Northeast Bank Reports First Quarter Results and Declares Dividend

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LEWISTON, Maine, Oct. 28, 2019 (GLOBE NEWSWIRE) -- Northeast Bank (the “Bank”) (NASDAQ: NBN), a Maine-based full-service financial institution, today reported net income of $4.8 million, or $0.52 per diluted common share, for the quarter ended September 30, 2019, compared to net income of $4.5 million, or $0.49 per diluted common share, for the quarter ended September 30, 2018.

The Board of Directors declared a cash dividend of $0.01 per share, payable on November 22, 2019, to shareholders of record as of November 8, 2019.

“We started fiscal 2020 with a solid first quarter,” said Richard Wayne, Chief Executive Officer. “For the quarter, we earned $0.52 per diluted common share, a return on equity of 12.2%, a return on assets of 1.7%, and a net interest margin of 5.7%. Our Loan Acquisition and Servicing Group produced $69.2 million of loans, including originations of $40.6 million and purchases with an investment of $28.6 million during the quarter. Additionally, we began to realize interest expense savings due to both the redemption of the Trust Preferred Securities and a reduction of deposits held in cash on the balance sheet at a negative spread.”

As of September 30, 2019, total assets were $1.1 billion, a decrease of $30.8 million, or 2.7%, from total assets of $1.2 billion as of June 30, 2019. The principal components of the changes in the balance sheet follow:

1. The following table highlights the changes in the loan portfolio for the quarter ended September 30, 2019:

	September 30, 2019 Balance	June 30, 2019 Balance	Change ($)	Change (%)
	(Dollars in thousands)			
LASG Purchased	$ 332,227	$ 326,640	$ 5,587	1.71 %
LASG Originated	457,350	493,413	(36,063)	(7.31 %)
SBA	58,270	63,053	(4,783)	(7.59 %)
Community Banking	86,192	91,954	(5,762)	(6.27 %)
Total	$ 934,039	$ 975,060	$ (41,021)	(4.21 %)

Loans generated by the Bank's Loan Acquisition and Servicing Group ("LASG") for the quarter ended September 30, 2019 totaled $69.2 million, which consisted of $28.6 million of purchased loans, at an average price of 94.4% of unpaid principal balance, and $40.6 million of originated loans. This activity was offset by payoffs, paydowns and amortization in the LASG portfolios of $99.6 million. The Bank's Small Business Administration ("SBA") Division sold $2.4 million of the guaranteed portion of SBA loans in the secondary market, all of which were originated in the prior quarter. Residential loan production sold in the secondary market totaled $10.9 million for the quarter.

An overview of the Bank’s LASG portfolio follows:

	LASG Portfolio Three Months Ended September 30,					
	2019			2018		
	Purchased	Originated	Total LASG	Purchased	Originated	Total LASG
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	$ 30,333	$ 40,537	$ 70,870	$ 37,077	$ 71,136	$ 108,213
Net investment basis	28,622	40,537	69,159	34,803	71,136	105,939
Loan returns during the period:						
Yield	9.73 %	7.57 %	8.46 %	9.46 %	7.43 %	8.31 %
Total Return on Purchased Loans (1)	9.73 %	7.57 %	8.46 %	9.46 %	7.43 %	8.31 %
Total loans as of period end:						
Unpaid principal balance	$ 365,984	$ 457,350	$ 823,334	$ 336,908	$ 407,822	$ 744,730
Net investment basis	332,227	457,350	789,577	300,548	407,822	708,370

(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. Deposits decreased by $34.4 million, or 3.7%, from June 30, 2019, attributable primarily to decreases in time deposits of $29.7 million, or 5.9%, and money market accounts of $5.9 million, or 2.2%, due to the continued intentional run-off of excess deposits.

3. Shareholders’ equity increased by $4.5 million, or 2.9%, from June 30, 2019, primarily due to net income of $4.8 million, offset by an increase in accumulated other comprehensive loss of $298 thousand.

Net income increased by $242 thousand to $4.8 million for the quarter ended September 30, 2019, compared to net income of $4.5 million for the quarter ended September 30, 2018.

