
**FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C. 20429**

FORM 8-K

**CURRENT REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): October 31, 2022

NORTHEAST BANK

(Exact name of registrant as specified in its charter)

Maine

(State or other jurisdiction of
incorporation)

01-0029040

(IRS Employer Identification
No.)

**27 Pearl Street
Portland, Maine**

(Address of principal executive
offices)

04101

(Zip Code)

Registrant's telephone number, including area code: (207) 786-3245

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On October 31, 2022, Northeast Bank (the "Bank"), issued a press release announcing its earnings for the first quarter of fiscal 2023 and declaring the payment of a dividend. The full text of this press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained herein, including the exhibit attached hereto, is furnished pursuant to Item 2.02 of this Form 8-K and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, the information in this report (including the exhibits hereto) are not to be incorporated by reference into any of the Bank's filings under the Securities Act of 1933, as amended, whether filed prior to or after the furnishing of these certificates, regardless of any general or specific incorporation language in such filing.

Item 9.01 Financial Statements and Exhibits
(c) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|---------------------------|--------------------------------------|
| 99.1 | Press Release dated October 31, 2022 |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunder duly authorized.

NORTHEAST BANK

By: /s/ Jean-Pierre Lapointe

Name: Jean-Pierre Lapointe

Title: Chief Financial Officer

Date: October 31, 2022

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--------------------------------------|
| 99.1 | Press Release dated October 31, 2022 |

FOR IMMEDIATE RELEASE



For More Information:

Jean-Pierre Lapointe, Chief Financial Officer
Northeast Bank, 27 Pearl Street, Portland, ME 04101
207.786.3245 ext. 3220
www.northeastbank.com

Northeast Bank Reports First Quarter Results and Declares Dividend

Portland, ME (October 31, 2022) – Northeast Bank (the “Bank”) (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$8.3 million, or \$1.12 per diluted common share, for the quarter ended September 30, 2022, compared to net income of \$9.9 million, or \$1.20 per diluted common share, for the quarter ended September 30, 2021. Compared to the quarter ended September 30, 2021, earnings declined primarily due to a decrease of \$6.4 million in correspondent fee income and an increase of \$1.1 million in the provision for loan losses, partially offset by an increase of \$4.8 million in net interest and dividend income.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on November 28, 2022, to shareholders of record as of November 14, 2022.

Discussing these results, Rick Wayne, Chief Executive Officer, said “We began the new fiscal year with a strong first quarter. Our National Lending Division generated \$259.3 million in originations and purchases for the quarter, including record originations of \$181.7 million, growing the National Lending portfolio by \$166.8 million, or 13.5%, over June 30, 2022, or an increase of \$412.5 million, or 41.6%, over September 30, 2021. The growth in our National Lending portfolio is attributable to both a high level of originations and purchases in the quarter and less runoff, particularly in our purchased loan portfolio. In the current higher interest rate environment, we have seen an increasing number of borrowers extend their loans with the Bank rather than refinance elsewhere. In the current quarter, purchased loan runoff as a percentage of average balance was the lowest in fourteen quarters at 5.08%, compared to an average of 7.93% over the most recent fourteen quarters. A decline in purchased loan payoffs results in less transactional income in the quarter, but a higher balance of loans going forward. For the quarter, we are reporting earnings of \$1.12 per diluted common share, a return on average equity of 13.1%, a return on average assets of 2.0%, and an efficiency ratio of 49.9%.”

Mr. Wayne continued, “Our purchase loan activity has been very significant since quarter end, with loan purchases in October aggregating unpaid principal balances of approximately \$303.6 million.”

