



Northeast Bank Reports Second Quarter Results and Declares Dividend

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PORTLAND, Maine, Jan. 30, 2024 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$14.1 million, or \$1.85 per diluted common share, for the quarter ended December 31, 2023, compared to net income of \$11.3 million, or \$1.54 per diluted common share, for the quarter ended December 31, 2022. Net income for the six months ended December 31, 2023 was \$29.2 million, or \$3.86 per diluted common share, compared to \$19.6 million, or \$2.65 per diluted common share, for the six months ended December 31, 2022. Results for the quarter and six months ended December 31, 2023 were negatively impacted by a deferred tax asset write-down of \$957 thousand (\$0.13 per diluted common share impact) due to a change in Massachusetts tax law regarding income tax apportionment.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on February 26, 2024, to shareholders of record as of February 12, 2024.

"We had another strong quarter, with continued growth in our National Lending Division purchased portfolio," said Rick Wayne, Chief Executive Officer. "National Lending Division volume totaled \$249.6 million, including \$186.1 million of purchases and \$63.5 million of originations. We extended our at-the-market offering, which provides the Bank with the ability to raise capital if and as needed. For the quarter, we are reporting earnings of \$1.85 per diluted common share, a return on average equity of 17.4%, and a return on average assets of 1.9%."

As of December 31, 2023, total assets were \$2.97 billion, an increase of \$99.0 million, or 3.5%, from total assets of \$2.87 billion as of June 30, 2023.

1. The following table highlights the changes in the loan portfolio for the three and six months ended December 31, 2023:

	Loan Portfolio Changes			
	Three Months Ended December 31, 2023			
	December 31, 2023 Balance	September 30, 2023 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 1,646,756	\$ 1,516,379	\$ 130,377	8.60%
National Lending Originated	910,213	958,232	(48,019)	(5.01%)
SBA National	29,052	27,205	1,847	6.79%
Community Banking	25,038	26,394	(1,356)	(5.14%)
Total	<u>\$ 2,611,059</u>	<u>\$ 2,528,210</u>	<u>\$ 82,849</u>	<u>3.28%</u>
	Six Months Ended December 31, 2023			
	December 31, 2023 Balance	June 30, 2023 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 1,646,756	\$ 1,480,119	\$ 166,637	11.26%
National Lending Originated	910,213	987,832	(77,619)	(7.86%)
SBA National	29,052	24,873	4,179	16.80%
Community Banking	25,038	27,536	(2,498)	(9.07%)
Total	<u>\$ 2,611,059</u>	<u>\$ 2,520,360</u>	<u>\$ 90,699</u>	<u>3.60%</u>

Loans generated by the Bank's National Lending Division for the quarter ended December 31, 2023 totaled \$249.6 million, which consisted of \$186.1 million of purchased loans, at an average price of 89.5% of unpaid principal balance, and \$63.5 million of originated loans.

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

	National Lending Portfolio					
	Three Months Ended December 31,					
	2023			2022		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 208,045	\$ 63,485	\$ 271,530	\$ 1,152,957	\$ 173,992	\$ 1,326,949
Net investment basis	186,131	63,485	249,616	995,973	173,992	1,169,965
Loan returns during the period:						
Yield	9.19%	9.81%	9.43%	8.69%	8.50%	8.59%

Total Return on Purchased Loans (1)	9.21%	N/A	9.21%	8.69%	N/A	8.69%
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	Six Months Ended December 31,					
	2023			2022		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 271,741	\$ 131,528	\$ 403,269	\$ 1,236,815	\$ 355,712	\$ 1,592,527
Net investment basis	238,477	131,528	370,005	1,073,510	355,712	1,429,222
Loan returns during the period:						
Yield	9.10%	9.92%	9.41%	8.07%	8.19%	8.14%
Total Return on Purchased Loans (1)	9.13%	N/A	9.13%	8.07%	N/A	8.07%
Total loans as of period end:						
Unpaid principal balance	\$ 1,831,183	\$ 910,213	\$ 2,741,396	\$ 1,673,158	\$ 963,775	\$ 2,636,933
Net investment basis	1,646,756	910,213	2,556,969	1,483,567	963,775	2,447,342

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains (losses) on real estate owned, release of allowance for credit losses on purchased loans, and other noninterest income recorded during the period divided by the average invested balance 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 increased by \$192.5 million, or 9.9%, from June 30, 2023. The increase was primarily attributable to increases in time deposits of \$165.2 million, or 18.0%, and savings and interest checking deposits of \$84.3 million, or 14.1%, partially offset by a decrease in money market deposits of \$56.7 million, or 20.4%. The significant drivers in the change in time deposits was the increase in Community Banking Division time deposits, which increased by \$111.2 million, and brokered time deposits, which increased by \$97.4 million compared to June 30, 2023, partially offset by the intentional runoff of Bulletin Board time deposits of \$40.4 million.

