



Northeast Bank Reports Fourth Quarter and Fiscal Year Results and Declares Dividend

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LEWISTON, Maine, July 30, 2019 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service financial institution, today reported a net loss of \$603 thousand, or (\$0.07) per diluted common share, for the quarter ended June 30, 2019, compared to net income of \$4.3 million, or \$0.48 per diluted common share, for the quarter ended June 30, 2018. Net income for the year ended June 30, 2019 was \$13.9 million, or \$1.52 per diluted common share, compared to \$16.2 million, or \$1.77 per diluted common share, for the year ended June 30, 2018.

The current quarter and year-end results included \$6.0 million and \$6.4 million, respectively, of non-recurring expenses (after tax) related to the Bank's recently completed corporate reorganization. Excluding these non-recurring expenses, the Bank recorded net operating earnings (non-GAAP) of \$5.4 million, or \$0.59 per diluted common share, for the quarter ended June 30, 2019 and \$20.3 million, or \$2.20 per diluted common share, for the year ended June 30, 2019. We refer to results excluding these non-recurring items as "net operating earnings."

Reported net income, non-recurring expenses, and net operating earnings for the quarters and years ended June 30, 2019 and 2018, respectively, are set forth below:

	Reconciliation of Net Income (Loss) Available to Common Shareholders (GAAP) to Net Operating Earnings (non-GAAP) ¹			
	Three Months Ended June 30,		Year Ended June 30,	
	2019	2018	2019	2018
(Dollars in thousands, except share and per share data)				
Net income (loss) (GAAP)	\$ (603	) \$ 4,344	\$ 13,884	\$ 16,166
Items excluded from net operating earnings, net of tax:				
Write-off of fair value adjustment on trust preferred securities	5,057	-	5,057	-
Termination of interest rate swaps and caps	793	-	793	-
Related legal and professional fees	162	-	523	-
Total after-tax items	6,012	-	6,373	-
Net operating earnings (non-GAAP)	\$ 5,409	\$ 4,344	\$ 20,257	\$ 16,166
Weighted average common shares outstanding -diluted	9,041,926	9,116,157	9,156,233	9,129,152
Reported diluted earnings (loss) per share (GAAP)	\$ (0.07	) \$ 0.48	\$ 1.52	\$ 1.77
Items excluded from net operating earnings ²	0.66	-	0.68	-
Net operating earnings per share (non-GAAP) -diluted ²	\$ 0.59	\$ 0.48	\$ 2.20	\$ 1.77

¹ Management believes operating earnings, which exclude non-recurring items related to the corporate reorganization, provide a more meaningful representation of the Bank's performance.

² The calculation of net operating earnings per share (non-GAAP) -diluted includes dilutive shares of 171,054 and 166,466 for the three months and year ended June 30, 2019, since net operating earnings are in a net income position for the three months ended June 30, 2019.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on August 30, 2019, to shareholders of record as of August 16, 2019.

"The growing value of our streamlined business strategy is reflected in this year's results, in which we achieved 19.1% growth in our LASG portfolio, and 11.8% growth in our total loan portfolio," said Richard Wayne, Chief Executive Officer. "For the fourth quarter, our Loan Acquisition and Servicing Group originated \$51.8 million of loans and purchased loans with a recorded investment of \$47.1 million. Removing the effects of the corporate reorganization, which we consider to be non-recurring, our quarterly activity helped us achieve net operating earnings per share of \$0.59, an operating return on average equity of 14.2%, an operating return on average assets of 1.8%, and an operating efficiency ratio of 55.2%."

As of June 30, 2019, total assets were \$1.2 billion, a decrease of \$4.1 million, or 0.4%, from total assets of \$1.2 billion as of June 30, 2018. 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 and year ended June 30, 2019:

June 30, 2019 Balance	March 31, 2019 Balance	Change (\$)	Change (%)
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	(Dollars in thousands)				
LASG Purchased	\$ 326,640	\$ 320,326	\$ 6,314	1.97	%
LASG Originated	493,413	478,020	15,393	3.22	%
SBA	63,053	63,653	(600)	(0.94)	%)
Community Banking	91,954	99,654	(7,700)	(7.73)	%)
Total	\$ 975,060	\$ 961,653	\$ 13,407	1.39	%

