand shares of common stock issued.

Net income increased by \$3.3 million to \$8.2 million for the quarter ended December 31, 2020, compared to net income of \$4.9 million for the quarter ended December 31, 2019.

1. Net interest and dividend income before provision for loan losses decreased by \$157 thousand to \$15.4 million for the quarter ended December 31, 2020, compared to \$15.5 million for the quarter ended December 31, 2019. The decrease was primarily due to lower interest income earned on loans, partially offset by a decrease in deposit interest expense. The decrease in interest income earned on loans was primarily due to lower average balances and rates earned on the National Lending originated, SBA, and Community Bank portfolios, partially offset by higher average balances in the National Lending purchased portfolio. The decrease in deposit interest expense was due to lower rates, partially offset by higher average balances.

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,					
	2020			2019		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield
(Dollars in thousands)						
Community Banking	\$ 57,801	\$ 658	4.52%	\$ 85,989	\$ 1,193	5.52%
SBA National	48,953	616	4.99%	57,371	1,003	6.96%
National Lending:						
Originated	450,698	7,801	6.87%	456,877	8,814	7.67%
Purchased	395,692	9,033	9.06%	345,748	8,480	9.76%
Total National Lending	846,390	16,834	7.89%	802,625	17,294	8.57%
Total	\$ 953,144	\$ 18,108	7.54%	\$ 945,985	\$ 19,490	8.20%

	Six Months Ended December 31,					
	2020			2019		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield
(Dollars in thousands)						
Community Banking	\$ 61,620	\$ 1,502	4.84%	\$ 88,187	\$ 2,458	5.54%

SBA National	48,444	1,171	4.80%	60,062	2,472	8.19%
SBA PPP	8,608	81	1.87%	-	-	0.00%
National Lending:						
Originated	451,721	15,830	6.95%	463,092	17,742	7.62%
Purchased	384,946	17,629	9.08%	337,284	16,521	9.74%
Total National Lending	836,667	33,459	7.93%	800,376	34,263	8.52%
Total	<u>\$ 955,339</u>	<u>\$ 36,213</u>	7.52%	<u>\$ 948,625</u>	<u>\$ 39,193</u>	8.22%

(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, 2019, transactional income decreased by \$430 thousand for the quarter ended December 31, 2020, while regularly scheduled interest and accretion increased by \$588 thousand due to the increase in average balances. The total return on purchased loans for the quarter ended December 31, 2020 was 9.1%, a decrease from 10.2% for the quarter ended December 31, 2019. The following table details the total return on purchased loans:

Total Return on Purchased Loans				
Three Months Ended December 31,				
	2020		2019	
Income	Return (1)	Income	Return (1)	
(Dollars in thousands)				
Regularly scheduled interest and accretion	\$ 7,113	7.13%	\$ 6,525	7.51%
Transactional income:				
Gain on real estate owned	-	0.00%	395	0.45%
Accelerated accretion and loan fees	1,920	1.93%	1,955	2.25%
Total transactional income	1,920	1.93%	2,350	2.70%
Total	<u>\$ 9,033</u>	9.06%	<u>\$ 8,875</u>	10.21%

Six Months Ended December 31,				
	2020		2019	
Income	Return (1)	Income	Return (1)	
(Dollars in thousands)				
Regularly scheduled interest and accretion	\$ 13,677	7.05%	\$ 12,580	7.42%
Transactional income:				
Gain on real estate owned	-	0.00%	395	0.24%
Accelerated accretion and loan fees	3,952	2.03%	3,941	2.32%
Total transactional income	3,952	2.03%	4,336	2.56%
Total	<u>\$ 17,629</u>	9.08%	<u>\$ 16,916</u>	9.98%

(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 increased by \$5.2 million for the quarter ended December 31, 2020, compared to the quarter ended December 31, 2019, principally due to the following:

- An increase in correspondent fee income of \$6.1 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	\$ 1,061
Amortization of Purchased Accrued Interest	613
Earned Net Servicing Interest	4,408
Total	<u>\$ 6,082</u>

