



April 29, 2013

Northeast Bancorp Reports Third Quarter Results, Declares Dividend

LEWISTON, Maine--(BUSINESS WIRE)-- Northeast Bancorp ("Northeast" or the "Company") (NASDAQ: NBN), a Maine-based full-service financial services company and parent of Northeast Bank (the "Bank"), today reported net income of \$1.7 million for the quarter ended March 31, 2013, compared to \$168 thousand for the quarter ended March 31, 2012. Net income for the nine months ended March 31, 2013 was \$4.2 million, compared to \$1.1 million for the nine months ended March 31, 2012. Net income for the nine months ended March 31, 2012 included \$1.1 million from discontinued operations.

Net income available to common stockholders was \$1.7 million, or \$0.16 per diluted common share, for the quarter ended March 31, 2013, compared to \$70 thousand, or \$0.02 per diluted common share, for the quarter ended March 31, 2012. Net income available to common stockholders for the nine months ended March 31, 2013 was \$3.9 million, or \$0.37 per diluted common share, compared to \$821 thousand, or \$0.23 per diluted common share, for the nine months ended March 31, 2012. Weighted average shares outstanding increased to 10.4 million shares in each of the current year periods from 3.5 million shares in 2011 principally as a result of the Company's public offering of common stock in May 2012.

The Board of Directors has declared a cash dividend of \$0.09 per share, payable on May 24, 2013 to shareholders of record as of May 10, 2013.

"We are pleased with our earnings performance this quarter, with strong returns in our loan purchasing division, and further growth in deposits through ableBanking," said Richard Wayne, Chief Executive Officer. "Our loan purchasing division realized \$4.1 million of transactional income on loan payoffs and sales, which drove our total purchased loan return to 22.0% and our net interest margin to 5.07% for the quarter. AbleBanking, our online affinity deposit program grew deposits by \$29.3 million. Asset quality remained strong with non-performing assets declining by 24% from the quarter ending December 31, 2012."

At March 31, 2013, total assets were \$699.6 million, an increase of \$30.4 million, or 4.5%, compared to June 30, 2012. The principal components of the year-to-date change in the balance sheet were as follows:

1. The loan portfolio grew by \$24.1 million, or 6.8%, principally due to net growth of \$58.9 million in commercial loans purchased or originated by the Bank's Loan Acquisition and Servicing Group ("LASG"), offset by net amortization and payoffs of \$34.8 million in the Community Banking Division loan portfolio.

Compared to the quarter ended December 31, 2012, the Bank's LASG loan portfolio declined \$1.3 million, reflecting purchases and originations of \$11.3 million and \$2.8 million, respectively, offset by loan payoffs and asset sales totaling \$15.4 million. Loan payoffs and asset sales during the quarter ended March 31, 2013 resulted in \$4.1 million of transactional income, compared to \$1.9 million in the quarter ended December 31, 2012 and \$493 thousand in the quarter ended March 31, 2012.

As has been discussed in more detail in the Company's SEC filings, loan purchases by the LASG are subject to two regulatory conditions, which are summarized below, together with the remaining purchasing capacity available under each of these conditions:

| Basis for Regulatory Condition | Condition | Remaining Purchased Loan Capacity at March 31, 2013 (Dollars in millions) |
|--------------------------------|---|--|
| Total Loans | Purchased loans may not exceed 40% of total loans Commercial real estate loans may not exceed 300% of total risk-based capital | \$ 41.2 |
| Regulatory Capital | | \$ 141.7 |

To increase its capacity under the "Total Loans" regulatory condition, the Company is currently holding in its portfolio, as necessary and on a duration—matched basis, residential fixed and adjustable rate loans that would otherwise be sold in the secondary market.

An overview of the LASG portfolio follows:

LASG Portfolio Overview

| Three Months Ended March 31, 2013 | | Nine Months Ended March 31, 2013 | | | |
|-----------------------------------|------------|----------------------------------|-----------|------------|------------|
| Purchased | Originated | Total LASG | Purchased | Originated | Total LASG |

(Dollars in thousands)

Purchased or originated during the period:

| | | | | | | |
|--------------------------|-----------|----------|-----------|------------|-----------|------------|
| Unpaid principal balance | \$ 13,971 | \$ 2,800 | \$ 16,771 | \$ 103,539 | \$ 15,625 | \$ 119,164 |
| Net investment basis | 11,340 | 2,827 | 14,167 | 75,553 | 15,652 | 91,205 |

Totals as of period end:

| | | | | | | |
|--------------------------|--|--|--|------------|-----------|------------|
| Unpaid principal balance | | | | \$ 166,360 | \$ 17,871 | \$ 184,231 |
| Net investment basis | | | | 130,502 | 17,904 | 148,406 |

Returns during the period:

| | | | | | | |
|------------------|--------|-------|--------|--------|-------|--------|
| Yield | 17.76% | 9.43% | 16.84% | 15.52% | 9.55% | 14.89% |
| Total Return (1) | 22.02% | 9.43% | 20.64% | 18.66% | 9.55% | 17.70% |

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on asset sales, and other noninterest income recorded during the period divided by the average invested balance, on an annualized basis.