3. Federal Home Loan Bank advances decreased by \$115.4 million, or 20.5%, from June 30, 2023. The decrease was primarily attributable to the increase in deposits of \$192.5 million partially offset by loan growth of \$90.7 million, as the Bank funded loan growth primarily through time deposits and savings and interest checking deposits.

4. Shareholders' equity increased by \$30.9 million, or 10.4%, from June 30, 2023, primarily due to net income of \$29.2 million and stock-based compensation of \$2.8 million, partially offset by the cancelation of common shares to cover tax obligations on restricted stock vests, which resulted in a \$1.2 million decrease to shareholders' equity, and the cumulative effect adjustment for the adoption of ASC 326 Financial Instruments – Credit Losses (more commonly known as Current Expected Credit Losses or "CECL"), which resulted in a \$870 thousand decrease to shareholders' equity on July 1, 2023.

Net income increased by \$2.8 million to \$14.1 million for the quarter ended December 31, 2023, compared to net income of \$11.3 million for the quarter ended December 31, 2022.

1. Net interest and dividend income before provision for credit losses increased by \$8.2 million to \$37.0 million for the quarter ended December 31, 2023, compared to \$28.8 million for the quarter ended December 31, 2022. The increase was primarily due to the following:

- An increase in interest income earned on loans of \$23.1 million, primarily due to an increase in interest income earned on the National Lending Division's purchased and originated portfolios, due to higher average balances and rates earned on both portfolios; and
- An increase in interest income earned on short-term investments of \$1.6 million, primarily due to higher rates earned and higher average balances; partially offset by,
- An increase in deposit interest expense of \$11.3 million, due to higher interest rates and higher average balances in interest-bearing deposits; and
- An increase in FHLB borrowings interest expense of \$5.2 million, primarily 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,					
	2023			2022		
	Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	\$ 25,559	\$ 419	6.51%	\$ 30,920	\$ 586	7.52%

SBA National	28,331	888	12.47%	27,757	610	8.72%
National Lending:						
Originated	939,383	23,155	9.81%	899,562	19,274	8.50%
Purchased	1,551,038	35,849	9.19%	765,085	16,758	8.69%
Total National Lending	2,490,421	59,004	9.43%	1,664,647	36,032	8.59%
Total	<u>\$ 2,544,311</u>	<u>\$ 60,311</u>	9.43%	<u>\$ 1,723,324</u>	<u>\$ 37,228</u>	8.57%

	Six Months Ended December 31,					
	2023			2022		
	Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	\$ 26,355	\$ 857	6.47%	\$ 31,904	\$ 1,052	6.54%
SBA National	27,294	1,674	12.20%	29,267	1,340	9.08%
National Lending:						
Originated	950,006	47,375	9.92%	857,775	35,425	8.19%
Purchased	1,520,215	69,519	9.10%	626,552	25,490	8.07%
Total National Lending	2,470,221	116,894	9.41%	1,484,327	60,915	8.14%
Total	<u>\$ 2,523,870</u>	<u>\$ 119,425</u>	9.41%	<u>\$ 1,545,498</u>	<u>\$ 63,307</u>	8.13%

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, 2022, transactional income decreased by \$1.3 million for the quarter ended December 31, 2023, and regularly scheduled interest and accretion increased by \$20.4 million primarily due to the increase in average balances. The total return on purchased loans for the quarter ended December 31, 2023 was 9.2%, an increase from 8.7% for the quarter ended December 31, 2022. The following table details the total return on purchased loans:

	Total Return on Purchased Loans			
	Three Months Ended December 31,			
	2023		2022	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 33,430	8.57%	\$ 13,014	6.75%
Transactional income:				
Release of allowance for credit losses on purchased loans	46	0.02%	-	0.00%
Accelerated accretion and loan fees	2,419	0.62%	3,744	1.94%
Total transactional income	2,465	0.64%	3,744	1.94%
Total	<u>\$ 35,895</u>	9.21%	<u>\$ 16,758</u>	8.69%