	June 30, 2019 Balance	March 31, 2019 Balance	Change (\$)	Change (%)	
	(Dollars in thousands)				
LASG Purchased	\$ 326,640	\$ 290,972	\$ 35,668	12.26	%
LASG Originated	493,413	397,363	96,050	24.17	%
SBA	63,053	60,156	2,897	4.82	%
Community Banking	91,954	123,311	(31,357)	(25.43)	%)
Total	\$ 975,060	\$ 871,802	\$ 103,258	11.84	%

Loans generated by the Bank's Loan Acquisition and Servicing Group ("LASG") for the quarter ended June 30, 2019 totaled \$98.9 million, which consisted of \$47.1 million of purchased loans, at an average price of 94.3% of unpaid principal balance, and \$51.8 million of originated loans. The Bank's Small Business Administration ("SBA") Division closed \$8.1 million of new loans during the quarter ended June 30, 2019, of which \$7.7 million was funded. In addition, the Bank sold \$6.6 million of the guaranteed portion of SBA loans in the secondary market, of which \$1.2 million were originated in the current quarter and \$5.4 million were originated in prior quarters. Residential loan production sold in the secondary market totaled \$12.5 million for the quarter.

An overview of the Bank's LASG portfolio follows:

	LASG Portfolio Three Months Ended June 30, 2019																	
	Purchased			Originated			Total LASG			2018								
	Purchased			Originated			Total LASG			Purchased			Originated			Total LASG		
	(Dollars in thousands)																	
Loans purchased or originated during the period:																		
Unpaid principal balance	\$	49,948		\$	51,830		\$	101,778		\$	56,233		\$	66,588		\$	122,821	
Net investment basis		47,107			51,830			98,937			52,637			66,588			119,225	
Loan returns during the period:																		
Yield		12.27	%		7.75	%		9.53	%		10.87	%		7.45	%		8.83	%
Total Return on Purchased Loans (1)		12.27	%		7.75	%		9.53	%		11.49	%		7.45	%		9.08	%
	Year Ended June 30, 2019																	
	Purchased			Originated			Total LASG			2018								
	Purchased			Originated			Total LASG			Purchased			Originated			Total LASG		
	(Dollars in thousands)																	
Loans purchased or originated during the period:																		
Unpaid principal balance	\$	144,372		\$	271,179		\$	415,551		\$	137,249		\$	224,546		\$	361,795	
Net investment basis		135,848			271,179			407,027			124,111			224,546			348,657	
Loan returns during the period:																		
Yield		10.38	%		7.67	%		8.80	%		11.35	%		6.80	%		8.66	%
Total Return on Purchased Loans (1)		10.57	%		7.67	%		8.88	%		11.73	%		6.80	%		8.82	%
Total loans as of period end:																		
Unpaid principal balance	\$	360,472		\$	493,413		\$	853,885		\$	326,855		\$	397,363		\$	724,218	
Net investment basis		326,640			493,413			820,053			290,972			397,363			688,335	

(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."

2. Short-term investments decreased by \$99.1 million, or 64.5%, from June 30, 2018, primarily due to the payoff of trust preferred securities and the corporate reorganization, which allows the Bank to carry lower levels of excess cash due to the release of previous funding commitments made to the Board of Governors of the Federal Reserve System. The Bank reinvested the short-term investments into funding loan growth.
3. Deposits decreased by \$12.6 million, or 1.3%, from June 30, 2018, attributable primarily to decreases in money market accounts of \$150.1 million, or 35.7%, and savings and checking accounts of \$8.6 million, or 7.8%, partially offset by an increase in time deposits of \$149.5 million, or 42.5%.
4. Subordinated debt decreased by \$9.1 million, or 38.1%, from June 30, 2018, primarily attributable to the redemption of trust preferred securities held by Northeast Bancorp immediately prior to the corporate reorganization.
5. Shareholders' equity increased by \$15.2 million, or 11.0%, from June 30, 2018, primarily due to net income of \$13.9 million for the year, as well as \$1.4 million of stock-based compensation for the year.

