



Northeast Bank Reports Fourth Quarter Results, Record Annual Earnings and Declares Dividend

July 28, 2021

PORTLAND, Maine, July 28, 2021 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$21.4 million, or \$2.54 per diluted common share, for the quarter ended June 30, 2021, compared to net income of \$11.2 million, or \$1.33 per diluted common share, for the quarter ended June 30, 2020. Net income for the year ended June 30, 2021 was \$71.5 million, or \$8.55 per diluted common share, compared to \$22.7 million, or \$2.53 per diluted common share, for the year ended June 30, 2020. Net income for the quarter and year ended June 30, 2021 included \$12.6 million and \$46.7 million, respectively, of net gains on the sale of U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans sold during the quarter and year ended June 30, 2021, which had an after-tax earnings per diluted common share impact of \$1.06 and \$3.95, respectively.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on August 27, 2021, to shareholders of record as of August 13, 2021.

"We closed our fiscal year with another strong quarter," said Rick Wayne, Chief Executive Officer. "For the fourth fiscal quarter, we originated \$563.0 million of Round 2 PPP loans, sold \$671.4 million to The Loan Source, Inc., and generated \$12.6 million of net gains. For the year ended June 30, 2021, we originated \$2.84 billion of PPP loans to over 30,000 borrowers with 287,000 associated jobs. Additionally, in the fourth quarter, we generated \$6.7 million of correspondent fee income under the arrangement with Loan Source and ACAP SME, LLC. As correspondent, we facilitated for Loan Source purchases of \$4.4 billion of PPP loans during the quarter and cumulative purchases of \$11.2 billion through June 30, 2021. Our national lending business remained strong, with originated and purchased loans of \$147.8 million during the quarter and \$478.4 million for the year, representing 11.5% annual growth." Mr. Wayne continued, "As a result, we are reporting earnings of \$2.54 per diluted common share, a return on average equity of 38.0%, a return on average assets of 4.6%, and an efficiency ratio of 25.0% for the quarter."

As of June 30, 2021, total assets were \$2.17 billion, an increase of \$916.8 million, or 72.9%, from total assets of \$1.26 billion as of June 30, 2020.

1. Cash and short-term investments increased by \$866.8 million, or 603.4%, primarily due to the timing of a large deposit account related to PPP payoff collections and purchases that is subject to significant fluctuation given the PPP activity during the quarter ended June 30, 2021. Cash and short-term investments may fluctuate significantly and remain at an elevated level while PPP collections, including forgiveness amounts, continue, depending on the timing of receipts and remittances of cash amounts.
2. The following table highlights the changes in the loan portfolio for the three months and year ended June 30, 2021:

	Loan Portfolio Changes			
	Three Months Ended June 30, 2021			
	June 30, 2021 Balance	March 31, 2021 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 429,054	\$ 433,497	\$ (4,443)	(1.02%)
National Lending Originated	523,535	473,930	49,605	10.47%
SBA National	39,549	42,707	(3,158)	(7.39%)
Community Banking	48,486	52,674	(4,188)	(7.95%)
Total	<u>\$ 1,040,624</u>	<u>\$ 1,002,808</u>	<u>\$ 37,816</u>	<u>3.77%</u>
	Year Ended June 30, 2021			
	June 30, 2021 Balance	June 30, 2020 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 429,054	\$ 386,624	\$ 42,430	10.97%
National Lending Originated	523,535	467,612	55,923	11.96%
SBA National	39,549	47,095	(7,546)	(16.02%)
Community Banking	48,486	70,271	(21,785)	(31.00%)
Total	<u>\$ 1,040,624</u>	<u>\$ 971,602</u>	<u>\$ 69,022</u>	<u>7.10%</u>

Loans generated by the Bank's National Lending Division for the quarter ended June 30, 2021 totaled \$147.8 million, which consisted of \$33.8 million of purchased loans, at an average price of 95.1% of unpaid principal balance, and \$114.0 million of originated loans.

Additionally, the Bank originated \$563.0 million of loans in connection with the PPP and sold \$671.4 million of PPP loans during the quarter ended June 30, 2021. The Bank recorded a net gain of \$12.6 million from the sale of PPP loans, primarily resulting from the recognition of net deferred origination fees upon the sale of the loans.

