Northeast Bank Reports Second Quarter Results, including Record Purchases, and Declares Dividend

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PORTLAND, Maine, Jan. 25, 2023 (GLOBE NEWSWIRE) -- Northeast Bank (the “Bank”) (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of $11.3 million, or $1.54 per diluted common share, for the quarter ended December 31, 2022, compared to net income of $11.4 million, or $1.42 per diluted common share, for the quarter ended December 31, 2021. Net income for the six months ended December 31, 2022 was $19.6 million, or $2.65 per diluted common share, compared to $21.3 million, or $2.63 per diluted common share, for the six months ended December 31, 2021. Net income per diluted common share excluding correspondent fee income would be $1.48 and $0.90 for the three months ended December 31, 2022 and 2021, respectively, and $2.46 and $1.43 for the six months ended December 31, 2022 and 2021, respectively.

The Board of Directors declared a cash dividend of $0.01 per share, payable on February 23, 2023, to shareholders of record as of February 9, 2023.

“Our second fiscal quarter represented a milestone for Northeast Bank,” said Rick Wayne, Chief Executive Officer. “Our National Lending Division generated a record $1.17 billion in purchases and originations for the quarter, growing the National Lending portfolio by $1.04 billion, or 74.4%, over September 30, 2022, and $1.21 billion, or 97.9%, over June 30, 2022. Our disciplined approach proved valuable, as we were able to deploy significant capital into purchased loans, poising the Bank for future success. The originated yield and purchased return for the quarter was 8.5% and 8.7%, respectively. Additionally, we approved and initiated an at-the-market offering of up to $50.0 million of our voting common stock, which provides the Bank with the ability to raise capital if and as needed. For the quarter, we earned $1.54 per diluted common share, a return on average equity of 17.5%, and a return on average assets of 2.1%.”

As of December 31, 2022, total assets were $2.81 billion, an increase of $1.23 billion, or 77.5%, from total assets of $1.58 billion as of June 30, 2022. The principal components of the changes in the balance sheet follow:

1. The following table highlights the changes in the loan portfolio for the three and six months ended December 31, 2022:

	Loan Portfolio Changes			
	Three Months Ended December 31, 2022			
	December 31, 2022 Balance	September 30, 2022 Balance	Change ($)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	$ 1,483,567	$ 530,393	$ 953,174	179.71%
National Lending Originated	963,775	873,292	90,483	10.36%
SBA National	27,239	27,636	(397)	(1.44%)
Community Banking	30,176	32,899	(2,723)	(8.28%)
Total	$ 2,504,757	$ 1,464,220	$ 1,040,537	71.06%

	Six Months Ended December 31, 2022			
	December 31, 2022 Balance	June 30, 2022 Balance	Change ($)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	$ 1,483,567	$ 477,682	$ 1,005,885	210.58%
National Lending Originated	963,775	759,229	204,546	26.94%
SBA National	27,239	33,046	(5,807)	(17.57%)
Community Banking	30,176	34,909	(4,733)	(13.56%)
Total	$ 2,504,757	$ 1,304,866	$ 1,199,891	91.96%

Loans generated by the Bank's National Lending Division for the quarter ended December 31, 2022 totaled $1.17 billion, which consisted of $998.5 million of purchased loans, at an average price of 86.6% of unpaid principal balance, and $174.0 million of originated loans.

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

	National Lending Portfolio					
	Three Months Ended December 31,					
	2022			2021		
Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					

Loans purchased or originated during the period:						
Unpaid principal balance	$ 1,152,957	$ 173,992	$ 1,326,949	$ 93,379	$ 168,398	$ 261,777
Net investment basis	998,527	173,992	1,172,519	92,136	168,398	260,534
Returns on loan portfolio during the period:						
Yield	8.69%	8.50%	8.59%	8.92%	6.48%	7.53%