	Six Months Ended December 31,			
	2023		2022	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 64,460	8.44%	\$ 20,688	6.55%
Transactional income:				
Release of allowance for credit losses on purchased loans	226	0.03%	-	0.00%
Accelerated accretion and loan fees	5,059	0.66%	4,802	1.52%
Total transactional income	5,285	0.69%	4,802	1.52%
Total	<u>\$ 69,745</u>	9.13%	<u>\$ 25,490</u>	8.07%

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, and gains (losses) on real estate owned, and release of allowance for credit losses on purchased loans recorded during the period divided by the average invested balance 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. The provision for credit losses for the second quarter of fiscal year 2024 was reported using the CECL methodology, whereas the second quarter of fiscal year 2023 provision for credit losses was reported using the incurred loss methodology. Provision for credit losses increased by \$111 thousand to a provision of \$436 thousand for the quarter ended December 31, 2023, compared to a provision of \$325 thousand in the quarter ended December 31, 2022.

3. Noninterest income increased by \$165 thousand for the quarter ended December 31, 2023, compared to the quarter ended December 31,

2022, principally due to the following:

- An increase in gain on sale of Small Business Administration (“SBA”) loans of \$535 thousand, due to the sale of \$11.5 million in SBA loans during the quarter ended December 31, 2023 as compared to the sale of \$1.1 million during the quarter ended December 31, 2022; and
- An increase in unrealized gain on equity securities of \$219 thousand; partially offset by,
- A decrease in correspondent fee income of \$566 thousand from the recognition of correspondent fees and related net servicing income.

4. Noninterest expense increased by \$2.0 million for the quarter ended December 31, 2023 compared to the quarter ended December 31, 2022, primarily due to the following:

- An increase in salaries and employee benefits expense of \$1.5 million, primarily due to increases in stock compensation expense, regular compensation expense, and incentive compensation expense;
- An increase in loan expense of \$190 thousand, primarily due to increased loan collection expense;
- An increase in deposit insurance expense of \$143 thousand, primarily due to the increase in average assets and decrease in Tier 1 leverage ratio, which increased the Bank’s assessment rate; and
- An increase in data processing fees of \$131 thousand, primarily due to increased IT hardware hosted expense and IT software subscription expense.

5. Income tax expense increased by \$3.6 million to \$8.3 million, or an effective tax rate of 37.1%, for the quarter ended December 31, 2023, compared to \$4.7 million, or an effective tax rate of 29.5%, for the quarter ended December 31, 2022. The increase in income tax expense is due to an increase in pre-tax income, a decrease in tax benefits arising from the exercise of stock options of \$673 thousand, and a write-down of the Bank’s deferred tax asset of \$957 thousand related to a Massachusetts income tax law passed in the quarter ended December 31, 2023. The law changes the apportionment factors for Massachusetts income and requires entities to write-down any deferred tax assets to the enacted rate at which it expects to realize the deferred tax asset in the future. Excluding the deferred tax asset write-down, the effective tax rate for the quarter ended December 31, 2023 is 32.9%.

As of December 31, 2023, nonperforming assets totaled \$30.8 million, or 1.18% of total assets, compared to \$15.7 million, or 0.55% of total assets, as of June 30, 2023. The increase was primarily tied to one loan totaling \$6.4 million which was placed on non-accrual during the six months ended December 31, 2023.

As of December 31, 2023, past due loans totaled \$31.9 million, or 1.22% of total loans, compared to past due loans totaling \$13.1 million, or 0.52% of total loans, as of June 30, 2023.

As of December 31, 2023, the Bank’s Tier 1 leverage capital ratio was 11.3%, compared to 10.4% at June 30, 2023, and the Total risk-based capital ratio was 13.7% at December 31, 2023, compared to 12.3% at June 30, 2023. Capital ratios increased primarily due to increased earnings and the Total risk-based capital ratio increased due to an increase in Tier 2 capital associated with the allowance for credit losses under CECL.

Investor Call Information

Rick Wayne, Chief Executive Officer, Jean-Pierre Lapointe, Chief Financial Officer, and Pat Dignan, Chief Operating 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 Wednesday, January 31st**. 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 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, and efficiency ratio. The Bank’s management believes that the supplemental non-GAAP information is utilized by regulators and market analysts to evaluate a company’s financial condition and therefore, such information is useful to investors. These disclosures should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies’ non-GAAP financial measures having the same or similar names.