1. Net interest and dividend income before provision for loan losses increased by $1.4 million to $15.7 million for the quarter ended September 30, 2019, compared to $14.4 million for the quarter ended September 30, 2018. The increase was primarily due to higher transactional income in the purchased portfolio, and higher average balances in the LASG portfolio and yields in the loan portfolio, as well as a decrease in interest expense on subordinated debt due to lower average balances resulting from the redemption of Trust Preferred Securities in May 2019. These changes were partially offset by higher funding costs.

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

	Interest Income and Yield on Loans Three Months Ended September 30,					
	2019			2018		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	$ 90,384	$ 1,267	5.58 %	$ 120,340	$ 1,522	5.02 %
SBA	62,755	1,469	9.31 %	71,165	1,285	7.16 %
LASG:						
Originated	469,307	8,928	7.57 %	398,333	7,464	7.43 %
Purchased	328,819	8,040	9.73 %	304,107	7,254	9.46 %
Total LASG	798,126	16,968	8.46 %	702,440	14,718	8.31 %
Total	$ 951,265	$ 19,704	8.24 %	$ 893,945	$ 17,525	7.78 %

(1) Includes loans held for sale.

The components of total income on purchased loans are set forth in the table below entitled “Total Return on Purchased Loans.” When compared to the quarter ended September 30, 2018, transactional income for the quarter ended September 30, 2019 increased by $493 thousand, while regularly scheduled interest and accretion increased by $293 thousand due to the increase in average balances. The total return on purchased loans for the quarter ended September 30, 2019 was 9.7%, an increase from 9.5% for the quarter ended September 30, 2018. The following table details the total return on purchased loans:

	Total Return on Purchased Loans Three Months Ended September 30,					
	2019			2018		
	Income	Return (1)		Income	Return (1)	
	(Dollars in thousands)					
Regularly scheduled interest and accretion	$ 6,054	7.33	%	$ 5,761	7.51	%
Transactional income:						
Gain on loan sales	-	0.00	%	-	0.00	%
Gain on sale of real estate owned	-	0.00	%	-	0.00	%
Accelerated accretion and loan fees	1,986	2.40	%	1,493	1.95	%
Total transactional income	1,986	2.40	%	1,493	1.95	%
Total	$ 8,040	9.73	%	$ 7,254	9.46	%

(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.

2. Provision (credit) for loan losses decreased by $668 thousand for the quarter ended September 30, 2019, compared to the quarter ended September 30, 2018, primarily due to the decrease in loan balances over the current quarter, as compared to an increase in loan balances in the quarter ended September 30, 2018.

3. Noninterest income decreased by $378 thousand for the quarter ended September 30, 2019, compared to the quarter ended September 30, 2018,

principally due to the following:

- A decrease in gain on sale of SBA loans of $599 thousand, due to lower volume of SBA loans sold in the quarter due to lower originations in recent quarters; partially offset by,
- An increase in bank-owned life insurance income of $131 thousand, due to a gain from death benefit proceeds recognized in the current quarter; and
- An increase in net unrealized gain on equity securities of $80 thousand.

4. Noninterest expense increased by $999 thousand for the quarter ended September 30, 2019 compared to the quarter ended September 30, 2018, primarily due to the following:

- An increase in salaries and employee benefits of $878 thousand, primarily due to increases in stock-based compensation, regular compensation, and incentive compensation;
- An increase in data processing fees of $383 thousand, primarily due to increased IT outsourcing costs and the reclassification of IT professional costs from professional fees and occupancy and equipment expense; and
- An increase in loan acquisition and collection expenses of $172 thousand, largely driven by increased loan and collection expenses incurred on loan workouts in the LASG portfolios; partially offset by,
- A decrease in occupancy and equipment expense of $229 thousand, primarily due to a decrease in computer equipment repairs and maintenance expense;
- A decrease in professional fees of $142 thousand, due to the reclassification of IT professional costs to data processing fees; and
- A decrease in FDIC insurance premium of $99 thousand, due to the Small Bank Assessment Credit received in the quarter.

5. Income tax expense increased by $427 thousand to $1.9 million, or an effective tax rate of 28.7%, for the quarter ended September 30, 2019, compared to $1.5 million, or an effective tax rate of 24.8%, for the quarter ended September 30, 2018. The increase in effective tax rate was primarily due to the update of state tax apportionment rates.