Net income decreased by \$4.9 million to a \$603 thousand net loss for the quarter ended June 30, 2019, compared to net income of \$4.3 million for the quarter ended June 30, 2018. Net operating earnings increased by \$1.1 million to \$5.4 million for the quarter ended June 30, 2019, compared to net operating earnings of \$4.3 million for the quarter ended June 30, 2018.

1. Net interest and dividend income before provision for loan losses increased by \$2.9 million to \$17.3 million for the quarter ended June 30, 2019, compared to \$14.4 million for the quarter ended June 30, 2018. The increase was primarily due to higher transactional income in the purchased portfolio, and higher average balances and yields in the loan portfolio. These increases were partially offset by higher funding costs and higher average deposit balances.

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, 2019					2018		
	Average Balance (1)	Interest Income	Yield		Average Balance (1)	Interest Income	Yield	
	(Dollars in thousands)							
Community Banking	\$ 99,007	\$ 1,272	5.15	%	\$ 128,296	\$ 1,630	5.10	%
SBA	66,126	1,194	7.24	%	56,088	1,116	7.98	%
LASG:								
Originated	482,213	9,317	7.75	%	381,783	7,088	7.45	%
Purchased	313,515	9,588	12.27	%	259,119	7,021	10.87	%
Total LASG	795,728	18,905	9.53	%	640,902	14,109	8.83	%
Total	\$ 960,861	\$ 21,371	8.92	%	\$ 825,286	\$ 16,855	8.19	%
	Year Ended June 30, 2019					2018		
	Average Balance (1)	Interest Income	Yield		Average Balance (1)	Interest Income	Yield	
	(Dollars in thousands)							
Community Banking	\$ 107,685	\$ 5,590	5.19	%	\$ 139,239	\$ 6,871	4.93	%
SBA	70,016	5,285	7.55	%	53,030	3,888	7.33	%
LASG:								
Originated	434,570	33,348	7.67	%	350,427	23,834	6.80	%
Purchased	312,213	32,404	10.38	%	242,652	27,553	11.35	%
Total LASG	746,783	65,752	8.80	%	593,079	51,387	8.66	%
Total	\$ 924,484	\$ 76,627	8.29	%	\$ 785,348	\$ 62,146	7.91	%

(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, 2018, transactional income for the quarter ended June 30, 2019 increased by \$1.2 million, while regularly scheduled interest and accretion increased by \$956 thousand due to the increase in average balances. The total return on purchased loans for the quarter ended June 30, 2019 was 12.3%. When compared to the year ended June 30, 2018, transactional income for the year ended June 30, 2019 decreased by \$582 thousand, while regularly scheduled interest and accretion increased by \$5.1 million due to the increase in average balances. Total return for the year ended June 30, 2019 was 10.6%. The following table details the total return on purchased loans:

	Total Return on Purchased Loans					
	Three Months Ended June 30, 2019			2018		
	Income	Return (1)		Income	Return (1)	
	(Dollars in thousands)					
Regularly scheduled interest and accretion	\$ 5,999	7.67	%	\$ 5,043	7.81	%
Transactional income:						
Gain on loan sales	-	0.00	%	402	0.62	%
Gain on sale of real estate owned	-	0.00	%	-	0.00	%
Other noninterest income	-	0.00	%	-	0.00	%
Accelerated accretion and loan fees	3,589	4.60	%	1,978	3.06	%
Total transactional income	3,589	4.60	%	2,380	3.68	%
Total	\$ 9,588	12.27	%	\$ 7,423	11.49	%

	Year Ended June 30,					
	2019			2018		
	Income	Return (1)		Income	Return (1)	
	(Dollars in thousands)					
Regularly scheduled interest and accretion	\$ 23,849	7.64	%	\$ 18,752	7.73	%
Transactional income:						
Gain on loan sales	582	0.19	%	918	0.38	%
Gain on sale of real estate owned	-	0.00	%	-	0.00	%
Other noninterest income	-	0.00	%	-	0.00	%
Accelerated accretion and loan fees	8,555	2.74	%	8,801	3.62	%
Total transactional income	9,137	2.93	%	9,719	4.00	%
Total	\$ 32,986	10.57	%	\$ 28,471	11.73	%

(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 does not include the effect of purchased loan charge-offs or recoveries in the quarter. Total return is considered a non-GAAP financial measure.

