



Northeast Bank Reports Record Third Quarter Results and Declares Dividend

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PORTLAND, Maine, April 21, 2021 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported record net income of \$34.2 million, or \$4.06 per diluted common share, for the quarter ended March 31, 2021, compared to net income of \$1.9 million, or \$0.21 per diluted common share, for the quarter ended March 31, 2020. Net income for the nine months ended March 31, 2021 was \$50.1 million, or \$6.01 per diluted common share, compared to \$11.5 million, or \$1.25 per diluted common share, for the nine months ended March 31, 2020. Net income for the three and nine months ended March 31, 2021 included \$33.0 million of net gains on the sale of Paycheck Protection Program ("PPP") loans originated and sold during the quarter ended March 31, 2021 under the current round of PPP, which had an after-tax earnings per diluted common share impact of \$2.75 and \$2.80, respectively.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on May 20, 2021, to shareholders of record as of May 6, 2021.

"We reported record results in our third fiscal quarter," said Rick Wayne, Chief Executive Officer. "Over the past six months in anticipation of another round of PPP loans, we invested in technology, marketing and other initiatives to be able to source, underwrite and fund a significant volume of PPP loans in the event the program was reinstated. We are proud to report that our planning and investment paid off. Through March 31, we originated \$2.25 billion of PPP loans to over 22,000 borrowers with over 286,000 associated jobs. Of the \$2.25 billion of originated PPP loans, we sold \$2.14 billion to The Loan Source, Inc. ("Loan Source") during our third fiscal quarter, generating \$33.0 million of net gains. We anticipate selling the remaining loans plus any additional PPP originations to Loan Source in our fourth fiscal quarter. In addition, we generated \$6.0 million of correspondent fee income under the arrangement with Loan Source and ACAP SME, LLC. Our national origination and purchase business remained strong, with a total of \$109.2 million of originated and purchased loans during the quarter." Mr. Wayne continued, "As a result, we are reporting earnings of \$4.06 per diluted common share, a return on average equity of 71.1%, a return on average assets of 7.0%, and an efficiency ratio of 16.6% for the quarter."

As of March 31, 2021, total assets were \$1.71 billion, an increase of \$457.1 million, or 36.3%, from total assets of \$1.26 billion as of June 30, 2020.

1. Cash and short-term investments increased by \$320.8 million, or 223.3%, primarily due to the timing of a large deposit account related to PPP payoff collections that is subject to significant fluctuation given the PPP activity during the quarter ended March 31, 2021. Cash and short-term investments may remain at an elevated level while PPP collections, including forgiveness amounts, continue, depending on the timing of receipts and remittances of cash amounts.

2. The following table highlights the changes in the loan portfolio for the three and nine months ended March 31, 2021:

	Loan Portfolio Changes			
	Three Months Ended March 31, 2021			
	March 31, 2021 Balance	December 31, 2020 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 433,497	\$ 418,584	\$ 14,913	3.56%
National Lending Originated	473,930	478,423	(4,493)	(0.94%)
SBA National	42,707	48,797	(6,090)	(12.48%)
Community Banking	52,674	55,773	(3,099)	(5.56%)
Total	<u>\$ 1,002,808</u>	<u>\$ 1,001,577</u>	<u>\$ 1,231</u>	<u>0.12%</u>
	Nine Months Ended March 31, 2021			
	March 31, 2021 Balance	June 30, 2020 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 433,497	\$ 386,624	\$ 46,873	12.12%
National Lending Originated	473,930	467,612	6,318	1.35%
SBA National	42,707	47,095	(4,388)	(9.32%)
Community Banking	52,674	70,271	(17,597)	(25.04%)
Total	<u>\$ 1,002,808</u>	<u>\$ 971,602</u>	<u>\$ 31,206</u>	<u>3.21%</u>

Loans generated by the Bank's National Lending Division for the quarter ended March 31, 2021 totaled \$109.2 million, which consisted of \$39.9 million of purchased loans, at an average price of 93.8% of unpaid principal balance, and \$69.3 million of originated loans.

Additionally, the Bank originated \$2.25 billion of loans in connection with the PPP, of which \$2.14 billion were sold during the quarter ended March 31, 2021. The Bank recorded a net gain of \$33.0 million from the sale of PPP loans, primarily resulting from the recognition of net deferred origination fees upon the sale of the loans. The remaining \$106.1 million of PPP loans are classified as held for sale at March 31, 2021, net of unamortized deferred

fees.