As of September 30, 2022, total assets were \$1.74 billion, an increase of \$160.2 million, or 10.1%, from total assets of \$1.58 billion as of June 30, 2022, primarily due to an increase of \$159.4 million in loans. 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 months ended September 30, 2022:

| | September 30, 2022 Balance | June 30, 2022 Balance | Change (\$) | Change (%) |
|-----------------------------|-------------------------------|--------------------------|-------------|------------|
| | | | | |
| | | (Dollars in thousands) | | |
| National Lending Purchased | \$ 530,393 | \$ 477,682 | \$ 52,711 | 11.03% |
| National Lending Originated | 873,292 | 759,229 | 114,063 | 15.02% |
| SBA | 27,636 | 33,046 | (5,410) | (16.37%) |
| Community Banking | 32,899 | 34,909 | (2,010) | (5.76%) |
| Total | \$ 1,464,220 | \$ 1,304,866 | \$ 159,354 | 12.21% |

Loans generated by the Bank's National Lending Division for the quarter ended September 30, 2022 totaled \$259.3 million, which consisted of \$77.5 million of purchased loans, at an average price of 92.5% of unpaid principal balance, and \$181.7 million of originated loans.

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

| | National Lending Portfolio | | | | | |
|--|----------------------------------|------------|--------------|------------|------------|--------------|
| | Three Months Ended September 30, | | | | | |
| | 2022 | | Total | 2021 | | Total |
| Purchased | Originated | Purchased | | Originated | | |
| | (Dollars in thousands) | | | | | |
| Loans purchased or originated during the period: | | | | | | |
| Unpaid principal balance | \$ 83,858 | \$ 181,720 | \$ 265,578 | \$ 37,034 | \$ 94,485 | \$ 131,519 |
| Net investment basis | 77,537 | 181,720 | 259,257 | 35,357 | 94,485 | 129,842 |
| Loan returns during the period: | | | | | | |
| Yield | 7.10% | 7.85% | 7.57% | 9.26% | 6.38% | 7.65% |
| Total Return on Purchased Loans (1) | 7.10% | N/A | 7.10% | 9.19% | N/A | 9.19% |
| Total loans as of period end: | | | | | | |
| Unpaid principal balance | \$ 569,790 | \$ 873,292 | \$ 1,443,082 | \$ 467,268 | \$ 559,080 | \$ 1,026,348 |
| Net investment basis | 530,393 | 873,292 | 1,403,685 | 432,083 | 559,080 | 991,163 |

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, 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."

- Deposits increased by \$40.7 million, or 3.2%, from June 30, 2022, attributable to increases in time deposits of \$110.6 million, or 86.9%, and savings and interest checking deposits of \$91.2 million, or 15.6%, primarily offset by a decrease in demand deposits of \$161.2 million, or 49.0%.
- Short-term Federal Home Loan Bank advances increased by \$120.0 million, or 800%, to fund loan growth.
- Shareholders' equity increased by \$3.8 million, or 1.5%, from June 30, 2022, primarily due to net income of \$8.3 million and stock-based compensation of \$649 thousand, partially offset by the repurchase of 108 thousand shares of common stock at a weighted average price per share of \$37.88, which resulted in a \$4.1 million decrease in shareholders' equity.

Net income decreased by \$1.6 million to \$8.3 million for the quarter ended September 30, 2022, compared to net income of \$9.9 million for the quarter ended September 30, 2021.

- Net interest and dividend income before provision for loan losses increased by \$4.8 million to \$23.6 million for the quarter ended September 30, 2022, compared to \$18.8 million for the quarter ended September 30, 2021. The increase was primarily due to the following:
 - An increase in interest income earned on loans of \$6.1 million, primarily due to an increase in interest income earned on National Lending Division originated and purchased portfolios, due to higher average balances in both portfolios and higher rates on the originated portfolio, partially offset by lower rates on the purchased portfolio; and
 - An increase in interest income earned on short-term investments of \$462 thousand, due to higher rates, partially offset by lower average balances; partially offset by,
 - An increase in deposit interest expense of \$1.5 million, due to higher interest rates and higher average balances in interest-bearing deposits; and