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	Correspondent Fee	Purchased Accrued Interest ⁽¹⁾	Total ⁽²⁾
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	Loan Source		(In thousands)		
Q4 FY 2020	\$	1,272,900	\$	2,891	\$ 688
Q1 FY 2021		2,112,100		5,348	2,804
Q2 FY 2021		1,333,500		495	3,766
Total	\$	4,718,500	\$	8,734	\$ 7,258
Less amounts recognized in Q2 FY 21				(1,061)	(613)
Less amounts recognized in previous quarters				(842)	(279)
Amount remaining to be recognized	\$		\$	6,831	\$ 6,366
					\$ 13,197

(1) - Northeast Bank's share

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

The increase in correspondent fee income was partially offset by:

- An increase in loss on real estate owned ("REO") of \$501 thousand, due to a writedown and net loss on sales of REO properties in the quarter ended December 31, 2020, as compared to a gain recorded on the transfer of a loan into REO in the quarter ended December 31, 2019;
- A decrease in gain on sale of SBA loans of \$304 thousand, due to no SBA loans sold in the quarter ended December 31, 2020; and
- A decrease in gain on sale of residential loans held for sale of \$193 thousand, due to lower volume of loans sold as compared to the quarter ended December 31, 2019.

3. Noninterest expense increased by \$639 thousand for the quarter ended December 31, 2020 compared to the quarter ended December 31, 2019, primarily due to the following:

- An increase in loan expense of \$343 thousand, primarily due to \$424 thousand in correspondent expenses associated with the Loan Source arrangement, partially offset by an increase of \$120 thousand of collection expense reimbursements received during the quarter ended December 31, 2020;
- An increase in occupancy and equipment expense of \$198 thousand, primarily due to increases in rent expense, depreciation and IT software expense in connection with the relocation of the Lewiston operations center and opening of a new office in New York City; and
- An increase in FDIC insurance premium expense of \$102 thousand, due to credits received during the quarter ended December 31, 2019, which have now run out.

4. Income tax expense increased by \$933 thousand to \$2.9 million, or an effective tax rate of 26.3%, for the quarter ended December 31, 2020, compared to \$1.9 million, or an effective tax rate of 28.9%, for the quarter ended December 31, 2019. The increase in income tax expense is due to the increase in pre-tax income. The decrease in effective tax rate is primarily due to \$472 thousand of tax benefits arising from the exercise of stock options during the quarter ended December 31, 2020.

As of December 31, 2020, nonperforming assets totaled \$33.4 million, or 2.70% 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 two National Lending originated loans totaling \$8.0 million and two National Lending purchased loans totaling \$1.2 million that were placed on nonaccrual during the six months ended December 31, 2020. Subsequent to the end of the quarter, a \$6.0 million nonaccrual loan paid off in full.

As of December 31, 2020, past due loans totaled \$23.1 million, or 2.31% 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 one National Lending originated loan totaling \$2.0 million and fifteen National Lending purchased loans totaling \$4.8 million, becoming past due during the six months ended December 31, 2020.

As of December 31, 2020, the Bank's Tier 1 leverage capital ratio was 15.1%, compared to 13.4% at June 30, 2020, and the Total capital ratio was 20.4% at December 31, 2020, as compared to 19.6% at June 30, 2020. Capital ratios were affected by earnings during the six months ended December 31, 2020.

Investor Call Information

Rick Wayne, Chief Executive Officer, Jean-Pierre Lapointe, Chief Financial Officer, and Pat Dignan, Executive Vice President and Chief Credit 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 Thursday, January 28th**. Investors can access the call by dialing 800.773.2954 and entering the following passcode: 50081035. 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

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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For More Information:

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NORTHEAST BANK BALANCE SHEETS

(Unaudited)

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

	December 31, 2020	June 30, 2020
Assets		
Cash and due from banks	\$ 3,264	\$ 2,795
Short-term investments	106,096	140,862
Total cash and cash equivalents	109,360	143,657
Available-for-sale debt securities, at fair value	62,149	64,918
Equity securities, at fair value	7,275	7,239
Total investment securities	69,424	72,157
Residential real estate loans held for sale	161	601
SBA loans held for sale	-	28,852
Total loans held for sale	161	29,453
Loans:		
Commercial real estate	700,413	679,537
Commercial and industrial	226,770	212,769
Residential real estate	73,060	77,722