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

	National Lending Portfolio						
	Three Months Ended March 31,						
	2021			2020			
	Purchased	Originated	Total	Purchased	Originated	Total	
	(Dollars in thousands)						
Loans purchased or originated during the period:							
Unpaid principal balance	\$ 42,547	\$ 69,327	\$ 111,874	\$ 70,860	\$ 48,772	\$ 119,632	
Net investment basis	39,895	69,327	109,222	65,056	48,772	113,828	
Loan returns during the period:							
Yield	8.48%	7.28%	7.83%	10.05%	7.35%	8.50%	
Total Return on Purchased Loans (1)	8.48%	7.28%	7.83%	10.05%	7.35%	8.50%	
	Nine Months Ended March 31,						
	2021			2020			
	Purchased	Originated	Total	Purchased	Originated	Total	
	(Dollars in thousands)						
Loans purchased or originated during the period:							
Unpaid principal balance	\$ 146,135	\$ 194,842	\$ 340,977	\$ 167,977	\$ 187,872	\$ 355,849	
Net investment basis	135,757	194,842	330,599	158,518	187,872	346,390	
Loan returns during the period:							
Yield	8.88%	7.06%	7.90%	9.85%	7.53%	8.51%	
Total Return on Purchased Loans (1)	8.88%	7.06%	7.90%	10.00%	7.53%	8.57%	
Total loans as of period end:							
Unpaid principal balance	\$ 471,778	\$ 473,930	\$ 945,708	\$ 432,920	\$ 512,964	\$ 945,884	
Net investment basis	433,497	473,930	907,427	395,944	512,964	908,908	

(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."

3. Deposits increased by \$286.4 million, or 28.3%, from June 30, 2020. The increase was attributable to increases in demand deposits of \$318.8 million, or 336.5%, and savings and interest checking accounts of \$128.3 million, or 93.1%, partially offset by a decrease in time deposits of \$181.4 million, or 38.0%, due to intentional runoff. The increase in demand deposits was primarily due to the timing of a large deposit account related to PPP collections and payoffs that is subject to significant fluctuation given the PPP activity during the quarter ended March 31, 2021.

4. Shareholders' equity increased by \$52.1 million, or 31.6%, from June 30, 2020, primarily due to net income of \$50.1 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, and increased by \$661 thousand due to a decrease in accumulated other comprehensive loss.

Net income increased by \$32.3 million to \$34.2 million for the quarter ended March 31, 2021, compared to net income of \$1.9 million for the quarter ended March 31, 2020.

1. Net interest and dividend income before provision for loan losses increased by \$2.3 million to \$18.6 million for the quarter ended March 31, 2021, compared to \$16.3 million for the quarter ended March 31, 2020. The increase was primarily due to the following:

- A decrease in deposit interest expense of \$2.4 million, due to lower interest rates, partially offset by higher average balances; and
- An increase in PPP loan interest income of \$2.6 million, due to higher interest income earned on PPP loans; partially offset by
- A decrease in interest income earned on the National Lending Division's purchased and originated portfolios of \$1.3 million, due to lower interest rates in both portfolios and lower average balances in the National Lending Division's originated portfolio; and
- An increase of \$300 thousand in interest expense due to advances taken from the Paycheck Protection Program Liquidity

Facility ("PPPLF") to fund PPP originations during the quarter ended March 31, 2021.