Forward-Looking Statements

Statements in this press release that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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 loans; changes in customer behavior due to political, business and economic conditions, including inflation and concerns about liquidity; 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 and increases in defaults and charge-off rates; decreases in the value of securities and other assets, adequacy of credit 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, 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 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, 2023	June 30, 2023
Assets		
Cash and due from banks	\$ 2,366	\$ 2,515
Short-term investments	222,534	195,394
Total cash and cash equivalents	224,900	197,909
Available-for-sale debt securities, at fair value	53,230	53,403
Equity securities, at fair value	6,962	6,771
Total investment securities	60,192	60,174
Loans:		
Commercial real estate	2,053,639	1,940,563
Commercial and industrial	483,240	499,815
Residential real estate	73,694	79,497
Consumer	486	485
Total loans	2,611,059	2,520,360
Less: Allowance for credit losses	27,594	7,304
Loans, net	2,583,465	2,513,056
Premises and equipment, net	27,878	27,737
Federal Home Loan Bank stock, at cost	19,665	24,644
Loan servicing rights, net	1,212	1,530
Bank-owned life insurance	18,596	18,364
Other assets	33,068	26,524
Total assets	<u>\$ 2,968,976</u>	<u>\$ 2,869,938</u>
Liabilities and Shareholders' Equity		
Deposits:		
Demand	\$ 143,442	\$ 143,738
Savings and interest checking	680,668	596,347
Money market	221,226	277,939
Time	1,084,371	919,183
Total deposits	2,129,707	1,937,207
Federal Home Loan Bank and other advances	447,191	562,615
Lease liability	21,232	21,918
Other liabilities	43,306	51,535

Total liabilities	2,641,436	2,573,275
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at December 31 and June 30, 2023	-	-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 7,804,052 and 7,668,650 shares issued and outstanding at December 31 and June 30, 2023, respectively	7,804	7,669
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; No shares issued and outstanding at December 31 and June 30, 2023	-	-
Additional paid-in capital	44,888	42,840
Retained earnings	275,074	246,872
Accumulated other comprehensive loss	(226)	(718)
Total shareholders' equity	327,540	296,663
Total liabilities and shareholders' equity	<u>\$ 2,968,976</u>	<u>\$ 2,869,938</u>

NORTHEAST BANK
STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended December		Six Months Ended December 31,	
	2023	2022	2023	2022
Interest and dividend income:				
Interest and fees on loans	\$ 60,311	\$ 37,228	\$ 119,425	\$ 63,307
Interest on available-for-sale securities	560	270	1,043	419
Other interest and dividend income	3,261	1,703	6,361	2,339
Total interest and dividend income	<u>64,132</u>	<u>39,201</u>	<u>126,829</u>	<u>66,065</u>
Interest expense:				
Deposits	21,175	9,896	40,433	12,698
Federal Home Loan Bank advances	5,701	538	11,847	933
Obligation under capital lease agreements	256	15	425	33
Total interest expense	<u>27,132</u>	<u>10,449</u>	<u>52,705</u>	<u>13,664</u>
Net interest and dividend income before provision for loan losses	37,000	28,752	74,124	52,401
Provision for credit losses	436	325	625	1,175
Net interest and dividend income after provision for loan losses	<u>36,564</u>	<u>28,427</u>	<u>73,499</u>	<u>51,226</u>
Noninterest income:				
Fees for other services to customers	492	503	899	770
Gain on sales of SBA loans	570	35	822	71
Net unrealized gain (loss) on equity securities	230	11	72	(207)
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	(9)	(29)	(9)	23
Correspondent fee income	52	618	143	2,000
Gain on termination of interest rate swap	-	-	-	96
Bank-owned life insurance income	116	110	231	219
Other noninterest income	15	53	87	(12)
Total noninterest income	<u>1,466</u>	<u>1,301</u>	<u>2,245</u>	<u>2,960</u>
Noninterest expense:				
Salaries and employee benefits	9,905	8,452	19,625	16,717
Occupancy and equipment expense	1,101	1,200	2,206	2,052
Professional fees	499	464	1,281	979
Data processing fees	1,347	1,216	2,447	2,320
Marketing expense	221	219	482	395

Loan acquisition and collection expense	939	749	1,589	1,390
FDIC insurance expense	287	144	644	241
Other noninterest expense	1,370	1,260	2,784	2,243
Total noninterest expense	<u>15,669</u>	<u>13,704</u>	<u>31,058</u>	<u>26,337</u>
Income before income tax expense	22,361	16,024	44,686	27,849
Income tax expense	8,307	4,726	15,460	8,264
Net income	<u>\$ 14,054</u>	<u>\$ 11,298</u>	<u>\$ 29,226</u>	<u>\$ 19,585</u>