- An increase in Federal Home Loan Bank advance interest expense of \$268 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 September 30, | | | | | |
| | 2022 | | | 2021 | | |
| | Average Balance (1) | Interest Income | Yield | Average Balance (1) | Interest Income | Yield |
| | | | (Dollars in thousands) | | | |
| Community Banking | \$ 32,888 | \$ 467 | 5.63% | \$ 47,052 | \$ 587 | 4.95% |
| SBA National | 30,776 | 730 | 9.41% | 38,297 | 623 | 6.45% |
| SBA PPP | - | - | 0.00% | 1,384 | 11 | 3.15% |
| National Lending: | | | | | | |
| Originated | 815,988 | 16,150 | 7.85% | 546,291 | 8,785 | 6.38% |
| Purchased | 488,019 | 8,732 | 7.10% | 427,804 | 9,987 | 9.26% |
| Total National Lending | 1,304,007 | 24,882 | 7.57% | 974,095 | 18,772 | 7.65% |
| Total | \$ 1,367,671 | \$ 26,079 | 7.57% | \$ 1,060,828 | \$ 19,993 | 7.48% |

(1) Includes loans held for sale.

The components of total income on purchased loans are set forth in the table below entitled “Total Return on Purchased Loans.” When compared to the quarter ended September 30, 2021, regularly scheduled interest and accretion for the quarter ended September 30, 2022 increased by \$692 thousand due to the increase in average balances and transactional income decreased by \$1.9 million. The total return on purchased loans for the quarter ended September 30, 2022 was 7.1%, a decrease from 9.2% for the quarter ended September 30, 2021. The following table details the total return on purchased loans:

| | Total Return on Purchased Loans | | | |
|--|----------------------------------|------------------------|----------|------------|
| | Three Months Ended September 30, | | | |
| | 2022 | | 2021 | |
| | Income | Return (1) | Income | Return (1) |
| | | (Dollars in thousands) | | |
| Regularly scheduled interest and accretion | \$ 7,674 | 6.24% | \$ 6,982 | 6.47% |
| Transactional income: | | | | |
| Loss on real estate owned | - | 0.00% | (74) | (0.07%) |
| Accelerated accretion and loan fees | 1,058 | 0.86% | 3,005 | 2.79% |
| Total transactional income | 1,058 | 0.86% | 2,931 | 2.72% |
| Total | \$ 8,732 | 7.10% | \$ 9,913 | 9.19% |

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on real estate owned recorded during the period divided by the average invested balance, which includes purchased loans held for sale, on an annualized basis. The total return does not include the effect of purchased loan charge-offs or recoveries in the periods shown. Total return is considered a non-GAAP financial measure.

2. Provision (credit) for loan losses increased by \$1.1 million to a provision of \$850 thousand for the quarter ended September 30, 2022, from a credit of \$226 thousand in the quarter ended September 30, 2021. The increase in the provision (credit) for loan losses reflects an increase in the general reserve due to loan growth during the quarter ended September 30, 2022, as compared to decreases in certain qualitative factors during the quarter ended September 30, 2021 as a result of continued improvements relative to the COVID-19 pandemic.
3. Noninterest income decreased by \$6.7 million for the quarter ended September 30, 2022, compared to the quarter ended September 30, 2021, primarily due to the following:
 - A decrease in correspondent fee income of \$6.4 million. Correspondent income for the quarters ended September 30, 2022 and 2021 is comprised of the following components:

| | Three Months Ended September 30, | |
|--|----------------------------------|-----------------|
| | 2022 | 2021 |
| | (In thousands) | |
| Correspondent Fee | \$ 266 | \$ 1,087 |
| Amortization of Purchased Accrued Interest | 660 | 1,794 |
| Earned Net Servicing Interest | 456 | 4,950 |
| Total | <u>\$ 1,382</u> | <u>\$ 7,831</u> |