2. Noninterest income decreased by \$808 thousand for the quarter ended June 30, 2019, compared to the quarter ended June 30, 2018, principally due to the following:

- A decrease in gain on sale of SBA loans of \$806 thousand, due to lower volume of SBA loans sold in the quarter; and
- A decrease in gain on sale of other loans of \$402 thousand, due to no loans sold in the current quarter as compared to the sale of two LASG purchased loans in the quarter ended June 30, 2018; partially offset by,
- An increase in fees for other services to customers of \$143 thousand, due to higher commercial loan servicing fees; and
- A decrease in loss recognized on real estate owned and other repossessed collateral of \$98 thousand.

3. Noninterest expense increased by \$9.0 million for the quarter ended June 30, 2019 compared to the quarter ended June 30, 2018, primarily due to the following:

- An increase in pre-tax reorganization expense of \$8.3 million, which included the write-off of the fair value mark on trust preferred securities of \$7.1 million, the loss associated with the termination of related interest rate swaps and caps of \$1.1 million and the related legal and other professional costs of \$183 thousand;
- An increase in salaries and employee benefits of \$524 thousand, primarily due to an increase in incentive compensation; and
- An increase in data processing fees of \$403 thousand, primarily due to increased IT outsourcing costs; partially offset by,
- A decrease in professional fees of \$212 thousand, primarily due to a decrease in accounting and audit, legal, and other professional fees for the quarter, unrelated to the corporate reorganization; and
- A decrease in occupancy and equipment of \$208 thousand, primarily due to a decrease in equipment repairs and

maintenance expense.

4. Income tax expense decreased by \$2.0 million to \$276 thousand, for the quarter ended June 30, 2019, compared to \$2.3 million for the quarter ended June 30, 2018. The decrease in expense was primarily due to the following:

- An income tax benefit of \$2.3 million recorded in connection with the redemption of the trust preferred securities and the loss associated with the termination of related interest rate swaps and caps; offset by,
- A decrease in excess tax benefits recognized in the current period of \$110 thousand.

Excluding the effects of the corporate reorganization, the effective tax rate for the quarter ended June 30, 2019 was 32.5%, compared to the effective tax rate for the quarter ended June 30, 2018 of 34.5%. The decrease was related to the decrease in the statutory federal income tax rate for the year ended June 30, 2019 compared to the statutory federal income tax rate for the year ended June 30, 2018, offset by changes in state apportionment and permanent items.

As of June 30, 2019, nonperforming assets totaled \$16.7 million, or 1.45% of total assets, as compared to \$14.2 million, or 1.23% of total assets, as of June 30, 2018. The increase was primarily due to the addition of an originated relationship of \$1.0 million, which was placed on nonaccrual during the quarter ended June 30, 2019.

As of June 30, 2019, past due loans totaled \$14.6 million, or 1.50% of total loans, as compared to past due loans totaling \$7.7 million, or 0.89% of total loans as of June 30, 2018. The increase was primarily due to four originated relationships totaling \$4.4 million and four purchased loan relationships totaling \$1.8 million that were past due as of June 30, 2019.

As of June 30, 2019, the Bank's Tier 1 leverage capital ratio was 12.9%, compared to 13.9% at June 30, 2018, and the Total capital ratio was 18.0% at June 30, 2019, as compared to 18.6% at June 30, 2018. Capital ratios were affected by the capital used in the corporate reorganization to redeem the trust preferred debt and the termination of related interest rate swaps and caps, as well as the assumption of the subordinated debt from the Company to the Bank, offset by earnings for the year.

Investor Call Information

Richard Wayne, Chief Executive Officer of Northeast Bank, and Jean-Pierre Lapointe, Chief Financial 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 Wednesday, July 31st**. Investors can access the call by dialing 877.878.2762 and entering the following passcode: 8699267. 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 Lewiston, Maine. We offer personal and business banking services to the Maine market via ten branches. Our Loan Acquisition and Servicing Group purchases and originates commercial loans on a nationwide basis and our SBA Division supports the needs of growing businesses nationally. 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 net operating earnings, operating earnings per share, operating return on average assets, operating return on average equity, operating efficiency ratio, operating noninterest expense to average total assets, tangible common shareholders' equity, tangible book value per share, total return on purchased loans, and efficiency ratio. The Bank's management believes that the supplemental non-GAAP information is utilized by regulators and market analysts to evaluate a company's financial condition and therefore, such information is useful to investors. These disclosures should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names.