Weighted-average shares outstanding:				
Basic	7,505,109	7,256,281	7,492,310	7,305,331
Diluted	7,590,913	7,323,402	7,572,450	7,379,790

Earnings per common share:

Basic	\$ 1.87	\$ 1.56	\$ 3.90	\$ 2.68
Diluted	1.85	1.54	3.86	2.65

Cash dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02
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NORTHEAST BANK
AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

	Three Months Ended December 31,					
	2023			2022		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 59,797	\$ 560	3.73%	\$ 60,402	\$ 270	1.77%
Loans (1) (2)	2,544,311	60,311	9.43%	1,723,324	37,228	8.57%
Federal Home Loan Bank stock	21,222	468	8.77%	4,549	47	4.10%
Short-term investments (3)	206,090	2,793	5.39%	170,756	1,656	3.85%
Total interest-earning assets	<u>2,831,420</u>	<u>64,132</u>	9.01%	<u>1,959,031</u>	<u>39,201</u>	7.94%
Cash and due from banks	2,508			2,495		
Other non-interest earning assets	69,245			143,481		
Total assets	<u>\$ 2,903,173</u>			<u>\$ 2,105,007</u>		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 511,217	\$ 5,636	4.39%	\$ 551,998	\$ 3,575	2.57%
Money market accounts	229,154	2,009	3.49%	243,953	805	1.31%
Savings accounts	122,643	917	2.97%	124,990	356	1.13%
Time deposits	1,022,767	12,613	4.91%	621,248	5,160	3.30%
Total interest-bearing deposits	<u>1,885,781</u>	<u>21,175</u>	4.47%	<u>1,542,189</u>	<u>9,896</u>	2.55%
Federal Home Loan Bank advances	481,824	5,701	4.71%	83,560	538	2.55%
Lease liability	21,361	256	4.77%	16,679	15	0.36%
Total interest-bearing liabilities	<u>2,388,966</u>	<u>27,132</u>	4.52%	<u>1,642,428</u>	<u>10,449</u>	2.52%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	167,358			195,907		
Other liabilities	24,616			10,226		
Total liabilities	<u>2,580,940</u>			<u>1,848,561</u>		
Shareholders' equity	322,233			256,446		
Total liabilities and shareholders' equity	<u>\$ 2,903,173</u>			<u>\$ 2,105,007</u>		

Net interest income	<u>\$ 37,000</u>	<u>\$ 28,752</u>
Interest rate spread	4.49%	5.42%
Net interest margin (4)	5.20%	5.82%
Cost of funds (5)	4.22%	2.26%

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

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

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

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

(5) 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,					
	2023			2022		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 59,986	\$ 1,043	3.46%	\$ 61,064	\$ 419	1.36%
Loans (1) (2)	2,523,870	119,425	9.41%	1,545,498	63,307	8.13%
Federal Home Loan Bank stock	21,790	881	8.04%	4,069	61	2.97%
Short-term investments (3)	203,946	5,480	5.34%	156,123	2,278	2.89%
Total interest-earning assets	<u>2,809,592</u>	<u>126,829</u>	8.98%	<u>1,766,754</u>	<u>66,065</u>	7.42%
Cash and due from banks	2,500			2,514		
Other non-interest earning assets	62,753			94,831		
Total assets	<u>\$ 2,874,845</u>			<u>\$ 1,864,099</u>		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 499,331	\$ 10,781	4.29%	\$ 522,845	\$ 5,169	1.96%
Money market accounts	243,725	4,142	3.38%	247,304	1,211	0.97%
Savings accounts	106,820	1,477	2.75%	131,191	567	0.86%
Time deposits	999,993	24,033	4.78%	387,480	5,751	2.94%
Total interest-bearing deposits	1,849,869	40,433	4.35%	1,288,820	12,698	1.95%
Federal Home Loan Bank advances	496,169	11,847	4.75%	72,949	933	2.54%
Lease liability	21,568	425	3.92%	10,429	33	0.63%
Total interest-bearing liabilities	<u>2,367,606</u>	<u>52,705</u>	4.43%	<u>1,372,198</u>	<u>13,664</u>	1.98%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	168,348			228,800		
Other liabilities	24,842			9,118		
Total liabilities	<u>2,560,796</u>			<u>1,610,116</u>		
Shareholders' equity	314,049			253,983		
Total liabilities and shareholders' equity	<u>\$ 2,874,845</u>			<u>\$ 1,864,099</u>		