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

Interest Income and Yield on Loans						
Three Months Ended March 31,						
	2021			2020		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield
(Dollars in thousands)						
Community Banking	\$ 52,852	\$ 658	5.05%	\$ 79,325	\$ 1,036	5.25%
SBA National	44,775	663	6.01%	53,643	952	7.14%
National Lending:						
Originated	473,881	8,501	7.28%	497,773	9,092	7.35%
Purchased	406,979	8,513	8.48%	367,486	9,186	10.05%
Total National Lending	880,860	17,014	7.83%	865,259	18,278	8.50%
Total excluding SBA PPP	\$ 978,487	\$ 18,335	7.60%	\$ 998,227	\$ 20,266	8.17%
SBA PPP	\$ 481,853	\$ 2,558	2.15%	\$ -	\$ -	0.00%
Total including SBA PPP	\$ 1,460,340	\$ 20,893	5.80%	\$ 998,227	\$ 20,266	8.17%
Nine Months Ended March 31,						
	2021			2020		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield
(Dollars in thousands)						
Community Banking	\$ 59,272	\$ 2,160	4.85%	\$ 85,254	\$ 3,494	5.45%
SBA National	47,236	1,835	5.17%	57,939	3,424	7.87%
National Lending:						
Originated	459,000	24,331	7.06%	474,568	26,834	7.53%
Purchased	392,183	26,142	8.88%	347,278	25,707	9.85%
Total National Lending	851,183	50,473	7.90%	821,846	52,541	8.51%
Total excluding SBA PPP	\$ 957,691	\$ 54,468	7.58%	\$ 965,039	\$ 59,459	8.20%
SBA PPP	\$ 164,053	\$ 2,638	2.14%	\$ -	\$ -	0.00%
Total including SBA PPP	\$ 1,121,744	\$ 57,106	6.78%	\$ 965,039	\$ 59,459	8.20%
(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 March 31, 2020, transactional income decreased by \$731 thousand for the quarter ended March 31, 2021, while regularly scheduled interest and accretion increased by \$58 thousand due to the increase in average balances. The total return on purchased loans for the quarter ended March 31, 2021 was 8.5%, a decrease from 10.1% for the quarter ended March 31, 2020. The following table details the total return on purchased loans:

Total Return on Purchased Loans				
Three Months Ended March 31,				
	2021		2020	
	Income	Return (1)	Income	Return (1)
(Dollars in thousands)				
Regularly scheduled interest and accretion	\$ 6,789	6.77%	\$ 6,731	7.36%
Transactional income:				
Gain on real estate owned	-	0.00%	-	0.00%
Accelerated accretion and loan fees	1,724	1.71%	2,455	2.69%
Total transactional income	1,724	1.71%	2,455	2.69%
Total	\$ 8,513	8.48%	\$ 9,186	10.05%
Nine Months Ended March 31,				
	2021		2020	
	Income	Return (1)	Income	Return (1)
(Dollars in thousands)				

Regularly scheduled interest and accretion	\$ 20,466	6.95%	\$ 19,311	7.40%
Transactional income:				
Gain on real estate owned	-	0.00%	395	0.15%
Accelerated accretion and loan fees	5,676	1.93%	6,396	2.45%
Total transactional income	5,676	1.93%	6,791	2.60%
Total	<u>\$ 26,142</u>	8.88%	<u>\$ 26,102</u>	10.00%

(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 \$38.6 million for the quarter ended March 31, 2021, compared to the quarter ended March 31, 2020, principally due to the following:

- An increase in gain on sale of PPP loans of \$33.0 million, due to the sale of PPP loans with a total principal balance of \$2.14 billion, which resulted in a net gain based on the recognition of net deferred fees in the quarter ended March 31, 2021; and
- An increase in correspondent fee income of \$6.0 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. Under the correspondent arrangement, the Bank earns 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	\$ 1,098
Amortization of Purchased Accrued Interest	922
Earned Net Servicing Interest	3,950
Total	<u>\$ 5,970</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 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	5,348	2,804	8,152
Q2 FY 2021	1,333,500	495	3,766	4,261
Q3 FY 2021	2,141,900	-	598	598
Total	<u>\$ 6,860,400</u>	<u>\$ 8,734</u>	<u>\$ 7,856</u>	<u>\$ 16,590</u>
Less amounts recognized in Q3 FY 21		(1,098)	(922)	(2,020)
Less amounts recognized in previous quarters		(1,903)	(891)	(2,794)
Amount remaining to be recognized		<u>\$ 5,733</u>	<u>\$ 6,043</u>	<u>\$ 11,776</u>

(1) - Northeast Bank's share

(2) - Expected to be recognized into income over approximate life of loans

These increases were partially offset by:

- A decrease in gain on sale of SBA loans of \$237 thousand, since no traditional SBA loans were sold in the quarter ended March 31, 2021; and
- A decrease in gain on sale of residential loans held for sale of \$135 thousand, due to lower volume of loans sold compared to the quarter ended March 31, 2020.