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

	National Lending Portfolio					
	Three Months Ended June 30,					
	2021			2020		
	Purchased	Originated	Total	Purchased	Originated	Total
(Dollars in thousands)						
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 35,456	\$ 114,020	\$ 149,476	\$ 14,611	\$ 33,612	\$ 48,223
Net investment basis	33,732	114,020	147,752	12,744	33,612	46,356
Loan returns during the period:						
Yield	8.99%	6.58%	7.68%	9.89%	7.13%	8.34%
Total Return on Purchased Loans (1)	8.99%	6.58%	7.68%	9.89%	7.13%	8.34%
Years Ended June 30,						
2021			2020			
Purchased	Originated	Total	Purchased	Originated	Total	
(Dollars in thousands)						
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 181,591	\$ 308,862	\$ 490,453	\$ 182,588	\$ 221,484	\$ 404,072
Net investment basis	169,489	308,862	478,351	171,262	221,484	392,746
Loan returns during the period:						
Yield	8.91%	6.93%	7.84%	9.86%	7.43%	8.47%
Total Return on Purchased Loans (1)	8.91%	6.93%	7.84%	9.97%	7.43%	8.51%
Total loans as of period end:						
Unpaid principal balance	\$ 466,059	\$ 523,535	\$ 989,594	\$ 421,659	\$ 467,612	\$ 889,271
Net investment basis	429,054	523,535	952,589	386,624	467,612	854,236

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on asset sales, gains on real estate owned and other noninterest income recorded during the period divided by the average invested balance, which includes purchased loans held for sale, on an annualized basis. The total return on purchased loans does not include the effect of purchased loan charge-offs or recoveries during the period. Total return on purchased loans is considered a non-GAAP financial measure. See reconciliation in below table entitled "Total Return on Purchased Loans."

- Deposits increased by \$850.1 million, or 84.0%, from June 30, 2020. The increase was attributable to increases in demand deposits of \$877.7 million, or 926.4%, and savings and interest checking accounts of \$187.2 million, or 135.9%, partially offset by a decrease in time deposits of \$199.6 million, or 41.8%, due to intentional runoff. The increase in demand deposits was primarily due to the timing of a large deposit account related to PPP collections and payoffs that is subject to significant fluctuation given the PPP forgiveness activity during the quarter ended June 30, 2021.
- Shareholders' equity increased by \$67.7 million, or 41.1%, from June 30, 2020, primarily due to net income of \$71.5 million. Shareholders' equity also increased by \$965 thousand as a result of stock options exercised, which resulted in 153 thousand shares of common stock issued, and increased by \$978 thousand due to stock-based compensation. Partially offsetting these increases was the repurchase of 194,317 shares of common stock at a weighted average price per share of \$29.56, which resulted in a \$5.7 million decrease in shareholders' equity.

Net income increased by \$10.2 million to \$21.4 million for the quarter ended June 30, 2021, compared to net income of \$11.2 million for the quarter ended June 30, 2020.

- Net interest and dividend income before provision for loan losses increased by \$718 thousand to \$18.1 million for the quarter ended June 30, 2021, compared to \$17.4 million for the quarter ended June 30, 2020. The increase was primarily due to the following:
 - A decrease in deposit interest expense of \$2.4 million, due to lower interest rates and lower average balances in interest-bearing deposits; partially offset by,
 - A decrease in PPP loan interest income of \$677 thousand, due to lower average balances;
 - A decrease in interest income earned on the National Lending Division's originated portfolio of \$509 thousand, due to lower rates earned, partially offset by higher average balances; and
 - A decrease of \$390 thousand in interest income earned on the Community Bank portfolio, due to lower average balances and average rates earned.

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

Interest Income and Yield on Loans	
Three Months Ended June 30,	

	2021			2020		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	\$ 49,003	\$ 585	4.79%	\$ 74,059	\$ 975	5.30%
SBA National	41,331	606	5.88%	48,191	642	5.36%
National Lending:						
Originated	501,646	8,229	6.58%	492,612	8,738	7.13%
Purchased	424,102	9,507	8.99%	386,212	9,495	9.89%
Total National Lending	925,748	17,736	7.68%	878,824	18,233	8.34%
Total excluding SBA PPP	\$ 1,016,082	\$ 18,927	7.47%	\$ 1,001,074	\$ 19,850	8.17%
SBA PPP	\$ 172,787	\$ 884	2.05%	\$ 223,804	\$ 1,561	2.81%
Total including SBA PPP	\$ 1,188,869	\$ 19,811	6.68%	\$ 1,224,878	\$ 21,411	7.03%