Net interest income	<u>\$ 74,124</u>	<u>\$ 52,401</u>
Interest rate spread	4.55%	5.44%
Net interest margin (4)	5.25%	5.88%

Cost of funds (5)

4.13%

1.69%

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

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

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

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

(5) 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, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Net interest income	\$ 37,000	\$ 37,124	\$ 34,155	\$ 32,239	\$ 28,752
Provision for credit losses	436	190	453	676	325
Noninterest income	1,466	779	1,112	1,188	1,301
Noninterest expense	15,669	15,389	16,361	13,836	13,704
Net income	14,054	15,172	12,086	12,517	11,298
Weighted-average common shares outstanding:					
Basic	7,505,109	7,479,837	7,459,074	7,352,447	7,256,281
Diluted	7,590,913	7,554,315	7,523,508	7,413,812	7,323,402
Earnings per common share:					
Basic	\$ 1.87	\$ 2.03	\$ 1.62	\$ 1.70	\$ 1.56
Diluted	1.85	2.01	1.61	1.69	1.54
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Return on average assets	1.93%	2.12%	1.70%	1.80%	2.13%
Return on average equity	17.35%	19.73%	16.67%	18.53%	17.48%
Net interest rate spread (1)	4.49%	4.61%	4.31%	4.19%	5.42%
Net interest margin (2)	5.20%	5.30%	4.91%	4.75%	5.82%
Efficiency ratio (non-GAAP) (3)	40.73%	40.60%	46.39%	41.39%	45.60%
Noninterest expense to average total assets	2.15%	2.15%	2.30%	1.99%	2.58%
Average interest-earning assets to average interest-bearing liabilities	118.52%	118.82%	117.73%	118.20%	119.28%

As of:

	As of:				
	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 2,582	\$ 289	\$ 280	\$ 379	\$ 448
Commercial real estate	2,075	1,973	3,548	3,355	3,297
Commercial and industrial	6,950	584	520	561	631
Consumer	-	-	-	-	8
Total originated portfolio	11,607	2,846	4,348	4,295	4,384
Total purchased portfolio	19,165	14,603	11,335	10,227	8,515
Total nonperforming loans	30,772	17,449	15,683	14,522	12,899
Real estate owned and other repossessed collateral, net	-	-	-	-	-
Total nonperforming assets	\$ 30,772	\$ 17,449	\$ 15,683	\$ 14,522	\$ 12,899
Past due loans to total loans	1.22%	1.01%	0.52%	0.70%	0.74%
Nonperforming loans to total loans	1.18%	0.69%	0.62%	0.58%	0.51%

Nonperforming assets to total assets	1.04%	0.61%	0.55%	0.51%	0.46%
Allowance for credit losses to total loans	1.06%	1.00%	0.29%	0.28%	0.26%
Allowance for credit losses to nonperforming loans	89.67%	145.01%	46.57%	48.84%	49.70%
Net charge-offs (recoveries)	\$ 995	\$ 1,536	\$ 240	\$ (5)	\$ (190)
Commercial real estate loans to total capital (4)	544.34%	546.91%	595.38%	614.90%	661.48%
Net loans to deposits	121.31%	127.24%	129.73%	117.56%	113.74%
Purchased loans to total loans	63.07%	59.98%	58.73%	58.20%	59.23%
Equity to total assets	11.03%	10.83%	10.34%	9.90%	9.38%
Common equity tier 1 capital ratio	12.63%	12.45%	12.03%	11.59%	10.84%
Total risk-based capital ratio	13.71%	13.46%	12.33%	11.89%	11.11%
Tier 1 leverage capital ratio	11.28%	10.95%	10.38%	10.06%	12.53%
Total shareholders' equity	\$ 327,540	\$ 311,569	\$ 296,663	\$ 283,869	\$ 263,427
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	327,540	311,569	296,663	283,869	263,427
Less: Intangible assets (5)	-	-	-	-	-
Tangible common shareholders' equity (non-GAAP)	\$ 327,540	\$ 311,569	\$ 296,663	\$ 283,869	\$ 263,427
Common shares outstanding	7,804,052	7,796,691	7,668,650	7,668,650	7,511,044
Book value per common share	\$ 41.97	\$ 39.96	\$ 38.69	\$ 37.02	\$ 35.07
Tangible book value per share (non-GAAP) (6)	41.97	39.96	38.69	37.02	35.07

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

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

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

(4) 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.

(5) Includes the loan servicing rights asset.

(6) 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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