2. Deposits increased by \$83.4 million, or 19.8%, due primarily to a \$68.0 million increase in deposits raised through ableBanking, the Bank's online affinity deposit platform. At March 31, 2013, ableBanking deposits stood at \$70.8 million, consisting of \$37.2 million of time deposits and \$33.5 million of money market accounts.
3. Borrowings decreased by \$49.9 million, or 41.2%, as a result of the repayment of structured repurchase agreements and FHLB advances.
4. Stockholders' equity decreased by \$3.4 million, or 2.9%, primarily due to the redemption of TARP preferred stock and warrants totaling \$4.3 million in the quarter ended December 31, 2012.

Net income increased by \$1.5 million to \$1.7 million for the quarter ended March 31, 2013, compared to \$168 thousand for the quarter ended March 31, 2012. Operating results for the quarter included the following items of significance:

1. Net interest income increased by \$3.5 million, or 73.6%, to \$8.3 million for the quarter compared to the quarter ended March 31, 2012, primarily due to growth in the purchased loan portfolio. This result is evident in the net interest margin, which increased to 5.07% for the quarter ended March 31, 2013, compared to 3.44% for the quarter ended March 31, 2012, and 4.28% for the quarter ended December 31, 2012.
2. The following table summarizes interest income and related yields recognized on the loan portfolios:

Interest Income and Yield on Loans

| | Three Months Ended March 31, | | | | | |
|----------------------------|------------------------------|--------------------|--------|--------------------|--------------------|--------|
| | 2013 | | | 2012 | | |
| | Average Balance | Interest Income | Yield | Average Balance | Interest Income | Yield |
| | (Dollars in thousands) | | | | | |
| Community Banking Division | \$244,397 | \$ 3,529 | 5.86% | \$293,413 | \$ 4,211 | 5.77% |
| LASG: | | | | | | |
| Originated | 16,167 | 376 | 9.43% | 3,687 | 87 | 9.49% |
| Purchased | 130,045 | 5,696 | 17.76% | 51,677 | 1,572 | 12.23% |
| Total LASG | 146,212 | 6,072 | 16.84% | 55,364 | 1,659 | 12.05% |
| Total | <u>\$390,609</u> | <u>\$ 9,601</u> | 9.97% | <u>\$348,777</u> | <u>\$ 5,870</u> | 6.77% |

Nine Months Ended March 31,

| 2013 | | | | | | 2012 | | |
|------|--------------------|--------------------|-------|--------------------|--------------------|-------|--|--|
| | Average Balance | Interest Income | Yield | Average Balance | Interest Income | Yield | | |

| | (Dollars in thousands) | | | | | |
|----------------------------|------------------------|-----------------|--------|------------------|-----------------|--------|
| Community Banking Division | \$257,760 | \$11,449 | 5.92% | \$303,064 | \$13,557 | 5.95% |
| LASG: | | | | | | |
| Originated | 12,974 | 930 | 9.55% | 2,637 | 194 | 9.79% |
| Purchased | 110,151 | 12,830 | 15.52% | 29,315 | 3,130 | 14.21% |
| Total LASG | <u>123,125</u> | <u>13,760</u> | 14.89% | <u>31,952</u> | <u>3,324</u> | 13.85% |
| Total | <u>\$380,885</u> | <u>\$25,209</u> | 8.82% | <u>\$335,016</u> | <u>\$16,881</u> | 6.71% |

The yield on purchased loans was increased by unscheduled loan payoffs, which resulted in immediate recognition of the prepaid loans' discount in interest income. The following table details the "total return" on purchased loans, which includes transactional income of \$4.1 million for the quarter and \$7.8 million for the nine months ended March 31, 2013.

| | Total Return on Purchased Loans | | | |
|--|---------------------------------|------------|-----------------|------------|
| | Three Months Ended March 31, | | | |
| | 2013 | | 2012 | |
| | Income | Return (1) | Income | Return (1) |
| (Dollars in thousands) | | | | |
| Regularly scheduled interest and accretion | \$ 3,043 | 9.40% | \$ 1,298 | 10.10% |
| Transactional income: | | | | |
| Gains on loan sales | 1,218 | 3.76% | 219 | 1.70% |
| Gain on sale of real estate owned | 211 | 0.65% | - | 0.00% |
| Accelerated accretion and loan fees | <u>2,653</u> | 8.20% | <u>274</u> | 2.13% |
| Total transactional income | <u>4,082</u> | 12.61% | <u>493</u> | 3.83% |
| Total | <u>\$ 7,125</u> | 22.02% | <u>\$ 1,791</u> | 13.94% |