As of September 30, 2019, nonperforming assets totaled $16.0 million, or 1.43% of total assets, as compared to $16.7 million, or 1.45% of total assets, as of June 30, 2019. The decrease was primarily due to the payoff of a nonperforming Community Bank loan of $1.1 million during the current quarter.

As of September 30, 2019, past due loans totaled $14.0 million, or 1.50% of total loans, as compared to past due loans totaling $14.6 million, or 1.50% of total loans as of June 30, 2019.

As of September 30, 2019, the Bank's Tier 1 leverage capital ratio was 14.1%, compared to 12.9% at June 30, 2019, and the Total capital ratio was 19.1% at September 30, 2019, as compared to 18.0% at June 30, 2019. Capital ratios were affected by earnings and lower assets in the quarter.

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 first quarter earnings and business outlook at 10:00 a.m. Eastern Time on Tuesday, October 29th.** Investors can access the call by dialing 877.878.2762 and entering the following passcode: 9979819. 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. 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 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.

For More Information:
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NORTHEAST BANK
BALANCE SHEETS
(Unaudited)
(Dollars in thousands, except share and per share data)

	September 30, 2019	June 30, 2019
Assets		
Cash and due from banks	$ 2,533	$ 2,482
Short-term investments	65,828	54,425
Total cash and cash equivalents	68,361	56,907
Available-for-sale securities, at fair value	74,256	75,774
Equity securities, at fair value	7,022	6,938
Total investment securities	81,278	82,712
Residential real estate loans held for sale	1,707	3,179
SBA loans held for sale	-	731
Total loans held for sale	1,707	3,910
Loans:		
Commercial real estate	635,424	668,496
Commercial and industrial	224,670	232,839
Residential real estate	71,900	71,218
Consumer	2,045	2,507
Total loans	934,039	975,060
Less: Allowance for loan losses	5,280	5,702
Loans, net	928,759	969,358
Premises and equipment, net	10,778	5,582
Real estate owned and other repossessed collateral, net	1,936	1,957
Federal Home Loan Bank stock, at cost	1,258	1,258
Intangible assets, net	326	434
Loan servicing rights, net	2,614	2,851
Bank-owned life insurance	16,749	17,057
Other assets	9,287	11,832
Total assets	$ 1,123,053	$ 1,153,858
Liabilities and Shareholders' Equity		
Deposits:		
Demand	$ 67,481	$ 68,782
Savings and interest checking	103,508	101,061
Money market	264,984	270,835
Time	471,983	501,693
Total deposits	907,956	942,371
Federal Home Loan Bank advances	15,000	15,000
Subordinated debt	14,857	14,829

Lease liability	5,538	323
Other liabilities	21,601	27,755
Total liabilities	964,952	1,000,278
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at September 30, 2019 and June 30, 2019	-	-
Voting common stock, $1.00 par value, 25,000,000 shares authorized;		
8,994,129 and 8,997,326 shares issued and outstanding at September 30, 2019 and June 30, 2019, respectively	8,994	8,997
Non-voting common stock, $1.00 par value, 3,000,000 shares authorized;		
44,783 shares issued and outstanding at September 30, 2019 and June 30, 2019	45	45
Additional paid-in capital	78,231	78,095
Retained earnings	72,267	67,581
Accumulated other comprehensive loss	(1,436)	(1,138)
Total shareholders' equity	158,101	153,580
Total liabilities and shareholders' equity	$ 1,123,053	$ 1,153,858

NORTHEAST BANK
STATEMENTS OF INCOME
(Unaudited)
(Dollars in thousands, except share and per share data)

	Three Months Ended September 30,	
	2019	2018
Interest and dividend income:		
Interest and fees on loans	$ 19,704	$ 17,525
Interest on available-for-sale securities	451	362
Other interest and dividend income	340	880
Total interest and dividend income	20,495	18,767
Interest expense:		
Deposits	4,316	3,682
Federal Home Loan Bank advances	125	118
Subordinated debt	282	601
Obligation under lease agreements	35	7
Total interest expense	4,758	4,408
Net interest and dividend income before provision (credit) for loan losses	15,737	14,359
Provision (credit) for loan losses	(136)	532
Net interest and dividend income after provision (credit) for loan losses	15,873	13,827
Noninterest income:		
Fees for other services to customers	413	492
Gain on sales of SBA loans	252	851
Gain on sales of residential loans held for sale	213	174
Net unrealized gain (loss) on equity securities	40	(40)
Loss on real estate owned, other repossessed collateral and premises and equipment, net	(2)	(40)
Bank-owned life insurance income	241	110
Other noninterest income	19	7
Total noninterest income	1,176	1,554
Noninterest expense:		
Salaries and employee benefits	6,387	5,509
Occupancy and equipment expense	898	1,127
Professional fees	392	534
Data processing fees	984	601
Marketing expense	93	124
Loan acquisition and collection expense	611	439
FDIC insurance premiums	(18)	81