3. Noninterest expense decreased by \$445 thousand for the quarter ended March 31, 2021 compared to the quarter ended March 31, 2020, primarily due to the following:

- A decrease in salaries expense of \$847 thousand, primarily due to an increase of \$4.4 million in deferred salaries contra-expense related to PPP originations, partially offset by an increase of \$3.3 million in bonus expense, attributable to the high level of PPP originations and sales; and
- A decrease in other noninterest expense of \$371 thousand, primarily due to the \$276 thousand recovery on the SBA

servicing asset during the quarter ended March 31, 2021, as compared to a \$215 thousand write-down in the quarter ended March 31, 2020, partially offset by other expenses, including charitable contributions.

These decreases in noninterest expense were partially offset by:

- An increase in data processing expense of \$308 thousand, primarily due to increased IT hardware expense, computer service fees, and implementation fees;
- An increase in professional fees of \$260 thousand; and
- An increase in loan expense of \$139 thousand, primarily due to \$422 thousand in correspondent expenses associated with the Loan Source arrangement, partially offset by an increase in collection expense reimbursements received during the quarter ended March 31, 2021.

4. Income tax expense increased by \$12.7 million to \$14.5 million, or an effective tax rate of 29.8%, for the quarter ended March 31, 2021, compared to \$1.7 million, or an effective tax rate of 48.1%, for the quarter ended March 31, 2020. The increase in income tax expense is due to the increase in pre-tax income. The decrease in the effective tax rate from March 31, 2020 is primarily due to the Bank's recording of a \$554 thousand expense related to the recapture of the tax reserve for loan losses as a result of the repurchase of common stock in the quarter ended March 31, 2020. This was a one-time expense as the Bank has now recaptured all of its tax bad debt reserve, which arose from pre-1988 bad debt deductions taken for tax purposes in excess of net charge-offs, which had to be recaptured.

As of March 31, 2021, nonperforming assets totaled \$25.8 million, or 1.51% of total assets, compared to \$24.4 million, or 1.94% of total assets, as of June 30, 2020. As of March 31, 2021, past due loans totaled \$16.7 million, or 1.67% of total loans, compared to past due loans totaling \$16.4 million, or 1.69% of total loans, as of June 30, 2020.

As of March 31, 2021, the Bank's Tier 1 leverage capital ratio was 14.3%, compared to 13.4% at June 30, 2020, and the Total capital ratio was 23.4% at March 31, 2021, compared to 19.6% at June 30, 2020. Capital ratios were affected by earnings during the nine months ended March 31, 2021.

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 third quarter earnings and business outlook at 10:00 a.m. Eastern Time on Thursday, April 22nd**. Investors can access the call by dialing 800.773.2954 and entering the following passcode: 50138487. 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 ongoing 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; 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)

	March 31, 2021	June 30, 2020
Assets		
Cash and due from banks	\$ 2,630	\$ 2,795
Short-term investments	461,796	140,862
Total cash and cash equivalents	464,426	143,657
Available-for-sale debt securities, at fair value	60,859	64,918
Equity securities, at fair value	7,199	7,239
Total investment securities	68,058	72,157
Residential real estate loans held for sale	177	601
SBA loans held for sale	106,126	28,852
Total loans held for sale	106,303	29,453
Loans:		
Commercial real estate	708,477	679,537
Commercial and industrial	225,729	212,769
Residential real estate	67,389	77,722
Consumer	1,213	1,574
Total loans	1,002,808	971,602
Less: Allowance for loan losses	8,820	9,178
Loans, net	993,988	962,424
Premises and equipment, net	11,908	9,670
Real estate owned and other repossessed collateral, net	2,885	3,274
Federal Home Loan Bank stock, at cost	1,390	1,390
Loan servicing rights, net	2,149	2,113
Bank-owned life insurance	17,391	17,074
Other assets	46,221	16,423
Total assets	\$ 1,714,719	\$ 1,257,635
Liabilities and Shareholders' Equity		
Deposits:		
Demand	\$ 413,570	\$ 94,749
Savings and interest checking	266,080	137,824
Money market	323,027	302,343
Time	296,027	477,436
Total deposits	1,298,704	1,012,352
Federal Home Loan Bank advances	15,000	15,000
Paycheck Protection Program Liquidity Facility advances	108,101	12,440
Subordinated debt	15,023	14,940
Lease liability	6,471	4,496
Other liabilities	54,558	33,668
Total liabilities	1,497,857	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 March 31, 2021 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 March 31, 2021 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 March 31, 2021 and June 30, 2020, respectively	-	45
Additional paid-in capital	69,734	68,302
Retained earnings	139,844	89,960
Accumulated other comprehensive loss	(1,061)	(1,722)
Total shareholders' equity	216,862	164,739
Total liabilities and shareholders' equity	<u>\$ 1,714,719</u>	<u>\$ 1,257,635</u>