| | Nine Months Ended March 31, | | | |
|--|-----------------------------|------------|-----------------|------------|
| | 2013 | | 2012 | |
| | Income | Return (1) | Income | Return (1) |
| (Dollars in thousands) | | | | |
| Regularly scheduled interest and accretion | \$ 7,813 | 9.35% | \$ 2,374 | 10.78% |
| Transactional income: | | | | |
| Gains on loan sales | 2,035 | 2.44% | 219 | 0.99% |
| Gain on sale of real estate owned | 684 | 0.82% | - | 0.00% |
| Other noninterest income | 36 | 0.04% | - | 0.00% |
| Accelerated accretion and loan fees | <u>5,017</u> | 6.01% | <u>756</u> | 3.43% |
| Total transactional income | <u>7,772</u> | 9.30% | <u>975</u> | 4.42% |
| Total | <u>\$15,585</u> | 18.66% | <u>\$ 3,349</u> | 15.20% |

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on asset sales, and other noninterest income recorded during the period divided by the average invested balance, on an annualized basis.

Net gains on the sale of portfolio loans of \$1.2 million for the quarter, the result of a gain on the sale of one LASG loan, increased by \$1.0 million compared to the quarter ended March 31, 2012.

3. No securities gains were realized during the quarter ended March 31, 2013, as compared to gains of \$731 thousand realized for the quarter ended March 31, 2012.

4. Noninterest expense increased by \$1.6 million for the current quarter, compared to the quarter ended March 31, 2012, principally due to the following:

- An increase of \$1.2 million in employee compensation, due mainly to higher incentive compensation, increases in staffing, and in the cost of employee benefits programs. Full-time equivalent employees increased by 26 over the past twelve months, as the Company has added staff to several operational areas and the LASG.
- An increase of \$288 thousand in occupancy and equipment expense, principally due to increased rent associated with the relocation of the Company's office in Boston, MA, and depreciation of investments in new technology, principally those associated with ableBanking.

- An increase of \$108 thousand in loan acquisition and collection expense, principally due to an increase in the size of the LASG portfolio, which has grown to \$148.4 million from \$62.3 million at March 31, 2012.
- An increase of \$107 thousand in marketing expense, principally due to promotional incentives associated with ableBanking.

At March 31, 2013, nonperforming assets were \$7.4 million, or 1.1% of total assets, a decrease of \$2.4 million from the quarter ended December 31, 2012, and an increase of \$483 thousand compared to the amount at June 30, 2012.

At March 31, 2013, the Company's Tier 1 leverage ratio was 17.4%, a decrease from 19.9% at June 30, 2012, and the total risk-based capital ratio was 30.7%, a decrease from 33.3% at June 30, 2012.

Investor Call Information

Richard Wayne, Chief Executive Officer of Northeast Bancorp, and Claire Bean, Chief Financial Officer of Northeast Bancorp, will host a **conference call to discuss third quarter earnings and business outlook at 11:00 a.m. Eastern Time on Tuesday, April 30, 2013**. Investors can access the call by dialing 877.878.2762 and entering the following passcode: 52300502. The call will be available via live webcast, which can be viewed by accessing the Company'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 Bancorp

Northeast Bancorp (NASDAQ: NBN) is the holding company for Northeast Bank, a full-service bank headquartered in Lewiston, Maine. Northeast Bank offers traditional banking services through its Community Banking Division, which operates ten full-service branches, some with investment centers, and five loan production offices that serve individuals and businesses located in western and south-central Maine, southern New Hampshire and southeastern Massachusetts. Northeast Bank's Loan Acquisition and Servicing Group purchases and originates commercial loans for the Bank's portfolio. ableBanking, a division of Northeast Bank, offers savings products to consumers online. Information regarding Northeast Bank can be found on its website at www.northeastbank.com.

Non-GAAP Financial Measure

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 stockholders' equity and tangible book value per share. Northeast'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.

Statements in this press release that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although Northeast 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 Company's control. The Company's actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, changes in interest rates and real estate values; competitive pressures from other financial institutions; the effects of continuing weakness in general economic conditions on a national basis or in the local markets in which the Company operates, including changes which adversely affect borrowers' ability to service and repay our loans; changes in loan defaults and charge-off rates; changes in the value of securities and other assets, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; increasing government regulation; the risk that the Company may not be successful in the implementation of its business strategy; the risk that intangibles recorded in the Company'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 Company's Annual Report on Form 10-K and updated by the Company's Quarterly Reports on Form 10-Q and other filings submitted to the Securities and Exchange Commission. These statements speak only as of the date of this release and the Company 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.