Forward-Looking Statements

Statements in this press release that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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 interest rates and real estate values; competitive pressures from other financial institutions; the effects of weakness in general economic conditions on a national basis or in the local markets in which the Bank 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; changing government regulation; operational risks including, but not limited to, cybersecurity, fraud and natural disasters; 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 Securities and Exchange Commission by Northeast Bancorp prior to completion of the corporate reorganization and submitted to the Federal Deposit Insurance Corporation by the Bank after completion of the corporate reorganization. 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, 2019	June 30, 2018
Assets		
Cash and due from banks	\$ 2,482	\$ 3,889
Short-term investments	54,425	153,513
Total cash and cash equivalents	56,907	157,402
Available-for-sale securities, at fair value	75,774	81,068
Equity securities, at fair value	6,938	6,619
Total investment securities	82,712	87,687
Residential real estate loans held for sale	3,179	3,405
SBA loans held for sale	731	3,750
Total loans held for sale	3,910	7,155
Loans		
Commercial real estate	668,496	579,450
Commercial and industrial	232,839	188,852
Residential real estate	71,218	100,256
Consumer	2,507	3,244
Total loans	975,060	871,802
Less: Allowance for loan losses	5,702	4,807
Loans, net	969,358	866,995
Premises and equipment, net	5,582	6,591
Real estate owned and other repossessed collateral, net	1,957	2,233
Federal Home Loan Bank stock, at cost	1,258	1,652
Intangible assets, net	434	867
Loan servicing rights, net	2,851	2,970
Bank-owned life insurance	17,057	16,620
Other assets	11,832	7,564
Total assets	\$ 1,153,858	\$ 1,157,736
Liabilities and Shareholders' Equity		
Deposits		
Demand	\$ 68,782	\$ 72,272
Savings and interest checking	101,061	109,637
Money market	270,835	420,886
Time	501,693	352,145
Total deposits	942,371	954,940
Federal Home Loan Bank advances	15,000	15,000
Subordinated debt	14,829	23,958
Capital lease obligation	323	605
Other liabilities	27,755	24,803
Total liabilities	1,000,278	1,019,306
	-	-
Commitments and contingencies		

Shareholders' equity		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at June 30, 2019 and 2018	-	-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 8,997,326 and 8,056,527 shares issued and outstanding at June 30, 2019 and 2018, respectively	8,997	8,057
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; 44,783 and 882,314 shares issued and outstanding at June 30, 2019 and 2018, respectively	45	882
Additional paid-in capital	78,095	77,016
Retained earnings	67,581	54,236
Accumulated other comprehensive loss	(1,138)	(1,761)
Total shareholders' equity	153,580	138,430
Total liabilities and shareholders' equity	\$ 1,153,858	\$ 1,157,736

NORTHEAST BANK

STATEMENTS OF OPERATIONS

(Unaudited)

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

	Three Months Ended June 30,		Year Ended June 30,	
	2019	2018	2019	2018
Interest and dividend income:				
Interest and fees on loans	\$ 21,371	\$ 16,855	\$ 76,627	\$ 62,146
Interest on available-for-sale securities	455	298	1,684	1,111
Other interest and dividend income	729	819	3,519	2,636
Total interest and dividend income	22,555	17,972	81,830	65,893
Interest expense:				
Deposits	4,656	2,896	16,768	9,897
Federal Home Loan Bank advances	120	109	479	547
Subordinated debt	486	552	2,238	2,102
Obligation under capital lease agreements	5	7	24	38
Total interest expense	5,267	3,564	19,509	12,584
Net interest and dividend income before provision for loan losses	17,288	14,408	62,321	53,309
Provision for loan losses	262	254	1,309	1,410
Net interest and dividend income after provision for loan losses	17,026	14,154	61,012	51,899
Noninterest income:				
Fees for other services to customers	529	386	1,769	1,822
Gain on sales of SBA loans	227	1,033	2,588	2,955
Gain on sales of residential loans held for sale	225	159	611	931
Gain on sales of other loans	-	402	582	918
Net unrealized gain on equity securities	76	-	151	-
Loss on real estate owned, other repossessed collateral and premises and equipment, net				
and premises and equipment, net	(40)	(138)	(104)	(123)
Bank-owned life insurance income	110	109	437	441
Other noninterest income	24	8	82	84
Total noninterest income	1,151	1,959	6,116	7,028
Noninterest expense:				
Salaries and employee benefits	6,333	5,809	23,323	21,565
Occupancy and equipment expense	958	1,166	3,650	4,585
Professional fees	246	458	1,402	1,749
Data processing fees	1,004	601	3,769	2,447