NORTHEAST BANK

STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	2021	2020
Interest and dividend income:				
Interest and fees on loans	\$ 20,893	\$ 20,266	\$ 57,106	\$ 59,459
Interest on available-for-sale securities	158	426	641	1,320
Other interest and dividend income	110	395	252	1,061
Total interest and dividend income	<u>21,161</u>	<u>21,087</u>	<u>57,999</u>	<u>61,840</u>
Interest expense:				
Deposits	1,803	4,228	7,390	12,725
Federal Home Loan Bank advances	145	226	395	569
Paycheck Protection Program Liquidity Facility	300	-	302	-
Subordinated debt	282	282	845	845
Obligation under capital lease agreements	28	30	84	98
Total interest expense	<u>2,558</u>	<u>4,766</u>	<u>9,016</u>	<u>14,237</u>
Net interest and dividend income before provision for loan losses	18,603	16,321	48,983	47,603
Provision for loan losses	(211)	3,489	531	3,595
Net interest and dividend income after provision for loan losses	<u>18,814</u>	<u>12,832</u>	<u>48,452</u>	<u>44,008</u>
Noninterest income:				
Fees for other services to customers	441	316	1,427	1,142
Gain on sales of PPP loans	33,010	-	34,124	-
Gain on sales of SBA loans	-	237	-	793
Gain on sales of residential loans held for sale	4	139	105	565
Net unrealized gain (loss) on equity securities	(99)	87	(115)	102
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	-	(64)	(344)	247
Correspondent fee income	5,970	-	16,798	-
Bank-owned life insurance income	105	108	318	457
Other noninterest income	38	37	69	66
Total noninterest income	<u>39,469</u>	<u>860</u>	<u>52,382</u>	<u>3,372</u>
Noninterest expense:				
Salaries and employee benefits	5,113	5,960	17,436	18,272
Occupancy and equipment expense	940	919	2,914	2,667
Professional fees	599	339	1,405	1,175
Data processing fees	1,302	994	3,392	2,980

Marketing expense	130	91	290	239
Loan acquisition and collection expense	855	716	2,368	1,807
FDIC insurance premiums (credits)	119	4	324	(15)
Intangible asset amortization	-	109	-	326
Other noninterest expense	578	949	1,868	2,774
Total noninterest expense	9,636	10,081	29,997	30,225
Income before income tax expense	48,647	3,611	70,837	17,155
Income tax expense	14,485	1,736	20,705	5,637
Net income	\$ 34,162	\$ 1,875	\$ 50,132	\$ 11,518

Weighted-average shares outstanding:

Basic	8,344,797	9,004,819	8,261,248	9,032,254
Diluted	8,421,247	9,128,651	8,347,882	9,187,891

Earnings per common share:

Basic	\$ 4.09	\$ 0.21	\$ 6.07	\$ 1.28
Diluted	4.06	0.21	6.01	1.25

Cash dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03
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NORTHEAST BANK

AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

Three Months Ended March 31,						
2021			2020			
Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate	
Assets:						
Interest-earning assets:						
Investment securities	\$ 69,034	\$ 158	0.93%	\$ 78,369	\$ 426	2.19%
Loans (1) (2) (3)	1,460,340	20,893	5.80%	998,227	20,266	8.17%
Federal Home Loan Bank stock	2,410	6	1.01%	2,295	29	5.08%
Short-term investments (4)	387,198	104	0.11%	114,794	366	1.28%
Total interest-earning assets	1,918,982	21,161	4.47%	1,193,685	21,087	7.11%
Cash and due from banks	2,112			3,054		
Other non-interest earning assets	62,127			37,634		
Total assets	\$ 1,983,221			\$ 1,234,373		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 180,630	\$ 90	0.20%	\$ 78,777	\$ 104	0.53%
Money market accounts	316,116	347	0.45%	279,852	1,105	1.59%
Savings accounts	38,500	10	0.11%	33,912	13	0.15%
Time deposits	587,440	1,356	0.94%	519,980	3,006	2.33%
Total interest-bearing deposits	1,122,686	1,803	0.65%	912,521	4,228	1.86%
Federal Home Loan Bank advances	39,306	145	1.50%	39,011	226	2.33%
PPPLF advances	345,063	300	0.35%	-	-	0.00%
Subordinated debt	15,015	282	7.62%	14,897	282	7.61%
Capital lease obligations	6,588	28	1.72%	4,997	30	2.41%
Total interest-bearing liabilities	1,528,658	2,558	0.68%	971,426	4,766	1.97%