A summary of U.S. Small Business Administration Paycheck Protection Program (“PPP”) loans purchased by The Loan Source, Inc. (“Loan Source”) and related amounts that the Bank will earn over the expected life of the loans is as follows:

| Quarter | PPP Loans | Correspondent Fee | Purchased Accrued Interest ⁽¹⁾ | Total ⁽²⁾ |
|--|---|-------------------|---|----------------------|
| | Purchased by Loan Source ⁽³⁾ | | | |
| | | (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 |
| Q4 FY 2021 | 4,371,000 | 171 | 2,703 | 2,874 |
| Q1 FY 2022 | 6,300 | - | 1 | 1 |
| Total | <u>\$ 11,237,700</u> | <u>\$ 8,905</u> | <u>\$ 10,560</u> | <u>\$ 19,465</u> |
| Less amounts recognized in Q1 FY 23 | | (266) | (660) | (926) |
| Less amounts recognized in previous quarters | | (8,410) | (9,334) | (17,744) |
| Amount remaining to be recognized | | <u>\$ 229</u> | <u>\$ 566</u> | <u>\$ 795</u> |

(1) – The Bank’s share

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

(3) – Loan Source’s ending PPP loan balance was \$726.0 million as of September 30, 2022

In addition to this decrease:

- An increase in net unrealized loss on equity securities of \$197 thousand; and
 - A decrease in fees for customers of \$190 thousand, due to lower commercial loan servicing fees resulting from the payoff of U.S. Small Business Administration loans; partially offset by,
 - An increase in gain on termination of interest rate swap of \$96 thousand, due to the Bank’s termination of its interest rate swaps during the quarter ended September 30, 2022.
4. Noninterest expense decreased by \$704 thousand for the quarter ended September 30, 2022, compared to the quarter ended September 30, 2021, primarily due to the following:
- A decrease in loan expense of \$1.6 million, due to \$1.6 million of one-time correspondent expenses associated with the wrap-up of PPP origination activity recognized during the quarter ended September 30, 2021; partially offset by,
 - An increase in salaries and employee benefits expense of \$703 thousand, primarily due to increases in regular employee compensation and stock compensation expense; and
 - An increase in other noninterest expense of \$241 thousand, primarily due to a \$164 thousand increase in deposit expense, primarily from increased excess deposit insurance costs, and a \$107 thousand increase in travel and meals and entertainment expense during the quarter ended September 30, 2022 compared to September 30, 2021, when there was relatively minimal travel due to COVID restrictions.
5. Income tax expense decreased by \$672 thousand to \$3.5 million, or an effective tax rate of 29.9%, for the quarter ended September 30, 2022, compared to \$4.2 million, or an effective tax rate of 29.9%, for

the quarter ended September 30, 2021. The decrease was primarily due to lower pre-tax income, which decreased by \$2.3 million during the quarter ended September 30, 2022, compared to the quarter ended September 30, 2021.

As of September 30, 2022, nonperforming assets totaled \$13.7 million, or 0.79% of total assets, as compared to \$12.9 million, or 0.82% of total assets, as of June 30, 2022. The increase was primarily due to three National Lending Division loans totaling \$2.5 million that were placed on nonaccrual during the quarter ended September 30, 2022, partially offset by four National Lending Division loans totaling \$1.9 million that paid off or returned to accrual. Additionally, REO increased by \$90 thousand due to the transfer of a former branch property from fixed assets during the quarter ended September 30, 2022.

As of September 30, 2022, past due loans totaled \$14.1 million, or 0.97% 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 nine National Lending Division loans totaling \$7.3 million becoming past due during the quarter ended September 30, 2022.

As of September 30, 2022, the Bank's Tier 1 leverage capital ratio was 15.6%, compared to 16.1% at June 30, 2022, and the Total capital ratio was 17.8% at September 30, 2022, compared to 19.5% at June 30, 2022. Capital ratios were primarily affected by increased assets and increased earnings.

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 first quarter earnings and business outlook at 10:00 a.m. Eastern Time on Tuesday, November 1st**. 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 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, net interest margin excluding PPP, and net interest margin excluding PPP and 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 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 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.