Consumer	1,334	1,574
Total loans	1,001,577	971,602
Less: Allowance for loan losses	9,926	9,178
Loans, net	991,651	962,424
Premises and equipment, net	12,539	9,670
Real estate owned and other repossessed collateral, net	2,866	3,274
Federal Home Loan Bank stock, at cost	1,390	1,390
Loan servicing rights, net	2,035	2,113
Bank-owned life insurance	17,286	17,074
Other assets	27,380	16,423
Total assets	<u>\$ 1,234,092</u>	<u>\$ 1,257,635</u>
Liabilities and Shareholders' Equity		
Deposits:		
Demand	\$ 127,944	\$ 94,749
Savings and interest checking	185,465	137,824
Money market	309,658	302,343
Time	360,870	477,436
Total deposits	983,937	1,012,352
Federal Home Loan Bank advances	15,000	15,000
Paycheck Protection Program Liquidity Facility advances	-	12,440
Subordinated debt	14,995	14,940
Lease liability	6,796	4,496
Other liabilities	31,402	33,668
Total liabilities	1,052,130	1,092,896
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at December 31, 2020 and June 30, 2020	-	-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 8,344,797 and 8,153,841 shares issued and outstanding at December 31, 2020 and June 30, 2020, respectively	8,345	8,154
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; zero and 44,783 shares issued and outstanding at December 31, 2020 and June 30, 2020, respectively	-	45
Additional paid-in capital	69,499	68,302
Retained earnings	105,766	89,960
Accumulated other comprehensive loss	(1,648)	(1,722)
Total shareholders' equity	181,962	164,739
Total liabilities and shareholders' equity	<u>\$ 1,234,092</u>	<u>\$ 1,257,635</u>

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,	
	2020	2019	2020	2019
Interest and dividend income:				
Interest and fees on loans	\$ 18,108	\$ 19,490	\$ 36,213	\$ 39,193
Interest on available-for-sale securities	193	442	483	893
Other interest and dividend income	54	326	142	665
Total interest and dividend income	18,355	20,258	36,838	40,751

Interest expense:				
Deposits	2,529	4,181	5,587	8,497
Federal Home Loan Bank advances	126	218	250	343
Paycheck Protection Program Liquidity Facility	-	-	2	-
Subordinated debt	282	282	563	563
Obligation under capital lease agreements	30	32	55	68
Total interest expense	2,967	4,713	6,457	9,471
Net interest and dividend income before provision for loan losses	15,388	15,545	30,381	31,280
Provision for loan losses	365	243	742	106
Net interest and dividend income after provision for loan losses	15,023	15,302	29,639	31,174
Noninterest income:				
Fees for other services to customers	488	414	988	827
Gain on sales of PPP loans	4	-	1,114	-
Gain on sales of SBA loans	-	304	-	556
Gain on sales of residential loans held for sale	19	212	102	425
Net unrealized gain (loss) on equity securities	(16)	(25)	(16)	15
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	(187)	314	(344)	312
Correspondent fee income	6,082	-	10,829	-
Bank-owned life insurance income	106	108	212	350
Other noninterest income	1	10	28	28
Total noninterest income	6,497	1,337	12,913	2,513
Noninterest expense:				
Salaries and employee benefits	5,971	5,926	12,322	12,312
Occupancy and equipment expense	1,047	849	1,974	1,747
Professional fees	443	445	806	837
Data processing fees	1,066	1,002	2,090	1,986
Marketing expense	120	55	161	148
Loan acquisition and collection expense	824	481	1,513	1,092
FDIC insurance premiums (credits)	101	(1)	205	(19)
Intangible asset amortization	-	109	-	217
Other noninterest expense	856	923	1,290	1,824
Total noninterest expense	10,428	9,789	20,361	20,144
Income before income tax expense	11,092	6,850	22,191	13,543
Income tax expense	2,916	1,983	6,221	3,901
Net income	\$ 8,176	\$ 4,867	\$ 15,970	\$ 9,642
Weighted-average shares outstanding:				
Basic	8,244,068	9,048,171	8,220,604	9,046,004
Diluted	8,309,252	9,223,137	8,312,330	9,217,544
Earnings per common share:				
Basic	\$ 0.99	\$ 0.54	\$ 1.94	\$ 1.07
Diluted	0.98	0.53	1.92	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,	
2020	2019