Non-interest bearing liabilities:

Demand deposits and escrow accounts	238,756	89,248
Other liabilities	20,850	8,671
Total liabilities	1,788,264	1,069,345
Shareholders' equity	194,957	165,028
Total liabilities and shareholders' equity	<u>\$ 1,983,221</u>	<u>\$ 1,234,373</u>

Net interest income	<u>\$ 18,603</u>	<u>\$ 16,321</u>
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Interest rate spread	3.79%	5.14%
Net interest margin (5)	3.93%	5.50%
Cost of funds (6)	0.59%	1.81%

(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.

(6) Cost of funds is calculated as total interest expense divided by total interest-bearing liabilities plus demand deposits and escrow accounts.

NORTHEAST BANK

AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

	Nine Months Ended March 31,					
	2021			2020		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 70,539	\$ 641	1.21%	\$ 80,494	\$ 1,320	2.18%
Loans (1) (2) (3)	1,121,744	57,106	6.78%	965,039	59,459	8.20%
Federal Home Loan Bank stock	1,725	51	3.94%	1,876	66	4.68%
Short-term investments (4)	232,237	201	0.12%	84,025	995	1.58%
Total interest-earning assets	<u>1,426,245</u>	<u>57,999</u>	<u>5.42%</u>	<u>1,131,434</u>	<u>61,840</u>	<u>7.27%</u>
Cash and due from banks	2,703			2,820		
Other non-interest earning assets	47,581			38,633		
Total assets	<u>\$ 1,476,529</u>			<u>\$ 1,172,887</u>		

Liabilities & Shareholders' Equity:

Interest-bearing liabilities:

NOW accounts	\$ 143,938	\$ 330	0.31%	\$ 71,614	\$ 241	0.45%
Money market accounts	312,797	1,259	0.54%	271,506	3,268	1.60%
Savings accounts	37,771	36	0.13%	34,236	43	0.17%
Time deposits	469,793	5,765	1.63%	489,396	9,173	2.49%
Total interest-bearing deposits	<u>964,299</u>	<u>7,390</u>	<u>1.02%</u>	<u>866,752</u>	<u>12,725</u>	<u>1.95%</u>
Federal Home Loan Bank advances	22,984	395	2.29%	30,055	569	2.52%
PPPLF advances	113,932	302	0.35%	-	-	0.00%
Subordinated debt	14,983	845	7.51%	14,869	845	7.56%
Capital lease obligations	5,793	84	1.93%	5,352	98	2.44%
Total interest-bearing liabilities	<u>1,121,991</u>	<u>9,016</u>	<u>1.07%</u>	<u>917,028</u>	<u>14,237</u>	<u>2.07%</u>

Non-interest bearing liabilities:

Demand deposits and escrow accounts	157,569	86,735
Other liabilities	17,527	5,352
Total liabilities	<u>1,297,087</u>	<u>1,012,493</u>

Shareholders' equity	179,442	160,394
Total liabilities and shareholders' equity	<u>\$ 1,476,529</u>	<u>\$ 1,172,887</u>
Net interest income	<u>\$ 48,983</u>	<u>\$ 47,603</u>
Interest rate spread	4.35%	5.20%
Net interest margin (5)	4.58%	5.60%
Cost of funds (6)	0.94%	1.89%

(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.

(6) Cost of funds is calculated as total interest expense divided by total interest-bearing liabilities plus demand deposits and escrow accounts.