	Year Ended June 30,					
	2021			2020		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	\$ 56,711	\$ 2,746	4.84%	\$ 82,472	\$ 4,470	5.42%
SBA National	45,764	2,442	5.33%	55,511	4,066	7.32%
National Lending:						
Originated	469,632	32,560	6.93%	479,054	35,572	7.43%
Purchased	400,141	35,649	8.91%	356,958	35,201	9.86%
Total National Lending	869,773	68,209	7.84%	836,012	70,773	8.47%
Total excluding SBA PPP	\$ 972,248	\$ 73,396	7.55%	\$ 973,995	\$ 59,459	8.20%
SBA PPP	\$ 166,230	\$ 3,522	2.12%	\$ 55,649	\$ 1,561	2.81%
Total including SBA PPP	\$ 1,138,478	\$ 76,918	6.76%	\$ 1,029,644	\$ 80,870	7.85%

(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 June 30, 2020, transactional income decreased by \$166 thousand for the quarter ended June 30, 2021, while regularly scheduled interest and accretion increased by \$178 thousand due to the increase in average balances, partially offset by lower rates earned. The total return on purchased loans for the quarter ended June 30, 2021 was 9.0%, a decrease from 9.9% for the quarter ended June 30, 2020. The following table details the total return on purchased loans:

	Total Return on Purchased Loans			
	Three Months Ended June 30,			
	2021		2020	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 7,070	6.69%	\$ 6,892	7.18%
Transactional income:				
Accelerated accretion and loan fees	2,437	2.30%	2,603	2.71%
Total transactional income	2,437	2.30%	2,603	2.71%
Total	\$ 9,507	8.99%	\$ 9,495	9.89%

	Year Ended June 30,			
	2021		2020	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 27,536	6.88%	\$ 26,202	7.34%
Transactional income:				
Gain on real estate owned	-	0.00%	395	0.11%

Accelerated accretion and loan fees	8,113	2.03%	8,999	2.52%
Total transactional income	8,113	2.03%	9,394	2.63%
Total	<u>\$ 35,649</u>	8.91%	<u>\$ 35,596</u>	9.97%

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

- Provision for loan losses decreased by \$2.8 million to a credit of \$1.9 million for the quarter ended June 30, 2021, from a \$905 thousand provision in the quarter ended June 30, 2020. The decrease in the provision for loan losses reflects decreases in certain qualitative factors during the current quarter as a result of continued improvements from the COVID-19 pandemic, primarily in the SBA loan portfolio, partially offset by an increase in loan balances during the quarter.
- Noninterest income increased by \$9.8 million for the quarter ended June 30, 2021, compared to the quarter ended June 30, 2020, principally due to the following:
 - An increase in gain on sale of PPP loans of \$2.9 million, due to the sale of PPP loans with a total principal balance of \$671.4 million in the quarter ended June 30, 2021, as compared to the sale of PPP loans with a total balance of \$457.6 million in the quarter ended June 30, 2020, which resulted in a net gain based on the recognition of net deferred fees; and
 - An increase in correspondent fee income of \$6.6 million from the recognition of correspondent fees and net servicing income as a result of the correspondent arrangement entered into with The Loan Source, Inc. ("Loan Source") during the quarter ended June 30, 2020. Under the correspondent arrangement, the Bank earns a correspondent fee when Loan Source purchases PPP loans and the Bank subsequently shares in net servicing income on such purchased PPP loans. Correspondent income for the quarter is comprised of the following components:

	Income Earned (In thousands)
Correspondent Fee	\$ 1,080
Amortization of Purchased Accrued Interest	972
Earned Net Servicing Interest	4,602
Total	<u>\$ 6,654</u>

A summary of PPP loans purchased by Loan Source and related amounts that the Bank will earn over the expected life of the loans is as follows:

Quarter	PPP Loans Purchased by Loan Source ⁽³⁾	Correspondent Fee	Purchased Accrued Interest ⁽¹⁾	Total ⁽²⁾
		(In thousands)		
Q4 FY 2020	\$ 1,272,900	\$ 2,891	\$ 688	\$ 3,579
Q1 FY 2021	2,112,100	5,348	2,804	8,152
Q2 FY 2021	1,333,500	495	3,766	4,261
Q3 FY 2021	2,141,900	-	598	598
Q4 FY 2021	4,371,000	171	3,452	3,623
Total	<u>\$ 11,231,400</u>	<u>\$ 8,905</u>	<u>\$ 11,308</u>	<u>\$ 20,213</u>
	Less amounts recognized in Q4 FY 21	(1,080)	(972)	(2,052)
	Less amounts recognized in previous quarters	(3,001)	(1,813)	(4,814)
	Amount remaining to be recognized	<u>\$ 4,824</u>	<u>\$ 8,523</u>	<u>\$ 13,347</u>