NORTHEAST BANK
BALANCE SHEETS

(Unaudited)

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

| | <u>September 30, 2022</u> | <u>June 30, 2022</u> |
|--|---------------------------|----------------------|
| Assets | | |
| Cash and due from banks | \$ 2,164 | \$ 2,095 |
| Short-term investments | 164,790 | 169,984 |
| Total cash and cash equivalents | <u>166,954</u> | <u>172,079</u> |
| Available-for-sale debt securities, at fair value | 53,925 | 54,911 |
| Equity securities, at fair value | 6,612 | 6,798 |
| Total investment securities | <u>60,537</u> | <u>61,709</u> |
| Loans: | | |
| Commercial real estate | 996,832 | 882,187 |
| Commercial and industrial | 394,099 | 352,729 |
| Residential real estate | 72,625 | 69,209 |
| Consumer | 664 | 741 |
| Total loans | <u>1,464,220</u> | <u>1,304,866</u> |
| Less: Allowance for loan losses | 5,898 | 5,028 |
| Loans, net | <u>1,458,322</u> | <u>1,299,838</u> |
| Premises and equipment, net | 9,102 | 9,606 |
| Real estate owned and other repossessed collateral, net | 90 | - |
| Federal Home Loan Bank stock, at cost | 6,710 | 1,610 |
| Loan servicing rights, net | 1,141 | 1,285 |
| Bank-owned life insurance | 18,031 | 17,922 |
| Other assets | 22,057 | 18,710 |
| Total assets | <u>\$ 1,742,944</u> | <u>\$ 1,582,759</u> |
| Liabilities and Shareholders' Equity | | |
| Deposits: | | |
| Demand | \$ 167,857 | \$ 329,007 |
| Savings and interest checking | 676,460 | 585,274 |
| Money market | 246,147 | 246,095 |
| Time | 237,935 | 127,317 |
| Total deposits | <u>1,328,399</u> | <u>1,287,693</u> |
| Federal Home Loan Bank advances | 135,000 | 15,000 |
| Lease liability | 4,039 | 4,451 |
| Other liabilities | 23,343 | 27,294 |
| Total liabilities | <u>1,490,781</u> | <u>1,334,438</u> |
| Commitments and contingencies | | |
| Shareholders' equity | | |
| Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at September 30, 2022 and June 30, 2022 | - | - |
| Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 7,477,158 and 7,442,103 shares issued and outstanding at September 30, 2022 and June 30, 2022, respectively | 7,477 | 7,442 |
| Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; no shares issued and outstanding at September 30, 2022 and June 30, 2022 | - | - |
| Additional paid-in capital | 34,526 | 38,749 |
| Retained earnings | 211,194 | 202,980 |
| Accumulated other comprehensive loss | (1,034) | (850) |
| Total shareholders' equity | <u>252,163</u> | <u>248,321</u> |
| Total liabilities and shareholders' equity | <u>\$ 1,742,944</u> | <u>\$ 1,582,759</u> |

NORTHEAST BANK
STATEMENTS OF INCOME

(Unaudited)