	Six Months Ended December 31,					
	2022			2021		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	$ 1,236,815	$ 355,712	$ 1,592,527	$ 130,413	$ 262,884	$ 393,297
Net investment basis	1,076,064	355,712	1,431,776	127,492	262,884	390,376
Returns on loan portfolio during the period:						
Yield	8.07%	8.19%	8.14%	9.08%	6.43%	7.58%
Total loans as of period end:						
Unpaid principal balance	$ 1,673,158	$ 963,775	$ 2,636,933	$ 518,175	$ 619,223	$ 1,137,398
Net investment basis	1,483,567	963,775	2,447,342	484,513	619,223	1,103,736

2. Deposits increased by $947.7 million, or 73.6%, from June 30, 2022, attributable to increases in time deposits of $951.1 million, or 747.1%, and savings and interest-bearing checking accounts of $140.1 million, or 23.9%, partially offset by a decrease in demand deposits of $145.5 million, or 44.2%. The significant increase in time deposits is primarily due to the increase in brokered time deposits, which increased to $843.3 million compared to none outstanding at June 30, 2022. The use of brokered time deposits was part of the Bank's strategy to fund the loan purchases for the short-term.

3. Shareholders' equity increased by $15.1 million, or 6.1%, from June 30, 2022, primarily due to net income of $19.6 million, stock-based compensation of $1.7 million and the issuance of 34 thousand shares of voting common stock, adding $1.1 million to shareholders' equity, net of issuance costs, partially offset by the repurchase of 136 thousand shares of voting common stock at a weighted average price per share of $37.99, which resulted in a $5.2 million decrease in shareholders' equity.

Net income decreased by $105 thousand to $11.3 million for the quarter ended December 31, 2022, compared to net income of $11.4 million for the quarter ended December 31, 2021.

1. Net interest and dividend income before provision for loan losses increased by $8.7 million to $28.8 million for the quarter ended December 31, 2022, compared to $20.1 million for the quarter ended December 31, 2021. The increase was primarily due to the following:

- An increase in interest income earned on loans of $16.0 million, primarily due to an increase in interest income earned on the National Lending Division's originated and purchased portfolios, due to higher average balances in both portfolios and higher rates earned on the originated portfolio, partially offset by lower rates earned on the purchased portfolio; and
- An increase in interest income earned on short-term investments of $1.6 million, due to higher rates earned, partially offset by lower average balances; partially offset by,
- An increase in deposit interest expense of $8.7 million, due to higher interest rates and higher average balances in interest-bearing deposits; and
- An increase in FHLB borrowings interest expense of $411 thousand, due to 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,					
	2022			2021		
	Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	$ 30,920	$ 586	7.52%	$ 42,728	$ 556	5.16%
SBA National	27,757	610	8.72%	36,027	635	6.99%
SBA PPP	-	-	0.00%	628	2	1.26%
National Lending:						
Originated	899,562	19,274	8.50%	601,394	9,827	6.48%

Purchased	765,085	16,758	8.69%	452,644	10,175	8.92%
Total National Lending	1,664,647	36,032	8.59%	1,054,038	20,002	7.53%
Total	$ 1,723,324	$ 37,228	8.57%	$ 1,133,421	$ 21,195	7.42%

	Six Months Ended December 31,					
	2022			2021		
	Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	$ 31,904	$ 1,052	6.54%	$ 43,383	$ 1,131	5.17%
SBA National	29,267	1,340	9.08%	38,168	1,271	6.61%
SBA PPP	-	-	0.00%	1,006	13	2.56%
National Lending:						
Originated	857,775	35,425	8.19%	574,343	18,612	6.43%
Purchased	626,552	25,490	8.07%	440,224	20,161	9.08%
Total National Lending	1,484,327	60,915	8.14%	1,014,567	38,773	7.58%
Total	$ 1,545,498	$ 63,307	8.13%	$ 1,097,124	$ 41,188	7.45%

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, 2021, regularly scheduled interest and accretion for the quarter ended December 31, 2022 increased by $5.4 million due to the increase in average balances and transactional income increased by $1.1 million. The total return on purchased loans for the quarter ended December 31, 2022 was 8.7%, a decrease from 9.0% for the quarter ended December 31, 2021. The following table details the total return on purchased loans:

	Total Return on Purchased Loans			
	Three Months Ended December 31,			
	2022		2021	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	$ 13,014	6.75%	$ 7,576	6.64%
Transactional income:				
Gain on real estate owned	-	0.00%	49	0.04%
Accelerated accretion and loan fees	3,744	1.94%	2,599	2.28%
Total transactional income	3,744	1.94%	2,648	2.32%
Total	$ 16,758	8.69%	$ 10,224	8.96%

	Six Months Ended December 31,			
	2022		2021	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	$ 20,688	6.55%	$ 14,557	6.56%
Transactional income:				
Loss on real estate owned	-	0.00%	(25)	(0.01%)
Accelerated accretion and loan fees	4,802	1.52%	5,604	2.52%
Total transactional income	4,802	1.52%	5,579	2.51%
Total	$ 25,490	8.07%	$ 20,136	9.07%

(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. Provision (credit) for loan losses increased by $1.4 million to a provision of $325 thousand for the quarter ended December 31, 2022, from a credit of $1.1 million for the quarter ended December 31, 2021. The increase in the provision (credit) for loan losses reflects increases in the loan portfolio and increases in specific reserves during the quarter ended December 31, 2022, as compared to decreases in certain qualitative factors as a result of continued improvements relative to the COVID-19 pandemic and decreases in specific reserves during the quarter ended December 31, 2021.

3. Noninterest income decreased by $5.2 million for the quarter ended December 31, 2022, compared to the quarter ended December 31, 2021, primarily due to the following:

- A decrease in correspondent fee income of $5.4 million from the recognition of correspondent fees and net servicing income. Correspondent income for the quarters ended December 31, 2022 and 2021 is comprised of the following components:

	Three Months Ended December 31,	
	2022	2021
	(In thousands)	
Correspondent Fee	$ 29	$ 1,087
Amortization of Purchased Accrued Interest	275	1,614
Earned Net Servicing Interest	314	3,340
Total	$ 618	$ 6,041

The Bank has $491 thousand of unamortized correspondent fee and purchased accrued interest remaining. This decrease was offset by:

- An increase in fees for other customers of $199 thousand, primarily due to increased commercial loan servicing fees during the quarter ended December 31, 2022.

4. Noninterest expense increased by $2.5 million for the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021, primarily due to the following:

- An increase in salaries and employee benefits expense of $1.0 million, primarily due to increases in regular employee compensation, stock compensation, and bonus expense;
- An increase in loan expense of $538 thousand, due to an increase in correspondent expense;
- An increase in occupancy and equipment expense of $336 thousand, primarily due to expenses associated with the new lease of office space in Boston, Massachusetts; and
- An increase in other noninterest expense of $325 thousand, primarily due to an increase in deposit expense of $179 thousand, primarily from increased excess deposit insurance costs and debit card expense, and an increase in meals and entertainment expense of $142 thousand.

5. Income tax expense decreased by $301 thousand to $4.7 million, or an effective tax rate of 29.5%, for the quarter ended December 31, 2022, compared to $5.0 million, or an effective tax rate of 30.6%, for the quarter ended December 31, 2021. The decrease was primarily due to lower pre-tax income, which decreased by $406 thousand during the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021. The decrease in effective tax rate was primarily due to $673 thousand of tax benefits arising from the exercise of stock options and restricted stock vests during the quarter ended December 31, 2022, as compared to only $44 thousand of tax benefits in the quarter ended December 31, 2021, which reduced the effective tax rate from 33.7% to 29.5%.

As of December 31, 2022, nonperforming assets totaled $12.9 million, or 0.46% of total assets, as compared to $12.9 million, or 0.82% of total assets, as of June 30, 2022.

As of December 31, 2022, past due loans totaled $18.5 million, or 0.74% of total loans, as compared to past due loans totaling $7.0 million, or 0.53% of total loans as of June 30, 2022. The increase was primarily due to twenty-three National Lending Division purchased loans totaling $11.5 million that were past due at December 31, 2022 but not at June 30, 2022.