IMPORTANT NOTE: Securities and Advisory Services offered through Commonwealth Financial Network, Member FINRA, SIPC, and a Registered Investment Adviser. Securities are not FDIC insured, not bank obligations or otherwise bank guaranteed and may lose value. Northeast Financial is located at 77 Middle Street, Portland, ME 04101.

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**NORTHEAST BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

(Unaudited)

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

| | <u>March 31, 2013</u> | <u>June 30, 2012</u> |
|--|-----------------------|----------------------|
| Assets | | |
| Cash and due from banks | \$ 2,936 | \$ 2,538 |
| Short-term investments | 139,633 | 125,736 |
| Total cash and cash equivalents | <u>142,569</u> | <u>128,274</u> |
| Available-for-sale securities, at fair value | 128,549 | 133,264 |
| Loans held for sale | 7,768 | 9,882 |
| Loans | | |
| Commercial real estate | 223,440 | 180,735 |
| Residential real estate | 124,294 | 137,571 |
| Construction | 42 | 1,187 |
| Commercial business | 18,460 | 19,612 |
| Consumer | 14,075 | 17,149 |
| Total loans | <u>380,311</u> | <u>356,254</u> |
| Less: Allowance for loan losses | 1,033 | 824 |
| Loans, net | <u>379,278</u> | <u>355,430</u> |
| Premises and equipment, net | 10,013 | 9,205 |
| Repossessed collateral, net | 2,038 | 834 |
| Federal Home Loan Bank and Federal Reserve Bank stock, at cost | 5,121 | 5,473 |
| Intangible assets, net | 3,751 | 4,487 |
| Bank owned life insurance | 14,266 | 14,295 |
| Other assets | 6,224 | 8,052 |
| Total assets | <u>\$ 699,577</u> | <u>\$ 669,196</u> |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Deposits | | |
| Demand | \$ 46,783 | \$ 45,323 |
| Savings and interest checking | 89,394 | 90,204 |
| Money market | 83,129 | 45,024 |
| Time | 286,280 | 241,637 |
| Total deposits | <u>505,586</u> | <u>422,188</u> |
| Federal Home Loan Bank advances | 33,117 | 43,450 |
| Structured repurchase agreements | 25,518 | 66,183 |
| Short-term borrowings | 2,360 | 1,209 |
| Junior subordinated debentures issued to affiliated trusts | 8,227 | 8,106 |
| Capital lease obligation | 1,783 | 1,911 |
| Other liabilities | 7,249 | 7,010 |
| Total liabilities | <u>583,840</u> | <u>550,057</u> |
| Commitments and contingencies | - | - |
| Stockholders' equity | | |

| | | |
|--|-------------------|-------------------|
| Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at March 31, 2013; 4,227 shares issued and outstanding at June 30, 2012; liquidation preference of \$1,000 per share | 0 | 4 |
| Voting common stock, \$1.00 par value, 25,000,000 and 13,500,000 shares authorized at March 31, 2013 and June 30, 2012, respectively; 9,565,680 and 9,307,127 issued and outstanding at March 31, 2013 and June 30, 2012, respectively | 9,566 | 9,307 |
| Non-voting common stock, \$1.00 par value, 3,000,000 and 1,500,000 shares authorized at March 31, 2013 and June 30, 2012, respectively; 880,963 and 1,076,314 issued and outstanding at March 31, 2013 and June 30, 2012, respectively | 881 | 1,076 |
| Additional paid-in capital | 92,556 | 96,359 |
| Retained earnings | 13,260 | 12,235 |
| Accumulated other comprehensive (loss) income | (526) | 158 |
| Total stockholders' equity | <u>115,737</u> | <u>119,139</u> |
| Total liabilities and stockholders' equity | <u>\$ 699,577</u> | <u>\$ 669,196</u> |