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

| | Three Months Ended September 30, | |
|---|----------------------------------|-----------------|
| | 2022 | 2021 |
| Interest and dividend income: | | |
| Interest and fees on loans | \$ 26,079 | \$ 19,993 |
| Interest on available-for-sale securities | 149 | 94 |
| Other interest and dividend income | 636 | 174 |
| Total interest and dividend income | <u>26,864</u> | <u>20,261</u> |
| Interest expense: | | |
| Deposits | 2,801 | 1,309 |
| Federal Home Loan Bank advances | 396 | 128 |
| Obligation under lease agreements | 18 | 25 |
| Total interest expense | <u>3,215</u> | <u>1,462</u> |
| Net interest and dividend income before provision (credit) for loan losses | 23,649 | 18,799 |
| Provision (credit) for loan losses | 850 | (226) |
| Net interest and dividend income after provision (credit) for loan losses | <u>22,799</u> | <u>19,025</u> |
| Noninterest income: | | |
| Fees for other services to customers | 267 | 457 |
| Gain on sales of SBA loans | 36 | - |
| Gain on sales of PPP loans | - | 86 |
| Net unrealized loss on equity securities | (218) | (21) |
| Loss on real estate owned, other repossessed collateral and premises and equipment, net | (44) | (74) |
| Correspondent fee income | 1,382 | 7,831 |
| Gain on termination of interest rate swap | 96 | - |
| Bank-owned life insurance income | 109 | 106 |
| Other noninterest income | 31 | 14 |
| Total noninterest income | <u>1,659</u> | <u>8,399</u> |
| Noninterest expense: | | |
| Salaries and employee benefits | 8,265 | 7,562 |
| Occupancy and equipment expense | 854 | 887 |
| Professional fees | 516 | 521 |
| Data processing fees | 1,105 | 1,077 |
| Marketing expense | 177 | 192 |
| Loan expense | 640 | 2,248 |
| FDIC insurance premiums | 97 | 112 |
| Other noninterest expense | 980 | 739 |
| Total noninterest expense | <u>12,634</u> | <u>13,338</u> |
| Income before income tax expense | 11,824 | 14,086 |
| Income tax expense | 3,537 | 4,209 |
| Net income | <u>\$ 8,287</u> | <u>\$ 9,877</u> |
| Weighted-average common shares outstanding: | | |
| Basic | 7,312,291 | 8,132,131 |
| Diluted | 7,394,089 | 8,212,836 |
| Earnings per common share: | | |
| Basic | \$ 1.13 | \$ 1.21 |
| Diluted | 1.12 | 1.20 |
| Cash dividends declared per common share | \$ 0.01 | \$ 0.01 |

NORTHEAST BANK
AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS
(Unaudited)
(Dollars in thousands)

| | Three Months Ended September 30, | | | | | |
|--|----------------------------------|--------------------------------|---------------------------|---------------------|--------------------------------|---------------------------|
| | 2022 | | | 2021 | | |
| | Average Balance | Interest Income/ Expense | Average Yield/ Rate | Average Balance | Interest Income/ Expense | Average Yield/ Rate |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Investment securities | \$ 61,727 | \$ 149 | 0.96% | \$ 66,545 | \$ 94 | 0.56% |
| Loans (1) (2) | 1,367,671 | 26,079 | 7.57% | 1,060,828 | 19,993 | 7.48% |
| Federal Home Loan Bank stock | 3,589 | 14 | 1.55% | 1,209 | 7 | 2.30% |
| Short-term investments (3) | 141,489 | 622 | 1.74% | 443,447 | 167 | 0.15% |
| Total interest-earning assets | <u>1,574,476</u> | <u>26,864</u> | 6.77% | <u>1,572,029</u> | <u>20,261</u> | 5.11% |
| Cash and due from banks | 2,534 | | | 2,814 | | |
| Other non-interest earning assets | 46,180 | | | 49,803 | | |
| Total assets | <u>\$ 1,623,190</u> | | | <u>\$ 1,624,646</u> | | |
| Liabilities & Shareholders' Equity: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| NOW accounts | \$ 493,693 | \$ 1,595 | 1.28% | \$ 270,034 | \$ 175 | 0.26% |
| Money market accounts | 250,654 | 406 | 0.64% | 275,905 | 202 | 0.29% |
| Savings accounts | 137,392 | 210 | 0.61% | 71,659 | 69 | 0.38% |
| Time deposits | 153,712 | 590 | 1.52% | 259,972 | 863 | 1.32% |
| Total interest-bearing deposits | 1,035,451 | 2,801 | 1.07% | 877,570 | 1,309 | 0.59% |
| Federal Home Loan Bank advances | 62,337 | 396 | 2.52% | 15,000 | 128 | 3.39% |
| Lease liability | 4,178 | 18 | 1.71% | 5,817 | 25 | 1.71% |
| Total interest-bearing liabilities | <u>1,101,966</u> | <u>3,215</u> | 1.16% | <u>898,387</u> | <u>1,462</u> | 0.65% |
| Non-interest bearing liabilities: | | | | | | |
| Demand deposits and escrow accounts | 261,693 | | | 471,451 | | |
| Other liabilities | 8,012 | | | 20,166 | | |
| Total liabilities | 1,371,671 | | | 1,390,004 | | |
| Shareholders' equity | 251,519 | | | 234,642 | | |
| Total liabilities and shareholders' equity | <u>\$ 1,623,190</u> | | | <u>\$ 1,624,646</u> | | |
| Net interest income | | <u>\$ 23,649</u> | | | <u>\$ 18,799</u> | |
| Interest rate spread | | | 5.61% | | | 4.46% |
| Net interest margin (4) | | | 5.96% | | | 4.74% |
| Cost of funds (5) | | | 0.94% | | | 0.42% |