As of December 31, 2022, the Bank's Tier 1 leverage capital ratio was 12.5%, compared to 16.1% at June 30, 2022, and the Total capital ratio was 11.1% at December 31, 2022, compared to 19.5% at June 30, 2022. Capital ratios were primarily affected by increased earnings and increased assets, primarily loans.

Investor Call Information

Rick Wayne, Chief Executive Officer, Jean-Pierre Lapointe, Chief Financial Officer, and Pat Dignan, Executive Vice President and Chief Operating Officer, will host a **conference call to discuss second quarter earnings and business outlook at 10:00 a.m. Eastern Time on Thursday, January 26th.** To access the conference call by phone, please go to this link (Phone Registration), and you will be provided with dial in details. 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 seven banking centers. 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 collection account. 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. We may also make forward-looking statements in other documents we file with the Federal Deposit Insurance Corporation (the "FDIC"), in our annual reports to our shareholders, in press releases and other written materials, and in oral statements made by our officers, directors or employees. You can identify forward-looking statements by the use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "outlook," "will," "should," and other expressions that predict or indicate future events and trends and which do not relate to historical matters. Although the Bank believes that these forward-looking statements are based on reasonable estimates and assumptions, they are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors. You should not place undue reliance on our forward-looking statements. You should exercise caution in interpreting and relying on forward-looking statements because they are subject to significant risks, uncertainties and other factors which are, in some cases, beyond the Bank's control. The Bank's actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, changes in 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 political, business and economic conditions, including inflation; turbulence in the capital and debt markets; reductions in net interest income resulting from interest rate volatility as well as changes in the balances and mix of loans and deposits; changes in interest rates and real estate values; changes in loan collectability, increases in 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; changes in legislation or regulation and accounting principles, policies and guidelines; cybersecurity incidents, fraud, natural disasters, the ongoing COVID-19 pandemic 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; reputational risk relating to our participation in the Paycheck Protection Program and other pandemic-related legislative and regulatory initiatives and programs; 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 FDIC. 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)

	December 31, 2022	June 30, 2022
Assets		
Cash and due from banks	$ 2,540	$ 2,095
Short-term investments	161,776	169,984
Total cash and cash equivalents	164,316	172,079
Available-for-sale debt securities, at fair value	53,698	54,911
Equity securities, at fair value	6,665	6,798
Total investment securities	60,363	61,709
Loans:		
Commercial real estate	1,939,151	882,187
Commercial and industrial	479,215	352,729
Residential real estate	85,782	69,209
Consumer	609	741
Total loans	2,504,757	1,304,866
Less: Allowance for loan losses	6,411	5,028
Loans, net	2,498,346	1,299,838
Premises and equipment, net	27,333	9,606
Federal Home Loan Bank stock, at cost	11,481	1,610
Loan servicing rights, net	1,860	1,285
Bank-owned life insurance	18,141	17,922
Other assets	27,577	18,710
Total assets	$ 2,809,417	$ 1,582,759
Liabilities and Shareholders' Equity		
Deposits:		
Demand	$ 183,485	$ 329,007

Savings and interest checking	725,356	585,274
Money market	248,129	246,095
Time	1,078,439	127,317
Total deposits	2,235,409	1,287,693
Federal Home Loan Bank advances	260,000	15,000
Lease liability	20,903	4,451
Other liabilities	29,678	27,294
Total liabilities	2,545,990	1,334,438
Commitments and contingencies		
Shareholders' equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at December 31, 2022 and June 30, 2022	-	-
Voting common stock, $1.00 par value, 25,000,000 shares authorized; 7,511,044 and 7,442,103 shares issued and outstanding at December 31, 2022 and June 30, 2022, respectively	7,511	7,442
Non-voting common stock, $1.00 par value, 3,000,000 shares authorized; no shares issued and outstanding at December 31, 2022 and June 30, 2022	-	-
Additional paid-in capital	34,423	38,749
Retained earnings	222,417	202,980
Accumulated other comprehensive loss	(924)	(850)
Total shareholders' equity	263,427	248,321
Total liabilities and shareholders' equity	$ 2,809,417	$ 1,582,759