	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 70,409	\$ 193	1.09%	\$ 81,009	\$ 442	2.17%
Loans (1) (2) (3)	953,144	18,108	7.54%	945,985	19,490	8.20%
Federal Home Loan Bank stock	1,390	13	3.71%	2,079	18	3.44%
Short-term investments (4)	143,272	41	0.11%	77,268	308	1.59%
Total interest-earning assets	1,168,215	18,355	6.23%	1,106,341	20,258	7.28%
Cash and due from banks	3,058			2,781		
Other non-interest earning assets	46,730			42,725		
Total assets	<u>\$ 1,218,003</u>			<u>\$ 1,151,847</u>		

Liabilities & Shareholders' Equity:

Interest-bearing liabilities:

NOW accounts	\$ 128,337	\$ 113	0.35%	\$ 70,737	\$ 77	0.43%
Money market accounts	310,074	377	0.48%	269,880	1,094	1.61%
Savings accounts	37,301	12	0.13%	34,317	15	0.17%
Time deposits	388,669	2,027	2.07%	464,424	2,995	2.57%
Total interest-bearing deposits	864,381	2,529	1.16%	839,358	4,181	1.98%
Federal Home Loan Bank advances	15,000	126	3.33%	36,250	218	2.39%
Subordinated debt	14,981	282	7.47%	14,871	282	7.54%
Capital lease obligations	6,501	30	1.83%	5,365	32	2.37%
Total interest-bearing liabilities	900,863	2,967	1.31%	895,844	4,713	2.09%

Non-interest bearing liabilities:

Demand deposits and escrow accounts	123,413			85,894		
Other liabilities	17,193			9,940		
Total liabilities	1,041,469			991,678		
Shareholders' equity	176,534			160,169		
Total liabilities and shareholders' equity	<u>\$ 1,218,003</u>			<u>\$ 1,151,847</u>		

Net interest income	<u>\$ 15,388</u>	<u>\$ 15,545</u>
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Interest rate spread	4.92%	5.19%
Net interest margin (5)	5.23%	5.59%

(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,					
	2020			2019	
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense
Assets:					
Interest-earning assets:					
Investment securities	\$ 71,275	\$ 483	1.34%	\$ 81,545	\$ 893
Loans (1) (2) (3)	955,339	36,213	7.52%	948,625	39,193
Federal Home Loan Bank stock	1,390	46	6.56%	1,669	37

Short-term investments (4)	156,440	96	0.12%	68,808	628	1.82%
Total interest-earning assets	1,184,444	36,838	6.17%	1,100,647	40,751	7.36%
Cash and due from banks	2,992			2,705		
Other non-interest earning assets	42,792			39,127		
Total assets	<u>\$ 1,230,228</u>			<u>\$ 1,142,479</u>		

Liabilities & Shareholders' Equity:

Interest-bearing liabilities:

NOW accounts	\$ 125,991	\$ 240	0.38%	\$ 68,071	\$ 137	0.40%
Money market accounts	311,173	912	0.58%	267,379	2,162	1.61%
Savings accounts	37,414	26	0.14%	34,397	30	0.17%
Time deposits	412,248	4,409	2.12%	474,270	6,168	2.59%
Total interest-bearing deposits	886,826	5,587	1.25%	844,117	8,497	2.00%
Federal Home Loan Bank advances	15,000	250	3.31%	25,625	343	2.66%
PPPLF advances	879	2	0.45%	-	-	0.00%
Subordinated debt	14,967	563	7.46%	14,856	563	7.54%
Capital lease obligations	5,404	55	2.02%	5,527	68	2.45%
Total interest-bearing liabilities	<u>923,076</u>	<u>6,457</u>	1.39%	<u>890,125</u>	<u>9,471</u>	2.12%

Non-interest bearing liabilities:

Demand deposits and escrow accounts	117,857			85,491		
Other liabilities	17,441			8,760		
Total liabilities	<u>1,058,374</u>			<u>984,376</u>		
Shareholders' equity	171,854			158,103		
Total liabilities and shareholders' equity	<u>\$ 1,230,228</u>			<u>\$ 1,142,479</u>		

Net interest income	<u>\$ 30,381</u>	<u>\$ 31,280</u>
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Interest rate spread	4.78%	5.24%
Net interest margin (5)	5.09%	5.65%