(1) - Northeast Bank's share

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

(3) - Loan Source's ending PPP loan balance was \$8.39 billion as of June 30, 2021

In addition to these increases:

- A decrease in loss on assets held for sale of \$337 thousand due to the fair value adjustment for PPP loans held for sale at June 30, 2020, as compared to no PPP loans held for sale at June 30, 2021.
- Noninterest expense decreased by \$741 thousand for the quarter ended June 30, 2021 compared to the quarter ended June 30, 2020, primarily due to the following:
 - A decrease in salaries expense of \$1.7 million, primarily due to a decrease of \$1.4 million in incentive compensation due to the annual bonus true-up being recorded during the quarter ended March 31, 2021 as compared to the quarter ended June 30, 2020 and an increase of \$733 thousand in deferred salaries contra-expense related to higher PPP originations, partially offset by an increase of \$310 thousand in regular compensation, due to salary increases; partially offset by,
 - An increase in loan expense of \$648 thousand, primarily due to \$522 thousand in correspondent expenses associated with

- the Loan Source correspondent arrangement and increased collection legal expenses;
- An increase in other noninterest expense of \$158 thousand, primarily due to the quarterly valuation of the SBA servicing asset, which resulted in a \$93 thousand recovery during the quarter ended June 30, 2021 as compared to a \$190 thousand recovery during the quarter ended June 30, 2020; and
 - An increase in marketing expense of \$154 thousand, due to increased website advertising and general production in connection with National Lending Division and deposit initiatives.
5. Income tax expense increased by \$4.0 million to \$8.9 million, or an effective tax rate of 29.4%, for the quarter ended June 30, 2021, compared to \$4.9 million, or an effective tax rate of 30.4%, for the quarter ended June 30, 2020. The increase in income tax expense is due to the increase in pre-tax income. The decrease in the effective tax rate from June 30, 2020 is primarily due to a smaller year-end true-up adjustment related to state tax apportionment in the quarter ended June 30, 2021.

As of June 30, 2021, nonperforming assets totaled \$20.4 million, or 0.94% of total assets, compared to \$24.4 million, or 1.94% of total assets, as of June 30, 2020. As of June 30, 2021, past due loans totaled \$11.3 million, or 1.08% of total loans, compared to past due loans totaling \$16.4 million, or 1.69% of total loans, as of June 30, 2020.

As of June 30, 2021, the Bank's Tier 1 leverage capital ratio was 13.6%, compared to 13.4% at June 30, 2020, and the Total capital ratio was 24.3% at June 30, 2021, compared to 19.6% at June 30, 2020. Capital ratios were affected by earnings during the year ended June 30, 2021.

Investor Call Information

Rick Wayne, Chief Executive Officer, Jean-Pierre Lapointe, Chief Financial Officer, and Pat Dignan, Executive Vice President and Chief Credit Officer of Northeast Bank, will host a **conference call to discuss fourth quarter earnings and business outlook at 10:00 a.m. Eastern Time on Thursday, July 29th**. Investors can access the call by dialing 800.773.2954 and entering the following passcode: 50197423. The call will be available via live webcast, which can be viewed by accessing the Bank's website at www.northeastbank.com and clicking on the About Us - Investor Relations section. To listen to the webcast, attendees are encouraged to visit the website at least fifteen minutes early to register, download and install any necessary audio software. Please note there will also be a slide presentation that will accompany the webcast. For those who cannot listen to the live broadcast, a replay will be available online for one year at www.northeastbank.com.

About Northeast Bank

Northeast Bank (NASDAQ: NBN) is a full-service bank headquartered in Portland, Maine. We offer personal and business banking services to the Maine market via nine branches. Our National Lending Division purchases and originates commercial loans on a nationwide basis. ableBanking, a division of Northeast Bank, offers online savings products to consumers nationwide. Information regarding Northeast Bank can be found at www.northeastbank.com.