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,	
	2022	2021	2022	2021
Interest and dividend income:				
Interest and fees on loans	$ 37,228	$ 21,195	$ 63,307	$ 41,188
Interest on available-for-sale securities	270	76	419	170
Other interest and dividend income	1,703	118	2,339	292
Total interest and dividend income	39,201	21,389	66,065	41,650
Interest expense:				
Deposits	9,896	1,184	12,698	2,492
Federal Home Loan Bank advances	538	127	933	255
Obligation under capital lease agreements	15	23	33	49
Total interest expense	10,449	1,334	13,664	2,796
Net interest and dividend income before provision for loan losses	28,752	20,055	52,401	38,854
Provision (credit) for loan losses	325	(1,069)	1,175	(1,295)
Net interest and dividend income after provision for loan losses	28,427	21,124	51,226	40,149
Noninterest income:				
Fees for other services to customers	503	304	770	761
Gain on sales of SBA loans	35	-	71	-
Gain on sales of PPP loans	-	-	-	86
Net unrealized gain (loss) on equity securities	11	(53)	(207)	(74)
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	(29)	73	23	(1)
Correspondent fee income	618	6,041	2,000	13,872
Gain on termination of interest rate swap	-	-	96	-
Bank-owned life insurance income	110	106	219	212

Other noninterest income	53	22	(12)	36
Total noninterest income	1,301	6,493	2,960	14,892
Noninterest expense:				
Salaries and employee benefits	8,452	7,406	16,717	14,968
Occupancy and equipment expense	1,200	864	2,052	1,752
Professional fees	464	394	979	915
Data processing fees	1,216	1,099	2,320	2,174
Marketing expense	219	158	395	350
Loan acquisition and collection expense	749	211	1,390	2,459
FDIC insurance expense	144	120	241	200
Other noninterest expense	1,260	935	2,243	1,708
Total noninterest expense	13,704	11,187	26,337	24,526
Income before income tax expense	16,024	16,430	27,849	30,515
Income tax expense	4,726	5,027	8,264	9,236
Net income	$ 11,298	$ 11,403	$ 19,585	$ 21,279
Weighted-average shares outstanding:				
Basic	7,256,281	7,952,938	7,305,331	8,012,106
Diluted	7,323,402	8,041,476	7,379,790	8,096,728
Earnings per common share:				
Basic	$ 1.56	$ 1.43	$ 2.68	$ 2.66
Diluted	1.54	1.42	2.65	2.63
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,					
	2022			2021		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Investment securities	$ 60,402	$ 270	1.77%	$ 65,444	$ 76	0.46%
Loans (1) (2) (3)	1,723,324	37,228	8.57%	1,133,421	21,195	7.42%
Federal Home Loan Bank stock	4,549	47	4.10%	1,222	6	1.95%
Short-term investments (4)	170,756	1,656	3.85%	319,639	112	0.14%
Total interest-earning assets	1,959,031	39,201	7.94%	1,519,726	21,389	5.58%
Cash and due from banks	2,495			2,734		
Other non-interest earning assets	143,481			61,013		
Total assets	$ 2,105,007			$ 1,583,473		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	$ 551,998	$ 3,575	2.57%	$ 288,599	$ 192	0.26%
Money market accounts	243,953	805	1.31%	264,731	197	0.30%
Savings accounts	124,990	356	1.13%	101,204	124	0.49%
Time deposits	621,248	5,160	3.30%	225,801	671	1.18%
Total interest-bearing deposits	1,542,189	9,896	2.55%	880,335	1,184	0.53%
Federal Home Loan Bank advances	83,560	538	2.55%	15,000	127	3.36%
Lease liability	16,679	15	0.36%	5,446	23	1.68%