**NORTHEAST BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

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

| | Three Months Ended March 31, 2013 | 2012 | Nine Months Ended March 31, 2013 | 2012 |
|---|--------------------------------------|--------------|-------------------------------------|---------------|
| Interest and dividend income: | | | | |
| Interest on loans | \$ 9,601 | \$ 5,870 | \$ 25,209 | \$ 16,881 |
| Interest on available-for-sale securities | 234 | 422 | 929 | 1,602 |
| Other interest and dividend income | 85 | 60 | 283 | 176 |
| Total interest and dividend income | <u>9,920</u> | <u>6,352</u> | <u>26,421</u> | <u>18,659</u> |
| Interest expense: | | | | |
| Deposits | 1,084 | 875 | 3,090 | 2,548 |
| Federal Home Loan Bank advances | 232 | 256 | 750 | 772 |
| Structured repurchase agreements | 135 | 247 | 515 | 744 |
| Short-term borrowings | 4 | 7 | 15 | 15 |
| Junior subordinated debentures issued to affiliated trusts | 190 | 188 | 574 | 556 |
| Obligation under capital lease agreements | 22 | 25 | 69 | 76 |
| Total interest expense | <u>1,667</u> | <u>1,598</u> | <u>5,013</u> | <u>4,711</u> |
| Net interest and dividend income before provision for loan losses | 8,253 | 4,754 | 21,408 | 13,948 |
| Provision for loan losses | 346 | 100 | 821 | 634 |
| Net interest and dividend income after provision for loan losses | <u>7,907</u> | <u>4,654</u> | <u>20,587</u> | <u>13,314</u> |
| Noninterest income: | | | | |
| Fees for other services to customers | 430 | 326 | 1,202 | 1,036 |
| Net securities gains | 0 | 731 | 792 | 1,111 |
| Gain on sales of loans held for sale | 625 | 634 | 2,295 | 2,060 |
| Gain on sales of portfolio loans | 1,228 | 219 | 2,226 | 422 |
| Gain (loss) recognized on repossessed collateral, net | 230 | (24) | 681 | 11 |
| Investment commissions | 758 | 720 | 2,232 | 2,111 |
| Bank-owned life insurance income | 118 | 124 | 599 | 377 |
| Other noninterest income | 12 | 18 | 68 | 75 |
| Total noninterest income | <u>3,401</u> | <u>2,748</u> | <u>10,095</u> | <u>7,203</u> |
| Noninterest expense: | | | | |
| Salaries and employee benefits | 5,262 | 4,093 | 13,732 | 11,539 |
| Occupancy and equipment expense | 1,258 | 970 | 3,483 | 2,735 |
| Professional fees | 388 | 539 | 1,210 | 1,231 |
| Data processing fees | 306 | 260 | 858 | 823 |
| Marketing expense | 249 | 142 | 688 | 487 |
| Loan acquisition and collection expense | 352 | 244 | 1,285 | 798 |

| | | | | |
|--|-----------------|----------------|-----------------|-----------------|
| FDIC insurance premiums | 125 | 125 | 364 | 364 |
| Intangible asset amortization | 205 | 262 | 735 | 935 |
| Other noninterest expense | 686 | 598 | 2,112 | 1,836 |
| Total noninterest expense | <u>8,831</u> | <u>7,233</u> | <u>24,467</u> | <u>20,748</u> |
| Income (loss) from continuing operations before income tax expense (benefit) | 2,477 | 169 | 6,215 | (231) |
| Income tax expense (benefit) | 811 | 15 | 2,000 | (209) |
| Net income (loss) from continuing operations | <u>\$ 1,666</u> | <u>\$ 154</u> | <u>\$ 4,215</u> | <u>\$ (22)</u> |
| Discontinued operations: | | | | |
| Income from discontinued operations | \$ 0 | \$ 0 | \$ 0 | \$ 186 |
| Gain on sale of discontinued operations | 0 | 22 | 0 | 1,551 |
| Income tax expense | 0 | 8 | 0 | 600 |
| Net income from discontinued operations | <u>\$ 0</u> | <u>\$ 14</u> | <u>\$ 0</u> | <u>\$ 1,137</u> |
| Net income | <u>\$ 1,666</u> | <u>\$ 168</u> | <u>\$ 4,215</u> | <u>\$ 1,115</u> |
| Net income available to common stockholders | <u>\$ 1,666</u> | <u>\$ 70</u> | <u>\$ 3,860</u> | <u>\$ 821</u> |
| Weighted-average shares outstanding: | | | | |
| Basic | 10,425,576 | 3,494,498 | 10,397,280 | 3,494,498 |
| Diluted | 10,425,576 | 3,512,273 | 10,397,280 | 3,494,498 |
| Earnings per common share: | | | | |
| Basic: | | | | |
| Income (loss) from continuing operations | \$ 0.16 | \$ 0.02 | \$ 0.37 | \$ (0.09) |
| Income from discontinued operations | 0.00 | 0.00 | 0.00 | 0.32 |
| Net income | <u>\$ 0.16</u> | <u>\$ 0.02</u> | <u>\$ 0.37</u> | <u>\$ 0.23</u> |
| Diluted: | | | | |
| Income (loss) from continuing operations | \$ 0.16 | \$ 0.02 | \$ 0.37 | \$ (0.09) |
| Income from discontinued operations | 0.00 | 0.00 | 0.00 | 0.32 |
| Net income | <u>\$ 0.16</u> | <u>\$ 0.02</u> | <u>\$ 0.37</u> | <u>\$ 0.23</u> |
| Cash dividends declared per common share | <u>\$ 0.09</u> | <u>\$ 0.09</u> | <u>\$ 0.27</u> | <u>\$ 0.27</u> |