Non-GAAP Financial Measures

In addition to results presented in accordance with generally accepted accounting principles ("GAAP"), this press release contains certain non-GAAP financial measures, including tangible common shareholders' equity, tangible book value per share, total return on purchased loans, efficiency ratio, 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. Although the Bank believes that these forward-looking statements are based on reasonable estimates and assumptions, they are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors. You should not place undue reliance on our forward-looking statements. You should exercise caution in interpreting and relying on forward-looking statements because they are subject to significant risks, uncertainties and other factors which are, in some cases, beyond the Bank's control. The Bank's actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, the ongoing negative impacts and disruptions of the COVID-19 pandemic and measures taken to contain its spread on our employees, customers, business operations, credit quality, financial position, liquidity and results of operations; general business and economic conditions on a national basis and in the local markets in which the Bank operates, including changes which adversely affect borrowers' ability to service and repay our loans; changes in customer behavior due to changing political, business and economic conditions or legislative or regulatory initiatives; turbulence in the capital and debt markets; changes in interest rates and real estate values; increases in loan defaults and charge-off rates; decreases in the value of securities and other assets, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; changing government regulation; competitive pressures from other financial institutions; operational risks including, but not limited to, cybersecurity incidents, fraud, natural disasters and future pandemics; the risk that the Bank may not be successful in the implementation of its business strategy; the risk that intangibles recorded in the Bank's financial statements will become impaired; changes in assumptions used in making such forward-looking statements; and the other risks and uncertainties detailed in the Bank's Annual Report on Form 10-K and updated by our Quarterly Reports on Form 10-Q and other filings submitted to the Federal Deposit Insurance Corporation. These statements speak only as of the date of this release and the Bank does not undertake any obligation to update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this communication or to reflect the occurrence of unanticipated events.

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NORTHEAST BANK
BALANCE SHEETS
(Unaudited)

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

	June 30, 2021	June 30, 2020
Assets		
Cash and due from banks	\$ 2,850	\$ 2,795
Short-term investments	1,007,641	140,862
Total cash and cash equivalents	1,010,491	143,657
Available-for-sale debt securities, at fair value	59,737	64,918
Equity securities, at fair value	7,230	7,239
Total investment securities	66,967	72,157
Residential real estate loans held for sale	-	601
SBA loans held for sale	-	28,852
Total loans held for sale	-	29,453
Loans:		
Commercial real estate	725,287	679,537
Commercial and industrial	257,604	212,769
Residential real estate	56,591	77,722
Consumer	1,142	1,574
Total loans	1,040,624	971,602
Less: Allowance for loan losses	7,313	9,178
Loans, net	1,033,311	962,424
Premises and equipment, net	11,271	9,670
Real estate owned and other repossessed collateral, net	1,639	3,274
Federal Home Loan Bank stock, at cost	1,209	1,390
Loan servicing rights, net	2,061	2,113
Bank-owned life insurance	17,498	17,074
Other assets	29,955	16,423
Total assets	\$ 2,174,402	\$ 1,257,635
Liabilities and Shareholders' Equity		
Deposits:		
Demand	\$ 972,495	\$ 94,749
Savings and interest checking	325,062	137,824
Money market	287,033	302,343
Time	277,840	477,436
Total deposits	1,862,430	1,012,352
Federal Home Loan Bank advances	15,000	15,000
Paycheck Protection Program Liquidity Facility advances	-	12,440
Subordinated debt	15,050	14,940
Lease liability	6,061	4,496
Other liabilities	43,470	33,668
Total liabilities	1,942,011	1,092,896
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and 2020	-	-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 8,150,480 and 8,153,841 shares issued and outstanding at June 30, 2021 and 2020, respectively	8,151	8,154
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; zero and 44,783 shares issued and outstanding at June 30, 2021 and 2020, respectively	-	45
Additional paid-in capital	64,420	68,302

Retained earnings	161,132	89,960
Accumulated other comprehensive loss	(1,312)	(1,722)
Total shareholders' equity	232,391	164,739
Total liabilities and shareholders' equity	\$ 2,174,402	\$ 1,257,635