- (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 | | | | |
|--|--------------------|---------------|----------------|-------------------|--------------------|
| | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 |
| Net interest income | \$ 23,649 | \$ 23,619 | \$ 20,952 | \$ 20,055 | \$ 18,799 |
| Provision (credit) for loan losses | 850 | (879) | (287) | (1,069) | (226) |
| Noninterest income | 1,659 | 4,144 | 5,408 | 6,493 | 8,399 |
| Noninterest expense | 12,634 | 12,856 | 11,401 | 11,187 | 13,338 |
| Net income | 8,287 | 10,296 | 10,587 | 11,403 | 9,877 |
| Weighted-average common shares outstanding: | | | | | |
| Basic | 7,312,291 | 7,506,465 | 7,687,737 | 7,952,938 | 8,132,131 |
| Diluted | 7,394,089 | 7,617,933 | 7,790,963 | 8,041,476 | 8,212,836 |
| Earnings per common share: | | | | | |
| Basic | \$ 1.13 | \$ 1.37 | \$ 1.38 | \$ 1.43 | \$ 1.21 |
| Diluted | 1.12 | 1.35 | 1.36 | 1.42 | 1.20 |
| Dividends declared per common share | \$ 0.01 | \$ 0.01 | \$ 0.01 | \$ 0.01 | \$ 0.01 |
| Return on average assets | 2.03% | 2.68% | 2.79% | 2.86% | 2.41% |
| Return on average equity | 13.07% | 16.55% | 17.57% | 18.77% | 16.70% |
| Net interest rate spread (1) | 5.61% | 6.14% | 5.52% | 4.99% | 4.46% |
| Net interest margin (2) | 5.96% | 6.34% | 5.71% | 5.24% | 4.74% |
| Net interest margin, excluding PPP (non-GAAP) (3) | 5.96% | 6.34% | 5.71% | 5.24% | 4.75% |
| Net interest margin, excluding PPP and collection account (non-GAAP) (4) | 6.22% | 7.07% | 6.72% | 6.44% | 6.00% |
| Efficiency ratio (non-GAAP) (5) | 49.92% | 46.31% | 43.25% | 42.14% | 49.04% |
| Noninterest expense to average total assets | 3.09% | 3.34% | 3.01% | 2.80% | 3.26% |
| Average interest-earning assets to average interest-bearing liabilities | 142.88% | 156.64% | 167.20% | 168.71% | 174.98% |
| | As of: | | | | |
| | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 |
| Nonperforming loans: | | | | | |
| Originated portfolio: | | | | | |
| Residential real estate | \$ 520 | \$ 550 | \$ 621 | \$ 611 | \$ 619 |
| Commercial real estate | 3,528 | 5,031 | 6,608 | 7,963 | 6,644 |
| Commercial and industrial | 452 | 202 | 230 | 311 | 1,510 |
| Consumer | 8 | 11 | 12 | 20 | 39 |
| Total originated portfolio | 4,508 | 5,794 | 7,471 | 8,905 | 8,812 |
| Total purchased portfolio | 9,089 | 7,152 | 10,441 | 12,294 | 12,527 |
| Total nonperforming loans | 13,597 | 12,946 | 17,912 | 21,199 | 21,339 |
| Real estate owned and other repossessed collateral, net | 90 | - | - | 53 | 821 |
| Total nonperforming assets | \$ 13,687 | \$ 12,946 | \$ 17,912 | \$ 21,252 | \$ 22,160 |
| Past due loans to total loans | 0.97% | 0.53% | 1.07% | 1.23% | 1.39% |
| Nonperforming loans to total loans | 0.93% | 0.99% | 1.45% | 1.79% | 1.99% |
| Nonperforming assets to total assets | 0.79% | 0.82% | 1.14% | 1.46% | 1.60% |
| Allowance for loan losses to total loans | 0.40% | 0.39% | 0.47% | 0.51% | 0.67% |