**NORTHEAST BANCORP AND SUBSIDIARY
CONSOLIDATED AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS**

(Unaudited)
(Dollars in thousands)

| | Three Months Ended March 31, | | | | | |
|-------------------------------------|------------------------------|-------------------------|--------------------|------------------|-------------------------|--------------------|
| | 2013 | | | 2012 | | |
| | Average Balance | Interest Income/Expense | Average Yield/Rate | Average Balance | Interest Income/Expense | Average Yield/Rate |
| | (Dollars in thousands) | | | | | |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Investment securities (1) | \$131,006 | \$ 234 | 0.72% | \$132,681 | \$ 422 | 1.28% |
| Loans (2) (3) | 390,609 | 9,601 | 9.97% | 348,777 | 5,870 | 6.77% |
| Regulatory stock | 5,391 | 4 | 0.30% | 5,697 | 15 | 1.06% |
| Short-term investments (4) | 133,025 | 81 | 0.25% | 67,887 | 45 | 0.27% |
| Total interest-earning assets | <u>660,031</u> | <u>9,920</u> | <u>6.10%</u> | <u>555,042</u> | <u>6,352</u> | <u>4.60%</u> |
| Cash and due from banks | 3,184 | | | 2,881 | | |
| Other non-interest earning assets | 36,694 | | | 35,651 | | |
| Total assets | <u>\$699,909</u> | | | <u>\$593,574</u> | | |
| Liabilities & Stockholders' Equity: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| NOW accounts | \$ 55,068 | \$ 36 | 0.27% | \$ 54,242 | \$ 48 | 0.36% |
| Money market accounts | 70,613 | 102 | 0.59% | 43,602 | 38 | 0.35% |
| Savings accounts | 32,464 | 11 | 0.14% | 32,923 | 12 | 0.15% |
| Time deposits | <u>297,555</u> | <u>935</u> | <u>1.27%</u> | <u>227,182</u> | <u>777</u> | <u>1.38%</u> |

| | | | | | | |
|------------------------------------|----------------|--------------|-------|----------------|--------------|-------|
| Total interest-bearing deposits | 455,700 | 1,084 | 0.96% | 357,949 | 875 | 0.98% |
| Short-term borrowings | 1,889 | 4 | 0.86% | 1,321 | 7 | 2.13% |
| Borrowed funds | 64,212 | 389 | 2.46% | 112,468 | 528 | 1.89% |
| Junior subordinated debentures | 8,205 | 190 | 9.39% | 8,047 | 188 | 9.40% |
| Total interest-bearing liabilities | <u>530,006</u> | <u>1,667</u> | 1.28% | <u>479,785</u> | <u>1,598</u> | 1.34% |

Interest-bearing liabilities of discontinued operations (5) 0 0

Non-interest bearing liabilities:

| | | | | | | |
|--|------------------|--|--|------------------|--|--|
| Demand deposits and escrow accounts | 48,426 | | | 44,249 | | |
| Other liabilities | 5,921 | | | 3,972 | | |
| Total liabilities | <u>584,353</u> | | | <u>528,006</u> | | |
| Stockholders' equity | 115,556 | | | 65,568 | | |
| Total liabilities and stockholders' equity | <u>\$699,909</u> | | | <u>\$593,574</u> | | |

Net interest income \$ 8,253 \$ 4,754

Interest rate spread 4.82% 3.26%
Net interest margin (6) 5.07% 3.44%

(1) Interest income and yield are stated on a fully tax-equivalent basis using a 34% 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) The average balance of borrowings associated with discontinued operations has been excluded from interest expense, interest rate spread, and net interest margin.

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

**NORTHEAST BANCORP AND SUBSIDIARY
CONSOLIDATED AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS**

(Unaudited)

(Dollars in thousands)

| | Nine Months Ended March 31, | | | | | |
|------------------------|-----------------------------|--------------------|-----------------|-------------------------|--------------------|--|
| | 2013 | | | 2012 | | |
| Average Balance | Interest Income/Expense | Average Yield/Rate | Average Balance | Interest Income/Expense | Average Yield/Rate | |
| (Dollars in thousands) | | | | | | |

Assets:

Interest-earning assets:

| | | | | | | |
|-----------------------------------|------------------|---------------|-------|------------------|---------------|-------|
| Investment securities (1) | \$132,835 | \$ 929 | 0.93% | \$139,834 | \$ 1,602 | 1.52% |
| Loans (2) (3) | 380,885 | 25,209 | 8.82% | 335,016 | 16,881 | 6.71% |
| Regulatory stock | 5,446 | 42 | 1.03% | 5,740 | 48 | 1.11% |
| Short-term investments (4) | 130,991 | 241 | 0.25% | 71,243 | 128 | 0.24% |
| Total interest-earning assets | <u>650,157</u> | <u>26,421</u> | 5.41% | <u>551,833</u> | <u>18,659</u> | 4.50% |
| Cash and due from banks | 3,094 | | | 2,927 | | |
| Other non-interest earning assets | 37,571 | | | 37,143 | | |
| Total assets | <u>\$690,822</u> | | | <u>\$591,903</u> | | |