(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, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Net interest income	\$ 15,388	\$ 14,993	\$ 17,384	\$ 16,321	\$ 15,545
Provision for loan losses	365	377	905	3,489	243
Noninterest income	6,497	6,416	9,812	860	1,337
Noninterest expense	10,428	9,933	10,268	10,081	9,789
Net income	8,176	7,794	11,219	1,875	4,867

Weighted-average common shares outstanding:

Basic	8,244,068	8,196,828	8,337,088	9,004,819	9,048,171
Diluted	8,309,252	8,315,096	8,405,665	9,128,651	9,223,137

Earnings per common share:

Basic	\$ 0.99	\$ 0.95	\$ 1.35	\$ 0.21	\$ 0.54
Diluted	0.98	0.94	1.33	0.21	0.53

Dividends declared per common share	\$	0.01	\$	0.01	\$	0.01	\$	0.01	\$	0.01
Return on average assets		2.66%		2.49%		3.07%		0.61%		1.68%
Return on average equity		18.37%		18.50%		28.44%		4.57%		12.09%
Net interest rate spread (1)		4.92%		4.65%		4.60%		5.14%		5.19%
Net interest margin (2)		5.23%		4.95%		4.90%		5.50%		5.59%
Net interest margin, excluding PPP (Non-GAAP) (3)		5.23%		5.00%		5.34%		5.50%		5.59%
Efficiency ratio (non-GAAP) (4)		47.65%		46.40%		37.29%		58.68%		57.98%
Noninterest expense to average total assets		3.40%		3.17%		2.78%		3.28%		3.38%
Average interest-earning assets to average interest-bearing liabilities		129.68%		127.02%		118.53%		122.88%		123.50%

	As of:				
	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 6,676	\$ 704	\$ 832	\$ 1,187	\$ 1,586
Commercial real estate	8,329	6,856	6,861	7,439	8,032
Commercial and industrial	1,978	2,013	2,058	2,226	622
Consumer	30	26	29	40	59
Total originated portfolio	17,013	9,599	9,780	10,892	10,299
Total purchased portfolio	13,497	11,848	11,325	13,485	8,489
Total nonperforming loans	30,510	21,447	21,105	24,377	18,788
Real estate owned and other repossessed collateral, net	2,866	4,102	3,274	3,110	2,505
Total nonperforming assets	\$ 33,376	\$ 25,549	\$ 24,379	\$ 27,487	\$ 21,293
Past due loans to total loans	2.31%	2.03%	1.69%	3.52%	2.84%
Nonperforming loans to total loans	3.05%	2.30%	2.17%	2.36%	1.88%
Nonperforming assets to total assets	2.70%	2.03%	1.94%	2.23%	1.76%
Allowance for loan losses to total loans	0.99%	1.02%	0.94%	0.85%	0.54%
Allowance for loan losses to nonperforming loans	32.53%	44.46%	43.49%	36.14%	28.77%
Commercial real estate loans to total capital (5)	251.00%	248.47%	281.32%	304.40%	292.58%
Net loans to core deposits (6) (9)	101.86%	91.74%	96.38%	102.04%	106.52%
Purchased loans to total loans, including held for sale	41.79%	38.40%	39.77%	38.28%	36.65%
Equity to total assets	14.74%	13.73%	13.10%	12.95%	13.53%
Common equity tier 1 capital ratio	17.93%	18.57%	17.13%	15.71%	16.48%
Total capital ratio	20.37%	21.19%	19.61%	18.03%	18.52%
Tier 1 leverage capital ratio	15.07%	14.02%	13.36%	13.04%	14.26%
Total shareholders' equity	\$ 181,962	\$ 172,551	\$ 164,739	\$ 159,525	\$ 163,400
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	181,962	172,551	164,739	159,525	163,400
Less: Intangible assets (7)	(2,035)	(2,323)	(2,113)	(2,116)	(2,641)
Tangible common shareholders' equity (non-GAAP)	\$ 179,927	\$ 170,228	\$ 162,626	\$ 157,409	\$ 160,759
Common shares outstanding	8,344,797	8,191,786	8,198,624	8,633,772	9,052,013
Book value per common share	\$ 21.81	\$ 21.06	\$ 20.09	\$ 18.48	\$ 18.05
Tangible book value per share (non-GAAP) (8)	21.56	20.78	19.84	18.23	17.76

- (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.