Marketing expense	166	143	580	472
Loan acquisition and collection expense	281	356	1,913	1,354
FDIC insurance premiums	77	80	320	317
Intangible asset amortization	108	108	433	433
Reorganization expense	8,334	-	8,695	-
Other noninterest expense	997	757	3,428	2,808
Total noninterest expense	18,504	9,478	47,513	35,730
Income (loss) before income tax expense	(327	) 6,635	19,615	23,197
Income tax expense	276	2,291	5,731	7,031
Net income (loss)	\$ (603	) \$ 4,344	\$ 13,884	\$ 16,166

Weighted-average common shares outstanding:

Basic	9,041,926	8,934,038	9,032,530	8,906,710
Diluted	9,041,926	9,116,157	9,156,233	9,129,152

Earnings (loss) per common share:

Basic	\$ (0.07	) \$ 0.49	\$ 1.54	\$ 1.81
Diluted	(0.07	) 0.48	1.52	1.77

Cash dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.04
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NORTHEAST BANK

AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

	Three Months Ended June 30, 2019				2018			
	Average Balance	Interest Income/ Expense	Average Yield/ Rate		Average Balance	Interest Income/ Expense	Average Yield/ Rate	
Assets:								
Interest-earning assets:								
Investment securities	\$ 83,372	\$ 455	2.19 %		\$ 88,933	\$ 298	1.34 %	
Loans (1) (2) (3)	960,861	21,371	8.92 %		825,286	16,855	8.19 %	
Federal Home Loan Bank stock	1,258	20	6.38 %		1,655	24	5.82 %	
Short-term investments (4)	119,788	709	2.37 %		178,244	795	1.79 %	
Total interest-earning assets	1,165,279	22,555	7.76 %		1,094,118	17,972	6.59 %	
Cash and due from banks	2,351				2,611			
Other non-interest earning assets	32,864				30,430			
Total assets	\$ 1,200,494				\$ 1,127,159			
Liabilities & Shareholders' Equity:								
Interest-bearing liabilities:								
NOW accounts	\$ 70,645	\$ 63	0.36 %		\$ 73,357	\$ 59	0.32 %	
Money market accounts	279,307	1,124	1.61 %		447,775	1,580	1.42 %	
Savings accounts	35,697	14	0.16 %		37,799	14	0.15 %	
Time deposits	537,155	3,455	2.58 %		309,362	1,243	1.61 %	
Total interest-bearing deposits	922,804	4,656	2.02 %		868,293	2,896	1.34 %	
Federal Home Loan Bank advances	15,000	120	3.21 %		15,000	109	2.91 %	
Subordinated debt	19,272	486	10.11 %		23,915	552	9.26 %	
Capital lease obligations	348	5	5.76 %		629	7	4.46 %	
Total interest-bearing liabilities	957,424	5,267	2.21 %		907,837	3,564	1.57 %	
Non-interest bearing liabilities:								
Demand deposits and escrow accounts	80,538				76,368			

Other liabilities	9,534	8,654
Total liabilities	1,047,496	992,859
Shareholders' equity	152,998	134,300
Total liabilities and shareholders' equity	\$ 1,200,494	\$ 1,127,159

Net interest income \$ 17,288 \$ 14,408

Interest rate spread 5.55 % 5.02 %
Net interest margin (5) 5.95 % 5.28 %

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

(2) Includes loans held for sale.