Total interest-bearing liabilities	1,642,428	10,449	2.52%	900,781	1,334	0.59%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	195,907			427,550		
Other liabilities	10,226			14,072		
Total liabilities	1,848,561			1,342,403		
Shareholders' equity	256,446			241,070		
Total liabilities and shareholders' equity	$ 2,105,007			$ 1,583,473		
Net interest income		$ 28,752			$ 20,055	
Interest rate spread			5.42%			4.99%
Net interest margin (5)			5.82%			5.24%
Cost of funds (6)			2.26%			0.40%

(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)

	Six Months Ended December 31,					
	2022			2021		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Investment securities	$ 61,064	$ 419	1.36%	$ 65,994	$ 170	0.51%
Loans (1) (2) (3)	1,545,498	63,307	8.13%	1,097,124	41,188	7.45%
Federal Home Loan Bank stock	4,069	61	2.97%	1,216	13	2.12%
Short-term investments (4)	156,123	2,278	2.89%	381,543	279	0.15%
Total interest-earning assets	1,766,754	66,065	7.42%	1,545,877	41,650	5.34%
Cash and due from banks	2,514			2,774		
Other non-interest earning assets	94,831			55,409		
Total assets	$ 1,864,099			$ 1,604,060		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	$ 522,845	$ 5,169	1.96%	$ 279,316	$ 367	0.26%
Money market accounts	247,304	1,211	0.97%	270,318	399	0.29%
Savings accounts	131,191	567	0.86%	86,432	193	0.44%
Time deposits	387,480	5,751	2.94%	242,887	1,533	1.25%
Total interest-bearing deposits	1,288,820	12,698	1.95%	878,953	2,492	0.56%
Federal Home Loan Bank advances	72,949	933	2.54%	15,000	255	3.37%
Capital lease obligations	10,429	33	0.63%	5,632	49	1.73%
Total interest-bearing liabilities	1,372,198	13,664	1.98%	899,585	2,796	0.62%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	228,800			449,500		
Other liabilities	9,118			17,119		
Total liabilities	1,610,116			1,366,204		
Shareholders' equity	253,983			237,856		
Total liabilities and shareholders' equity	$ 1,864,099			$ 1,604,060		

Net interest income	$ 52,401	$ 38,854
Interest rate spread	5.44%	4.72%
Net interest margin (5)	5.88%	4.99%
Cost of funds (6)	1.69%	0.41%

(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				
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Net interest income	$ 28,752	$ 23,649	$ 23,619	$ 20,952	$ 20,055
Provision (credit) for loan losses	325	850	(879)	(287)	(1,069)
Noninterest income	1,301	1,659	4,144	5,408	6,493
Noninterest expense	13,704	12,634	12,856	11,401	11,187
Net income	11,298	8,287	10,296	10,587	11,403
Weighted-average common shares outstanding:					
Basic	7,256,281	7,312,291	7,506,465	7,687,737	7,952,938
Diluted	7,323,402	7,394,089	7,617,933	7,790,963	8,041,476
Earnings per common share:					
Basic	$ 1.56	$ 1.13	$ 1.37	$ 1.38	$ 1.43
Diluted	1.54	1.12	1.35	1.36	1.42
Dividends declared per common share	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Return on average assets	2.13%	2.03%	2.68%	2.79%	2.86%
Return on average equity	17.48%	13.07%	16.55%	17.57%	18.77%
Net interest rate spread (1)	5.42%	5.61%	6.14%	5.52%	4.99%
Net interest margin (2)	5.82%	5.96%	6.34%	5.71%	5.24%
Net interest margin, excluding collection account (Non-GAAP) (3)	5.85%	6.22%	7.07%	6.72%	6.44%
Efficiency ratio (non-GAAP) (4)	45.60%	49.92%	46.31%	43.25%	42.14%
Noninterest expense to average total assets	2.58%	3.09%	3.34%	3.01%	2.80%
Average interest-earning assets to average interest-bearing liabilities	119.28%	142.88%	156.64%	167.20%	168.71%