NORTHEAST BANK
STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended June 30,		Year Ended June 30,	
	2021	2020	2021	2020
Interest and dividend income:				
Interest and fees on loans	\$ 19,811	\$ 21,411	\$ 76,918	\$ 80,870
Interest on available-for-sale securities	113	375	754	1,695
Other interest and dividend income	201	59	453	1,119
Total interest and dividend income	20,125	21,845	78,125	83,684
Interest expense:				
Deposits	1,477	3,858	8,867	16,583
Federal Home Loan Bank advances	139	120	535	689
Paycheck Protection Program Liquidity Facility	98	174	400	174
Subordinated debt	282	282	1,126	1,126
Obligation under capital lease agreements	27	27	111	125
Total interest expense	2,023	4,461	11,039	18,697
Net interest and dividend income before provision for loan losses	18,102	17,384	67,086	64,987
Provision (credit) for loan losses	(1,926)	905	(1,396)	4,500
Net interest and dividend income after provision for loan losses	20,028	16,479	68,482	60,487
Noninterest income:				
Fees for other services to customers	441	477	1,869	1,619
Gain on sales of PPP loans	12,577	9,702	46,701	9,702
Gain on sales of SBA loans	-	-	-	793
Gain on sales of residential loans held for sale	1	37	107	600
Net unrealized gain (loss) on equity securities	10	46	(104)	148
Loss on real estate owned, other repossessed collateral and premises and equipment, net	(129)	(263)	(473)	(15)
Correspondent fee income	6,654	20	23,452	20
Bank-owned life insurance income	106	108	424	566
Loss on assets held for sale	-	(337)	-	(337)
Other noninterest income (loss)	(10)	22	57	88
Total noninterest income	19,650	9,812	72,033	13,184
Noninterest expense:				
Salaries and employee benefits	4,994	6,704	22,430	24,976
Occupancy and equipment expense	912	922	3,825	3,588
Professional fees	525	608	1,930	1,783
Data processing fees	1,076	974	4,468	3,954
Marketing expense	252	98	542	337
Loan acquisition and collection expense	899	251	3,267	2,059
FDIC insurance premiums (credits)	109	-	283	(15)
Intangible asset amortization	-	109	-	434
Other noninterest expense	660	502	2,681	3,277
Total noninterest expense	9,427	10,168	39,426	40,393
Income before income tax expense	30,251	16,123	101,089	33,278
Income tax expense	8,881	4,904	29,586	10,541

Net income	\$	<u>21,370</u>	\$	<u>11,219</u>	\$	<u>71,503</u>	\$	<u>22,737</u>
Weighted-average shares outstanding:								
Basic		8,318,689		8,337,088		8,275,577		8,859,037
Diluted		8,397,897		8,405,665		8,360,355		8,991,428
Earnings per common share:								
Basic	\$	2.57	\$	1.35	\$	8.64	\$	2.57
Diluted		2.54		1.33		8.55		2.53
Cash dividends declared per common share								
	\$	0.01	\$	0.01	\$	0.04	\$	0.04

NORTHEAST BANK
AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

	Three Months Ended June 30,					
	2021			2020		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 67,423	\$ 113	0.67%	\$ 73,100	\$ 375	2.06%
Loans (1) (2) (3)	1,188,869	19,811	6.68%	1,224,878	21,411	7.03%
Federal Home Loan Bank stock	1,825	9	1.98%	3,194	29	3.65%
Short-term investments (4)	561,813	192	0.14%	126,499	30	0.10%
Total interest-earning assets	<u>1,819,930</u>	<u>20,125</u>	4.44%	<u>1,428,001</u>	<u>21,845</u>	6.15%
Cash and due from banks	2,805			3,426		
Other non-interest earning assets	60,923			37,222		
Total assets	<u>\$ 1,883,658</u>			<u>\$ 1,468,649</u>		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 238,462	\$ 167	0.28%	\$ 89,194	\$ 124	0.56%
Money market accounts	311,753	258	0.33%	290,643	828	1.15%
Savings accounts	46,087	19	0.17%	35,367	14	0.16%
Time deposits	289,705	1,033	1.43%	518,094	2,892	2.25%
Total interest-bearing deposits	<u>886,007</u>	<u>1,477</u>	0.67%	<u>933,298</u>	<u>3,858</u>	1.66%
Federal Home Loan Bank advances	27,348	139	2.04%	49,615	120	0.97%
PPPLF advances	115,571	98	0.34%	202,285	174	0.35%
Subordinated debt	15,035	282	7.52%	14,925	282	7.60%
Capital lease obligations	6,202	27	1.75%	4,616	27	2.35%
Total interest-bearing liabilities	<u>1,050,163</u>	<u>2,023</u>	0.77%	<u>1,204,739</u>	<u>4,461</u>	1.49%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	573,724			95,062		
Other liabilities	34,034			10,197		
Total liabilities	<u>1,657,921</u>			<u>1,309,998</u>		
Shareholders' equity	225,737			158,651		
Total liabilities and shareholders' equity	<u>\$ 1,883,658</u>			<u>\$ 1,468,649</u>		
Net interest income						
		<u>\$ 18,102</u>			<u>\$ 17,384</u>	
Interest rate spread						
			3.67%			4.66%
Net interest margin (5)						
			3.99%			4.90%
Cost of funds (6)						
			0.51%			1.38%