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

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

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

NORTHEAST BANK

AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

	Year Ended June 30, 2019				2018			
	Average Balance	Interest Income/ Expense	Average Yield/ Rate		Average Balance	Interest Income/ Expense	Average Yield/ Rate	
Assets:								
Interest-earning assets:								
Investment securities	\$ 85,232	\$ 1,684	1.98 %		\$ 92,599	\$ 1,111	1.20 %	
Loans (1) (2) (3)	924,484	76,627	8.29 %		785,348	62,156	7.91 %	
Federal Home Loan Bank stock	1,475	95	6.44 %		1,803	89	4.94 %	
Short-term investments (4)	153,609	3,424	2.23 %		171,360	2,547	1.49 %	
Total interest-earning assets	1,164,800	81,830	7.03 %		1,051,110	65,903	6.27 %	
Cash and due from banks	2,542				2,889			
Other non-interest earning assets	30,968				31,550			
Total assets	\$ 1,198,310				\$ 1,085,549			
Liabilities & Shareholders' Equity:								
Interest-bearing liabilities:								
NOW accounts	\$ 70,822	\$ 246	0.35 %		\$ 70,486	\$ 210	0.30 %	
Money market accounts	344,631	5,383	1.56 %		407,680	5,145	1.26 %	
Savings accounts	35,619	56	0.16 %		37,514	57	0.15 %	
Time deposits	471,777	11,083	2.35 %		311,544	4,485	1.44 %	
Total interest-bearing deposits	922,849	16,768	1.82 %		827,224	9,897	1.20 %	
Federal Home Loan Bank advances	15,000	479	3.19 %		16,947	547	3.23 %	
Subordinated debt	22,885	2,238	9.78 %		23,787	2,102	8.84 %	
Capital lease obligations	455	24	5.27 %		730	38	5.21 %	
Total interest-bearing liabilities	961,189	19,509	2.03 %		868,688	12,584	1.45 %	
Non-interest bearing liabilities:								
Demand deposits and escrow accounts	80,848				79,767			
Other liabilities	8,814				7,472			
Total liabilities	1,050,851				955,927			
Shareholders' equity	147,459				129,622			
Total liabilities and shareholders' equity	\$ 1,198,310				\$ 1,085,549			
Net interest income (5)		\$ 62,321				\$ 53,319		

Interest rate spread	5.00	%	4.82	%
Net interest margin (6)	5.35	%	5.07	%

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

(2) Includes loans held for sale.

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

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

(5) Includes tax-exempt interest income of \$10 thousand for the year ended June 30, 2018.

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

NORTHEAST BANK

SELECTED FINANCIAL HIGHLIGHTS AND OTHER DATA

(Unaudited)

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

	Three Months Ended:									
	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018					
Net interest income	\$ 17,288	\$ 15,033	\$ 15,643	\$ 14,359	\$ 14,408					
Provision for loan losses	262	414	101	532	254					
Noninterest income	1,151	1,866	1,545	1,554	1,959					
Noninterest expense	18,504	9,752	9,903	9,355	9,478					
Net income (loss)	(603)	4,828	5,125	4,534	4,344					
Weighted-average common shares outstanding:										
Basic	9,041,926	9,044,230	9,048,397	8,995,925	8,934,038					
Diluted	9,041,926	9,198,077	9,201,557	9,183,729	9,116,157					
Earnings (loss) per common share:										
Basic	\$ (0.07)	\$ 0.53	\$ 0.57	\$ 0.50	\$ 0.49					
Diluted	(0.07)	0.52	0.56	0.49	0.48					
Operating earnings per common share:										
Basic	\$ 0.60	\$ 0.53	\$ 0.57	\$ 0.50	\$ 0.49					
Diluted	0.59	0.52	0.56	0.49	0.48					
Dividends declared per common share	0.01	0.01	0.01	0.01	0.01					
Return (loss) on average assets	(0.20)%	1.63 %	1.70 %	1.51 %	1.55 %					
Return (loss) on average equity	(1.58)%	13.00 %	13.94 %	12.81 %	12.97 %					
Net interest rate spread (1)	5.55 %	4.81 %	5.00 %	4.61 %	5.02 %					
Net interest margin (2)	5.95 %	5.20 %	5.33 %	4.93 %	5.28 %					
Efficiency ratio (non-GAAP) (3)	100.35 %	57.71 %	57.62 %	58.79 %	57.91 %					
Noninterest expense to average total assets	6.18 %	3.29 %	3.28 %	3.12 %	3.37 %					
Average interest-earning assets to average interest-bearing liabilities	121.71 %	121.65 %	120.67 %	120.72 %	120.52 %					
Operating return on average assets (non-GAAP) (4)	1.81 %	1.63 %	1.70 %	1.51 %	1.55 %					
Operating return on average equity (non-GAAP) (4)	14.18 %	13.00 %	13.94 %	12.81 %	12.97 %					
Operating efficiency ratio (non-GAAP) (3) (4)	55.15 %	57.71 %	57.62 %	58.79 %	57.91 %					
Operating noninterest expense to average total assets (non-GAAP) (4)	3.40 %	3.29 %	3.28 %	3.12 %	3.37 %					