Liabilities & Stockholders' Equity:

Interest-bearing liabilities:

| | | | | | | |
|---------------------------------|----------------|--------------|-------|----------------|--------------|-------|
| NOW accounts | \$ 55,468 | \$ 116 | 0.28% | \$ 55,080 | \$ 170 | 0.41% |
| Money market accounts | 56,739 | 221 | 0.52% | 44,613 | 130 | 0.39% |
| Savings accounts | 31,631 | 32 | 0.13% | 32,907 | 56 | 0.23% |
| Time deposits | 283,287 | 2,721 | 1.28% | 221,127 | 2,192 | 1.32% |
| Total interest-bearing deposits | <u>427,125</u> | <u>3,090</u> | 0.96% | <u>353,727</u> | <u>2,548</u> | 0.96% |

| | | | | | | |
|---|------------------|--------------|-------|------------------|--------------|------------------|
| Short-term borrowings | 1,397 | 15 | 1.43% | 1,030 | 15 | 1.94% |
| Borrowed funds | 81,183 | 1,334 | 2.19% | 113,109 | 1,592 | 1.87% |
| Junior subordinated debentures | 8,164 | 574 | 9.37% | 8,009 | 556 | 9.24% |
| Total interest-bearing liabilities | <u>517,869</u> | <u>5,013</u> | 1.29% | <u>475,875</u> | <u>4,711</u> | 1.32% |
| Interest-bearing liabilities of discontinued operations (5) | 0 | | | 380 | | |
| Non-interest bearing liabilities: | | | | | | |
| Demand deposits and escrow accounts | 50,192 | | | 45,771 | | |
| Other liabilities | 5,636 | | | 4,267 | | |
| Total liabilities | <u>573,697</u> | | | <u>526,293</u> | | |
| Stockholders' equity | <u>117,125</u> | | | <u>65,610</u> | | |
| Total liabilities and stockholders' equity | <u>\$690,822</u> | | | <u>\$591,903</u> | | |
| Net interest income | | | | <u>\$ 21,408</u> | | <u>\$ 13,948</u> |
| Interest rate spread | | | 4.12% | | | 3.18% |
| Net interest margin (6) | | | 4.39% | | | 3.36% |

(1) Interest income and yield are stated on a fully tax-equivalent basis using a 34% 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) The average balance of borrowings associated with discontinued operations has been excluded from interest expense, interest rate spread, and net interest margin.

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

NORTHEAST BANCORP AND SUBSIDIARY SELECTED CONSOLIDATED FINANCIAL HIGHLIGHTS AND OTHER DATA

(Unaudited)

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

| | Three Months Ended | | | | |
|---|--------------------|-------------------|--------------------|---------------|----------------|
| | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 | March 31, 2012 |
| Net interest income | \$ 8,253 | \$ 7,057 | \$ 6,098 | \$ 6,749 | \$ 4,754 |
| Provision for loan losses | 346 | 247 | 228 | 312 | 100 |
| Noninterest income | 3,401 | 3,544 | 3,150 | 2,464 | 2,748 |
| Noninterest expense | 8,831 | 8,132 | 7,502 | 7,473 | 7,233 |
| Net income from discontinued operations | 0 | 0 | 0 | 10 | 14 |
| Net income | 1,666 | 1,517 | 1,034 | 1,048 | 168 |
| Weighted average common shares outstanding: | | | | | |
| Basic | 10,425,576 | 10,383,441 | 10,383,441 | 6,605,465 | 3,494,498 |
| Diluted | 10,425,576 | 10,383,441 | 10,383,441 | 6,607,171 | 3,512,273 |
| Earnings per common share: | | | | | |
| Basic | \$ 0.16 | \$ 0.12 | \$ 0.09 | \$ 0.14 | \$ 0.02 |
| Diluted | 0.16 | 0.12 | 0.09 | 0.14 | 0.02 |
| Dividends per common share | 0.09 | 0.09 | 0.09 | 0.09 | 0.09 |
| Return on average assets | 0.97% | 0.87% | 0.61% | 0.68% | 0.11% |
| Return on average equity | 5.85% | 5.15% | 3.45% | 4.74% | 1.03% |
| Net interest rate spread (1) | 4.82% | 4.02% | 3.52% | 4.41% | 3.26% |
| Net interest margin (2) | 5.07% | 4.28% | 3.80% | 4.63% | 3.44% |
| Efficiency ratio (3) | 75.78% | 76.71% | 81.12% | 81.11% | 96.42% |
| Noninterest expense to average total assets | 5.12% | 4.64% | 4.39% | 4.82% | 4.91% |