- (1) Interest income and yield are stated on a fully tax-equivalent basis using the statutory tax rate.
(2) Includes loans held for sale.
(3) Nonaccrual loans are included in the computation of average, but unpaid interest has not been included for purposes of determining interest income.
(4) Short-term investments include Federal Reserve Bank and FHLB overnight deposits and other interest-bearing deposits.
(5) Net interest margin is calculated as net interest income divided by total interest-earning assets.
(6) Cost of funds is calculated as total interest expense divided by total interest-bearing liabilities plus demand deposits and escrow accounts.

NORTHEAST BANK
AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)
(Dollars in thousands)

	Year Ended June 30,					
	2021			2020		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 69,762	\$ 754	1.08%	\$ 78,656	\$ 1,695	2.15%
Loans (1) (2) (3)	1,138,478	76,918	6.76%	1,029,644	80,870	7.85%
Federal Home Loan Bank stock	1,750	61	3.49%	2,204	94	4.26%
Short-term investments (4)	314,405	392	0.12%	94,586	1,025	1.08%
Total interest-earning assets	<u>1,524,395</u>	<u>78,125</u>	5.12%	<u>1,205,090</u>	<u>83,684</u>	6.94%
Cash and due from banks	2,728			2,971		
Other non-interest earning assets	50,909			38,363		
Total assets	<u>\$ 1,578,032</u>			<u>\$ 1,246,424</u>		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 167,505	\$ 495	0.30%	\$ 75,984	\$ 364	0.48%
Money market accounts	312,537	1,517	0.49%	276,264	4,096	1.48%
Savings accounts	39,844	57	0.14%	34,517	57	0.17%
Time deposits	424,894	6,798	1.60%	496,531	12,066	2.43%
Total interest-bearing deposits	944,780	8,867	0.94%	883,296	16,583	1.88%
Federal Home Loan Bank advances	24,072	535	2.22%	34,918	689	1.97%
PPPLF advances	114,341	400	0.35%	50,295	174	0.35%
Subordinated debt	14,995	1,126	7.51%	14,883	1,126	7.57%
Capital lease obligations	5,895	111	1.88%	5,169	125	2.42%
Total interest-bearing liabilities	<u>1,104,083</u>	<u>11,039</u>	1.00%	<u>988,561</u>	<u>18,697</u>	1.89%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	261,322			88,805		
Other liabilities	21,643			9,097		
Total liabilities	<u>1,387,048</u>			<u>1,085,463</u>		
Shareholders' equity	190,984			159,961		
Total liabilities and shareholders' equity	<u>\$ 1,578,032</u>			<u>\$ 1,246,424</u>		
Net interest income		<u>\$ 67,086</u>			<u>\$ 64,987</u>	
Interest rate spread			4.12%			5.05%
Net interest margin (5)			4.40%			5.39%
Cost of funds (6)			0.81%			1.74%

- (1) Interest income and yield are stated on a fully tax-equivalent basis using the statutory tax rate.
(2) Includes loans held for sale.
(3) Nonaccrual loans are included in the computation of average, but unpaid interest has not been included for purposes of determining interest income.

(4) Short-term investments include Federal Reserve Bank and FHLB overnight deposits and other interest-bearing deposits.

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

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

NORTHEAST BANK

SELECTED FINANCIAL HIGHLIGHTS AND OTHER DATA

(Unaudited)