As of:

	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 2,772	\$ 2,317	\$ 2,595	\$ 2,784	\$ 3,212
Commercial real estate	3,892	3,336	2,764	1,703	1,499
Commercial and industrial	1,284	1,495	1,420	1,454	1,368

Consumer	148		236		216		185		134	
Total originated portfolio	8,096		7,384		6,995		6,126		6,213	
Total purchased portfolio	6,671		5,366		5,351		5,375		5,745	
Total nonperforming loans	14,767		12,750		12,346		11,501		11,958	
Real estate owned and other repossessed collateral, net	1,957		2,014		1,463		1,549		2,233	
Total nonperforming assets	\$ 16,724		\$ 14,764		\$ 13,809		\$ 13,050		\$ 14,191	
Past due loans to total loans	1.50	%	2.16	%	1.95	%	1.09	%	0.89	%
Nonperforming loans to total loans	1.51	%	1.33	%	1.32	%	1.30	%	1.37	%
Nonperforming assets to total assets	1.45	%	1.20	%	1.16	%	1.08	%	1.23	%
Allowance for loan losses to total loans	0.58	%	0.59	%	0.57	%	0.60	%	0.55	%
Allowance for loan losses to nonperforming loans	38.61	%	44.38	%	42.99	%	45.98	%	40.20	%
Commercial real estate loans to total capital (5)	282.05	%	251.02	%	242.38	%	230.48	%	200.74	%
Net loans to core deposits (6)	103.33	%	94.19	%	94.84	%	87.17	%	91.54	%
Purchased loans to total loans, including held for sale	33.37	%	33.27	%	35.17	%	33.75	%	33.10	%
Equity to total assets	13.31	%	12.44	%	12.44	%	11.81	%	11.96	%
Common equity tier 1 capital ratio	15.89	%	16.23	%	16.04	%	16.50	%	16.02	%
Total capital ratio	18.01	%	19.33	%	19.15	%	19.81	%	19.28	%
Tier 1 leverage capital ratio	12.86	%	13.58	%	13.20	%	12.83	%	13.12	%
Total shareholders' equity	\$ 153,580		\$ 153,188		\$ 148,491		\$ 143,391		\$ 138,430	
Less: Preferred stock	-		-		-		-		-	
Common shareholders' equity	153,580		153,188		148,491		143,391		138,430	
Less: Intangible assets (7)	(3,285)		(3,485)		(3,583)		(3,768)		(3,837)	
Tangible common shareholders' equity (non-GAAP)	\$ 150,295		\$ 149,703		\$ 144,908		\$ 139,623		\$ 134,593	
Common shares outstanding	9,042,109		9,041,868		9,048,863		9,047,390		8,938,841	
Book value per common share	\$ 16.98		\$ 16.94		\$ 16.41		\$ 15.85		\$ 15.49	
Tangible book value per share (non-GAAP) (8)	16.62		16.56		16.01		15.43		15.06	

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

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

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

(4) Operating return on average assets, operating return on average equity, operating efficiency ratio, and operating noninterest expense to average total assets utilize net operating earnings (non-GAAP), calculated on page 1 of the earnings release.

(5) For purposes of calculating this ratio, commercial real estate includes all non-owner occupied commercial real estate loans defined as such by regulatory guidance, including all land development and construction loans.

(6) Core deposits include all non-maturity deposits and maturity deposits less than \$250 thousand. Loans include loans held for sale.

(7) Includes the core deposit intangible asset and loan servicing rights asset.

(8) 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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Source: Northeast Bank