Average interest-earning
assets to average interest-
bearing liabilities

124.53% 125.48% 126.65% 120.51% 115.69%

| | As of | | | | |
|---|-------------------|-------------------|--------------------|-------------------|------------------|
| | March 31, 2013 | December 31, 2012 | September 30, 2012 | June 30, 2012 | March 31, 2012 |
| Nonperforming loans: | | | | | |
| Originated portfolio: | | | | | |
| Residential real estate | \$ 2,296 | \$ 3,512 | \$ 3,184 | \$ 3,090 | \$ 3,067 |
| Commercial real estate | 631 | 624 | 626 | 417 | 442 |
| Construction | 0 | 0 | 0 | 0 | 0 |
| Home equity | 405 | 620 | 289 | 220 | 255 |
| Commercial business | 103 | 123 | 133 | 1,008 | 1,108 |
| Consumer | 258 | 166 | 181 | 324 | 309 |
| | <u>3,693</u> | <u>5,045</u> | <u>4,413</u> | <u>5,059</u> | <u>5,181</u> |
| Purchased portfolio: | | | | | |
| Residential real estate | 0 | 0 | 0 | 0 | 0 |
| Commercial real estate | 1,700 | 2,144 | 667 | 1,055 | 0 |
| Commercial business | 0 | 0 | 0 | 0 | 0 |
| | <u>1,700</u> | <u>2,144</u> | <u>667</u> | <u>1,055</u> | <u>0</u> |
| Total nonperforming loans | <u>5,393</u> | <u>7,189</u> | <u>5,080</u> | <u>6,114</u> | <u>5,181</u> |
| Repossessed collateral | <u>2,038</u> | <u>2,633</u> | <u>2,645</u> | <u>834</u> | <u>915</u> |
| Total nonperforming assets | <u>\$ 7,431</u> | <u>\$ 9,822</u> | <u>\$ 7,725</u> | <u>\$ 6,948</u> | <u>\$ 6,096</u> |
| Past due loans to total loans | 2.00% | 2.52% | 1.65% | 1.95% | 2.06% |
| Nonperforming loans to total loans | 1.42% | 1.83% | 1.35% | 1.72% | 1.50% |
| Nonperforming assets to total assets | 1.06% | 1.39% | 1.15% | 1.04% | 1.02% |
| Allowance for loan losses to total loans | 0.27% | 0.22% | 0.18% | 0.23% | 0.22% |
| Allowance for loan losses to nonperforming loans | 19.15% | 12.17% | 13.15% | 13.48% | 14.44% |
| Commercial real estate loans to risk-based capital (4) | 184.40% | 193.74% | 167.62% | 148.28% | 238.25% |
| Net loans to core deposits (5) | 77.72% | 81.01% | 86.69% | 88.29% | 88.65% |
| Purchased loans to total loans, including held for sale | 33.63% | 33.36% | 27.68% | 23.07% | 16.16% |
| Equity to total assets | 16.54% | 16.31% | 17.72% | 17.83% | 10.90% |
| Tier 1 leverage capital ratio | 17.41% | 17.44% | 18.37% | 19.91% | 11.85% |
| Total risk-based capital ratio | 30.71% | 29.35% | 31.32% | 33.34% | 19.49% |
| Total stockholders' equity | \$ 115,737 | \$ 114,931 | \$ 118,857 | \$ 119,139 | \$ 64,870 |
| Less: Preferred stock | 0 | 0 | (4,227) | (4,227) | (4,227) |
| Common stockholders' equity | \$ 115,737 | 114,931 | 114,630 | 114,912 | 60,643 |
| Less: Intangible assets | (3,751) | (3,957) | (4,222) | (4,487) | (4,749) |
| Tangible common stockholders' equity (non-GAAP) | <u>\$ 111,986</u> | <u>\$ 110,974</u> | <u>\$ 110,408</u> | <u>\$ 110,425</u> | <u>\$ 55,894</u> |
| Common shares outstanding | 10,446,643 | 10,383,441 | 10,383,441 | 10,383,441 | 3,507,524 |
| Book value per common share | \$ 11.08 | \$ 11.07 | \$ 11.04 | \$ 11.07 | \$ 17.29 |
| Tangible book value per share (non-GAAP) (6) | \$ 10.72 | \$ 10.69 | \$ 10.63 | \$ 10.63 | \$ 15.94 |

(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 non-interest expense divided by the sum of net interest income (before the loan loss provision) plus non-interest income.
- (4) For purposes of calculating this ratio, commercial real estate includes all those loans defined as such by regulatory guidance, including all land development and construction loans.
- (5) Core deposits includes all non-maturity deposits and maturity deposits less than \$250 thousand. Net loans includes loans held-for-sale.
- (6) Tangible book value per share represents total stockholders' equity less the sum of preferred stock and intangible assets divided by common shares outstanding.

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