Intangible asset amortization	109	109
Other noninterest expense	898	831
Total noninterest expense	10,354	9,355
Income before income tax expense	6,695	6,026
Income tax expense	1,919	1,492
Net income	$ 4,776	$ 4,534
Weighted-average common shares outstanding:		
Basic	9,043,761	8,995,925
Diluted	9,211,874	9,183,729
Earnings per common share:		
Basic	$ 0.53	$ 0.50
Diluted	0.52	0.49
Cash dividends declared per common share	$ 0.01	$ 0.01

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

	Three Months Ended September 30,					
	2019			2018		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Investment securities	$ 82,081	$ 451	2.19 %	$ 87,873	$ 362	1.63 %
Loans (1) (2) (3)	951,265	19,704	8.24 %	893,945	17,525	7.78 %
Federal Home Loan Bank stock	1,258	19	6.01 %	1,652	24	5.76 %
Short-term investments (4)	60,347	321	2.12 %	172,641	856	1.97 %
Total interest-earning assets	1,094,951	20,495	7.45 %	1,156,111	18,767	6.44 %
Cash and due from banks	2,629			2,571		
Other non-interest earning assets	35,531			31,234		
Total assets	$ 1,133,111			$ 1,189,916		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	$ 65,405	$ 60	0.36 %	$ 69,705	$ 55	0.31 %
Money market accounts	264,877	1,069	1.61 %	406,104	1,548	1.51 %
Savings accounts	34,476	14	0.16 %	36,176	14	0.15 %
Time deposits	484,115	3,173	2.61 %	406,151	2,065	2.02 %
Total interest-bearing deposits	848,873	4,316	2.02 %	918,136	3,682	1.59 %
Federal Home Loan Bank advances	15,000	125	3.32 %	15,000	118	3.12 %
Subordinated debt	14,841	282	7.56 %	23,998	601	9.94 %
Lease liability	5,690	35	2.45 %	560	7	4.96 %
Total interest-bearing liabilities	884,404	4,758	2.14 %	957,694	4,408	1.83 %
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	85,090			82,005		
Other liabilities	7,581			9,740		
Total liabilities	977,075			1,049,439		
Shareholders' equity	156,036			140,477		
Total liabilities and shareholders' equity	$ 1,133,111			$ 1,189,916		
Net interest income		$ 15,737			$ 14,359	

Interest rate spread	5.31	%						4.61	%	
Net interest margin (5)	5.72	%						4.93	%	

(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

SELECTED FINANCIAL HIGHLIGHTS AND OTHER DATA

(Unaudited)