	As of:				
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
Nonperforming loans:					
Originated portfolio:					
Residential real estate	$ 448	$ 520	$ 550	$ 621	$ 611
Commercial real estate	3,297	3,528	5,031	6,608	7,963
Commercial and industrial	631	452	202	230	311
Consumer	8	8	11	12	20
Total originated portfolio	4,384	4,508	5,794	7,471	8,905
Total purchased portfolio	8,515	9,089	7,152	10,441	12,294
Total nonperforming loans	12,899	13,597	12,946	17,912	21,199

Real estate owned and other repossessed collateral, net	-	90	-	-	53
Total nonperforming assets	$ 12,899	$ 13,687	$ 12,946	$ 17,912	$ 21,252
Past due loans to total loans	0.74%	0.97%	0.53%	1.07%	1.23%
Nonperforming loans to total loans	0.51%	0.93%	0.99%	1.45%	1.79%
Nonperforming assets to total assets	0.46%	0.79%	0.82%	1.14%	1.46%
Allowance for loan losses to total loans	0.26%	0.40%	0.39%	0.47%	0.51%
Allowance for loan losses to nonperforming loans	49.70%	43.38%	38.34%	32.47%	28.49%
Commercial real estate loans to total capital (5)	661.48%	328.35%	294.20%	252.90%	260.40%
Net loans to deposits (6)	113.74%	109.78%	100.94%	97.19%	102.53%
Purchased loans to total loans (7)	59.23%	32.62%	36.61%	38.94%	41.02%
Equity to total assets	9.38%	14.47%	15.69%	15.80%	16.39%
Common equity tier 1 capital ratio	10.84%	17.36%	19.08%	20.13%	20.27%
Total capital ratio	11.11%	17.77%	19.47%	20.60%	20.79%
Tier 1 leverage capital ratio	12.53%	15.59%	16.13%	16.17%	15.19%
Total shareholders' equity	$ 263,427	$ 252,163	$ 248,321	$ 247,469	$ 239,237
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	263,427	252,163	248,321	247,469	239,237
Less: Intangible assets (8)	-	(1,141)	(1,285)	(1,696)	(1,645)
Tangible common shareholders' equity (non-GAAP)	$ 263,427	$ 251,022	$ 247,036	$ 245,773	$ 237,592
Common shares outstanding	7,511,044	7,477,158	7,442,103	7,727,312	7,815,566
Book value per common share	$ 35.07	$ 33.72	$ 33.37	$ 32.03	$ 30.61
Tangible book value per share (non-GAAP) (9)	35.07	33.57	33.19	31.81	30.40

(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 collection account removes the effects of the cash held by the Bank from the correspondent's collection account in short-term investments, which had an average balance of $25.4 million, $99.2 million, $175.2 million, $244.0 million, and $287.7 million and earned $233 thousand, $514 thousand, $362 thousand, $60 thousand, and $73 thousand in interest income for the quarters ended December 31, 2022, September 30, 2022, June 30, 2022, March 31, 2022, and December 31, 2021, respectively.
(4) The efficiency ratio represents noninterest expense divided by the sum of net interest income (before provision for loan losses) 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. Beginning with the quarter ended December 31, 2022 and going forward, the Bank removed this internal policy limit (previously 500%).
(6) During the quarter ended June 30, 2022, the Bank changed its internal policy limit to calculate based on deposits, not core deposits (non-maturity deposits and maturity deposits less than $250 thousand). Ratios as of March 31, 2022 and December 31, 2021 reflect loans to core deposits. Beginning with the quarter ended December 31, 2022 and going forward, the Bank removed this internal policy limit (previously 125%).
(7) Beginning with the quarter ended December 31, 2022 and going forward, the Bank removed this internal policy limit (previously 60%).
(8) Includes the loan servicing rights asset. Beginning with the quarter ended December 31, 2022 and going forward, the Bank no longer excludes the loan servicing rights asset from tangible common shareholders' equity.
(9) Tangible book value per share represents total shareholders' equity less the sum of preferred stock and intangible assets divided by common shares outstanding.

For More Information:
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