NORTHEAST BANK

SELECTED FINANCIAL HIGHLIGHTS AND OTHER DATA

(Unaudited)

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

	Three Months Ended				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Net interest income	\$ 18,603	\$ 15,388	\$ 14,993	\$ 17,384	\$ 16,321
Provision (credit) for loan losses	(211)	365	377	905	3,489
Noninterest income	39,469	6,497	6,416	9,812	860
Noninterest expense	9,636	10,428	9,933	10,268	10,081
Net income	34,162	8,176	7,794	11,219	1,875
Weighted-average common shares outstanding:					
Basic	8,344,797	8,244,068	8,196,828	8,337,088	9,004,819
Diluted	8,421,247	8,309,252	8,315,096	8,405,665	9,128,651
Earnings per common share:					
Basic	\$ 4.09	\$ 0.99	\$ 0.95	\$ 1.35	\$ 0.21
Diluted	4.06	0.98	0.94	1.33	0.21
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Return on average assets	6.99%	2.66%	2.49%	3.07%	0.61%
Return on average equity	71.06%	18.37%	18.50%	28.44%	4.57%
Net interest rate spread (1)	3.79%	4.92%	4.65%	4.60%	5.14%
Net interest margin (2)	3.93%	5.23%	4.95%	4.90%	5.50%
Net interest margin, excluding PPP (Non-GAAP) (3)	5.06%	5.23%	5.00%	5.34%	5.50%
Efficiency ratio (non-GAAP) (4)	16.59%	47.65%	46.40%	37.29%	58.68%
Noninterest expense to average total assets	1.97%	3.40%	3.17%	2.78%	3.28%
Average interest-earning assets to average interest-bearing liabilities	125.53%	129.68%	127.02%	118.53%	122.88%

	As of:				
	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 643	\$ 6,676	\$ 704	\$ 832	\$ 1,187
Commercial real estate	4,790	8,329	6,856	6,861	7,439
Commercial and industrial	1,408	1,978	2,013	2,058	2,226

Consumer	23	30	26	29	40
Total originated portfolio	6,864	17,013	9,599	9,780	10,892
Total purchased portfolio	16,059	13,497	11,848	11,325	13,485
Total nonperforming loans	22,923	30,510	21,447	21,105	24,377
Real estate owned and other repossessed collateral, net	2,885	2,866	4,102	3,274	3,110
Total nonperforming assets	\$ 25,808	\$ 33,376	\$ 25,549	\$ 24,379	\$ 27,487
Past due loans to total loans	1.67%	2.31%	2.03%	1.69%	3.52%
Nonperforming loans to total loans	2.29%	3.05%	2.30%	2.17%	2.36%
Nonperforming assets to total assets	1.51%	2.70%	2.03%	1.94%	2.23%
Allowance for loan losses to total loans	0.88%	0.99%	1.02%	0.94%	0.85%
Allowance for loan losses to nonperforming loans	38.48%	32.53%	44.46%	43.49%	36.14%
Commercial real estate loans to total capital (5)	223.09%	251.00%	248.47%	281.32%	304.40%
Net loans to core deposits (6) (9)	76.99%	101.86%	91.74%	96.38%	102.04%
Purchased loans to total loans, including held for sale	43.22%	41.79%	38.40%	39.77%	38.28%
Equity to total assets	12.65%	14.74%	13.73%	13.10%	12.95%
Common equity tier 1 capital ratio	21.07%	17.93%	18.57%	17.13%	15.71%
Total capital ratio	23.39%	20.37%	21.19%	19.61%	18.03%
Tier 1 leverage capital ratio	14.32%	15.07%	14.02%	13.36%	13.04%
Total shareholders' equity	\$ 216,862	\$ 181,962	\$ 172,551	\$ 164,739	\$ 159,525
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	216,862	181,962	172,551	164,739	159,525
Less: Intangible assets (7)	(2,149)	(2,035)	(2,323)	(2,113)	(2,116)
Tangible common shareholders' equity (non-GAAP)	\$ 214,713	\$ 179,927	\$ 170,228	\$ 162,626	\$ 157,409
Common shares outstanding	8,344,797	8,344,797	8,191,786	8,198,624	8,633,772
Book value per common share	\$ 25.99	\$ 21.81	\$ 21.06	\$ 20.09	\$ 18.48
Tangible book value per share (non-GAAP) (8)	25.73	21.56	20.78	19.84	18.23

(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 \$2.6 million, \$80 thousand and \$1.6 million, interest income on short-term investments of \$29 thousand, \$0, and \$0, related to average PPP collection account deposit balance, PPPLF interest expense of \$300 thousand, \$2 thousand and \$174 thousand, and brokered CD interest expense of \$99 thousand, \$0, and \$0, for the quarters ended March 31, 2021, September 30, 2020 and June 30, 2020, respectively, as well as PPP loan average balances of \$481.9 million, \$16.9 million and \$223.8 million, and short-term investments average balance of \$121.7 million, \$0, and \$0, for the quarters ended March 31, 2021, 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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