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

	Three Months Ended				
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Net interest income	$ 15,737	$ 17,288	$ 15,033	$ 15,643	$ 14,359
Provision(credit) for loan losses	(136)	262	414	101	532
Noninterest income	1,176	1,151	1,866	1,545	1,554
Noninterest expense	10,354	18,504	9,752	9,903	9,355
Net income (loss)	4,776	(603)	4,828	5,125	4,534
Weighted-average common shares outstanding:					
Basic	9,043,761	9,041,926	9,044,230	9,048,397	8,995,925
Diluted	9,211,874	9,041,926	9,198,077	9,201,557	9,183,729
Earnings(loss) per common share:					
Basic	$ 0.53	$ (0.07)	$ 0.53	$ 0.57	$ 0.50
Diluted	0.52	(0.07)	0.52	0.56	0.49
Operating earnings per common share:					
Basic	$ 0.53	$ 0.60	$ 0.53	$ 0.57	$ 0.50
Diluted	0.52	0.59	0.52	0.56	0.49
Dividends declared per common share	0.01	0.01	0.01	0.01	0.01
Return (loss) on average assets	1.68 %	(0.20 %)	1.63 %	1.70 %	1.51 %
Return (loss) on average equity	12.18 %	(1.58 %)	13.00 %	13.94 %	12.81 %
Net interest rate spread (1)	5.31 %	5.55 %	4.81 %	5.00 %	4.61 %
Net interest margin (2)	5.72 %	5.95 %	5.20 %	5.33 %	4.93 %
Efficiency ratio (non-GAAP) (3)	61.22 %	100.35 %	57.71 %	57.62 %	58.79 %
Noninterest expense to average total assets	3.64 %	6.18 %	3.29 %	3.28 %	3.12 %
Average interest-earning assets to average interest-bearing liabilities	123.81 %	121.71 %	121.65 %	120.67 %	120.72 %
Operating return on average assets (non-GAAP) (4)	1.68 %	1.81 %	1.63 %	1.70 %	1.51 %
Operating return on average equity (non-GAAP) (4)	12.18 %	14.18 %	13.00 %	13.94 %	12.81 %
Operating efficiency ratio (non-GAAP) (3) (4)	61.22 %	55.15 %	57.71 %	57.62 %	58.79 %
Operating noninterest expense to average total assets (non-GAAP) (4)	3.64 %	3.40 %	3.29 %	3.28 %	3.12 %
	As of:				
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018	September 30, 2018
Nonperforming loans:					
Originated portfolio:					
Residential real estate	$ 1,515	$ 2,772	$ 2,317	$ 2,595	$ 2,784
Commercial real estate	4,530	3,892	3,336	2,764	1,703

Commercial and industrial	87	1,284	1,495	1,420	1,454
Consumer	136	148	236	216	185
Total originated portfolio	6,268	8,096	7,384	6,995	6,126
Total purchased portfolio	7,834	6,671	5,366	5,351	5,375
Total nonperforming loans	14,102	14,767	12,750	12,346	11,501
Real estate owned and other repossessed collateral, net	1,936	1,957	2,014	1,463	1,549
Total nonperforming assets	$ 16,038	$ 16,724	$ 14,764	$ 13,809	$ 13,050
Past due loans to total loans	1.50 %	1.50 %	2.16 %	1.95 %	1.09 %
Nonperforming loans to total loans	1.51 %	1.51 %	1.33 %	1.32 %	1.30 %
Nonperforming assets to total assets	1.43 %	1.45 %	1.20 %	1.16 %	1.08 %
Allowance for loan losses to total loans	0.57 %	0.58 %	0.59 %	0.57 %	0.60 %
Allowance for loan losses to nonperforming loans	37.44 %	38.61 %	44.38 %	42.99 %	45.98 %
Commercial real estate loans to total capital (5)	262.92 %	282.05 %	251.02 %	242.38 %	230.48 %
Net loans to core deposits (6)	102.59 %	103.33 %	94.19 %	94.84 %	87.17 %
Purchased loans to total loans, including held for sale	35.50 %	33.37 %	33.27 %	35.17 %	33.75 %
Equity to total assets	14.08 %	13.31 %	12.44 %	12.44 %	11.81 %
Common equity tier 1 capital ratio	16.92 %	15.89 %	16.23 %	16.04 %	16.50 %
Total capital ratio	19.07 %	18.01 %	19.33 %	19.15 %	19.81 %
Tier 1 leverage capital ratio	14.06 %	12.86 %	13.58 %	13.20 %	12.83 %
Total shareholders' equity	$ 158,101	$ 153,580	$ 153,188	$ 148,491	$ 143,391
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	158,101	153,580	153,188	148,491	143,391
Less: Intangible assets (7)	(2,940)	(3,285)	(3,485)	(3,583)	(3,768)
Tangible common shareholders' equity (non-GAAP)	$ 155,161	$ 150,295	$ 149,703	$ 144,908	$ 139,623
Common shares outstanding	9,038,912	9,042,109	9,041,868	9,048,863	9,047,390
Book value per common share	$ 17.49	$ 16.98	$ 16.94	$ 16.41	$ 15.85
Tangible book value per share (non-GAAP) (8)	17.17	16.62	16.56	16.01	15.43

(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).

(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.

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Source: Northeast Bank