| Allowance for loan losses to nonperforming loans | 43.38% | 38.34% | 32.47% | 28.49% | 33.58% |
| Commercial real estate loans to total capital (6) | 328.35% | 294.20% | 252.90% | 260.40% | 232.10% |
| Net loans to core deposits (7) | 109.78% | 100.94% | 97.19% | 102.53% | 98.96% |
| Purchased loans to total loans, including held for sale | 32.62% | 36.61% | 38.94% | 41.02% | 40.22% |
| Equity to total assets | 14.47% | 15.69% | 15.80% | 16.39% | 17.32% |
| Common equity tier 1 capital ratio | 17.36% | 19.08% | 20.13% | 20.27% | 22.03% |
| Total capital ratio | 17.77% | 19.47% | 20.60% | 20.79% | 22.69% |
| Tier 1 leverage capital ratio | 15.59% | 16.13% | 16.17% | 15.19% | 14.83% |
| Total shareholders' equity | \$ 252,163 | \$ 248,321 | \$ 247,469 | \$ 239,237 | \$ 239,508 |
| Less: Preferred stock | - | - | - | - | - |
| Common shareholders' equity | 252,163 | 248,321 | 247,469 | 239,237 | 239,508 |
| Less: Intangible assets (8) | (1,141) | (1,285) | (1,696) | (1,645) | (1,906) |
| Tangible common shareholders' equity (non-GAAP) | \$ 251,022 | \$ 247,036 | \$ 245,773 | \$ 237,592 | \$ 237,602 |
| Common shares outstanding | 7,477,158 | 7,442,103 | 7,727,312 | 7,815,566 | 8,172,776 |
| Book value per common share | \$ 33.72 | \$ 33.37 | \$ 32.03 | \$ 30.61 | \$ 29.31 |
| Tangible book value per share (non-GAAP) (9) | 33.57 | 33.19 | 31.81 | 30.40 | 29.07 |

(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) Net interest margin excluding PPP removes the effects of the following: PPP loan interest income of \$3 thousand, \$2 thousand, and \$11 thousand, as well as PPP loan average balances of \$462 thousand, \$628 thousand, and \$1.4 million, for the quarters ended March 31, 2022, December 31, 2021, and September 30, 2021, respectively.

(4) Net interest margin excluding PPP and collection account removes the PPP impact above and 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 \$99.2 million, \$175.2 million, \$244.0 million, \$287.7 million, and \$334.3 million, and earned \$514 thousand, \$362 thousand, \$60 thousand, \$73 thousand, and \$84 thousand, in interest income for the quarters ended September 30, 2022, June 30, 2022, March 31, 2022, December 31, 2021, and September 30, 2021, respectively.

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

(6) 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.

(7) Core deposits include all non-maturity deposits and maturity deposits less than \$250 thousand. During the quarter ended June 30, 2022, the Bank changed its internal policy limit to calculate based on deposits, not core deposits. Ratios as of September 30, 2022 and June 30, 2022 reflect loans to deposits.

(8) Includes the loan servicing rights asset.

(9) Tangible book value per share represents total shareholders' equity less the sum of preferred stock and intangible assets divided by common shares outstanding.