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

	Three Months Ended				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Net interest income	\$ 18,102	\$ 18,603	\$ 15,388	\$ 14,993	\$ 17,384
Provision (credit) for loan losses	(1,926)	(211)	365	377	905
Noninterest income	19,650	39,469	6,497	6,416	9,812
Noninterest expense	9,427	9,636	10,428	9,933	10,168
Net income	21,370	34,162	8,176	7,794	11,219
Weighted-average common shares outstanding:					
Basic	8,318,689	8,344,797	8,244,068	8,196,828	8,337,088
Diluted	8,397,897	8,421,247	8,309,252	8,315,096	8,405,665
Earnings per common share:					
Basic	\$ 2.57	\$ 4.09	\$ 0.99	\$ 0.95	\$ 1.35
Diluted	2.54	4.06	0.98	0.94	1.33
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Return on average assets	4.55%	6.99%	2.66%	2.49%	3.07%
Return on average equity	37.97%	71.06%	18.37%	18.50%	28.44%
Net interest rate spread (1)	3.67%	3.79%	4.92%	4.65%	4.60%
Net interest margin (2)	3.99%	3.93%	5.23%	4.95%	4.90%
Net interest margin, excluding PPP (Non-GAAP) (3)	4.55%	4.64%	5.23%	5.00%	5.34%
Net interest margin, excluding PPP and collection account (Non-GAAP) (4)	5.56%	5.06%	5.23%	5.00%	5.34%
Efficiency ratio (non-GAAP) (5)	24.97%	16.59%	47.65%	46.40%	37.29%
Noninterest expense to average total assets	2.01%	1.97%	3.40%	3.17%	2.78%
Average interest-earning assets to average interest-bearing liabilities	173.30%	125.53%	129.68%	127.02%	118.53%
As of:					
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 696	\$ 643	\$ 6,676	\$ 704	\$ 832
Commercial real estate	5,756	4,790	8,329	6,856	6,861
Commercial and industrial	286	1,408	1,978	2,013	2,058
Consumer	43	23	30	26	29
Total originated portfolio	6,781	6,864	17,013	9,599	9,780
Total purchased portfolio	11,977	16,059	13,497	11,848	11,325
Total nonperforming loans	18,758	22,923	30,510	21,447	21,105
Real estate owned and other repossessed collateral, net	1,639	2,885	2,866	4,102	3,274
Total nonperforming assets	\$ 20,397	\$ 25,808	\$ 33,376	\$ 25,549	\$ 24,379
Past due loans to total loans	1.08%	1.67%	2.31%	2.03%	1.69%
Nonperforming loans to total loans	1.80%	2.29%	3.05%	2.30%	2.17%

Nonperforming assets to total assets	0.94%	1.51%	2.70%	2.03%	1.94%
Allowance for loan losses to total loans	0.70%	0.88%	0.99%	1.02%	0.94%
Allowance for loan losses to nonperforming loans	38.99%	38.48%	32.53%	44.46%	43.49%
Commercial real estate loans to total capital (6)	215.38%	223.09%	251.00%	248.47%	281.32%
Net loans to core deposits (7)	55.71%	76.99%	101.86%	91.74%	96.38%
Purchased loans to total loans, including held for sale	41.23%	43.22%	41.79%	38.40%	39.77%
Equity to total assets	10.69%	12.65%	14.74%	13.73%	13.10%
Common equity tier 1 capital ratio	22.16%	21.07%	17.93%	18.57%	17.13%
Total capital ratio	24.29%	23.39%	20.37%	21.19%	19.61%
Tier 1 leverage capital ratio	13.63%	14.32%	15.07%	14.02%	13.36%
Total shareholders' equity	\$ 232,391	\$ 216,862	\$ 181,962	\$ 172,551	\$ 164,739
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	232,391	216,862	181,962	172,551	164,739
Less: Intangible assets (8)	(2,061)	(2,149)	(2,035)	(2,323)	(2,113)
Tangible common shareholders' equity (non-GAAP)	\$ 230,330	\$ 214,713	\$ 179,927	\$ 170,228	\$ 162,626
Common shares outstanding	8,150,480	8,344,797	8,344,797	8,191,786	8,198,624
Book value per common share	\$ 28.51	\$ 25.99	\$ 21.81	\$ 21.06	\$ 20.09
Tangible book value per share (non-GAAP) (9)	28.26	25.73	21.56	20.78	19.84

(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 \$884 thousand, \$2.6 million, \$80 thousand, and \$1.6 million, PPPLF interest expense of \$98 thousand, \$300 thousand, \$2 thousand, and \$174 thousand, and brokered CD interest expense of \$0, \$99 thousand, \$0, and \$0, as well as PPP loan average balances of \$172.8 million, \$481.9 million, \$16.9 million and \$223.8 million, for the quarters ended June 30, 2021, March 31, 2021, September 30, 2020 and June 30, 2020, 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 \$405.9 million and \$121.7 million and earned \$100 thousand and \$29 thousand in interest income for the quarters ended June 30, 2021 and March 31, 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 exclude all maturity deposits greater than \$250 thousand. Loans include loans held for sale, excluding PPP loans held for sale.

(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.

For More Information:

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