



Northeast Bank Reports Third Quarter Results and Declares Dividend

April 22, 2020

PORTLAND, Maine, April 22, 2020 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$1.9 million, or \$0.21 per diluted common share, for the quarter ended March 31, 2020, compared to net income of \$4.8 million, or \$0.52 per diluted common share, for the quarter ended March 31, 2019. Net income for the nine months ended March 31, 2020 was \$11.5 million, or \$1.25 per diluted common share, compared to \$14.5 million, or \$1.58 per diluted common share, for the nine months ended March 31, 2019. Results for the quarter and nine months ended March 31, 2020 were negatively impacted by (a) an increased provision for loan losses of \$3.3 million (\$0.26 per diluted common share), of which \$3.0 million was allocated to the SBA portfolio, and (b) a non-recurring income tax expense of \$554 thousand (\$0.06 per diluted common share) related to the recapture of tax reserve for loan losses triggered by the repurchase of common stock during the quarter ended March 31, 2020.

On April 22, 2020, the Board of Directors declared a cash dividend of \$0.01 per share, payable on May 21, 2020, to shareholders of record as of May 7, 2020.

"Our thoughts are with the individuals, families and communities, healthcare workers and first responders affected by COVID-19. We are pleased to participate in the Paycheck Protection Program, having originated in the initial phase 194 loans totaling \$37.2 million," said Rick Wayne, Chief Executive Officer. Mr. Wayne continued, "The Bank is working with our customers impacted by COVID-19 to provide effective solutions during the crisis. While we did not envision that the market event would be this global pandemic, our longstanding credit discipline has generated a strong loan portfolio with a weighted average loan-to-value of approximately 53%. For more information on the Bank's asset quality, refer to <https://investor.northeastbank.com/investor-relations>."

Discussing results, Mr. Wayne said "Our Loan Acquisition and Servicing Group produced \$113.8 million of loans, including record purchases of \$65.0 million and originations of \$48.8 million during the quarter." Mr. Wayne continued, "We are pleased to report that the remaining regulatory conditions from the 2010 merger have been waived. The Bank's Tier 1 leverage capital ratio limit has been reduced from 10% to 9%, and Total capital ratio limit has been reduced from 13.5% to 12%. With this change, we are in conformity with many banks' capital limits and now have more capacity to prudently grow our balance sheet."

As of March 31, 2020, total assets were \$1.23 billion, an increase of \$77.6 million, or 6.7%, from total assets of \$1.15 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 three and nine months ended March 31, 2020:

	Loan Portfolio Changes				
	Three Months Ended March 31, 2020				
	March 31, 2020 Balance	December 31, 2019 Balance	Change (\$)	Change (%)	
	(Dollars in thousands)				
LASG Purchased	\$ 395,944	\$ 367,625	\$ 28,319	7.70	%
LASG Originated	512,964	497,386	15,578	3.13	%
SBA	48,306	54,572	(6,266)	(11.48)	%
Community Banking	76,706	81,195	(4,489)	(5.53)	%
Total	\$ 1,033,920	\$ 1,000,778	\$ 33,142	3.31	%
	Nine Months Ended March 31, 2020				
	March 31, 2020 Balance	June 30, 2019 Balance	Change (\$)	Change (%)	
	(Dollars in thousands)				
LASG Purchased	\$ 395,944	\$ 326,640	\$ 69,304	21.22	%
LASG Originated	512,964	493,413	19,551	3.96	%
SBA	48,306	63,053	(14,747)	(23.39)	%
Community Banking	76,706	91,954	(15,248)	(16.58)	%
Total	\$ 1,033,920	\$ 975,060	\$ 58,860	6.04	%

Loans generated by the Bank's Loan Acquisition and Servicing Group ("LASG") for the quarter ended March 31, 2020 totaled \$113.8 million, which consisted of \$65.0 million of purchased loans, at an average price of 91.8% of unpaid principal balance, and \$48.8 million of originated loans. The Bank sold the guaranteed portion of Small Business Administration ("SBA") loans totaling \$4.1 million in the secondary market, all of which was originated or purchased in prior quarters. Residential loan production sold in the secondary market totaled \$6.3 million for the quarter.

An overview of the Bank's LASG portfolio follows:

LASG Portfolio											
Three Months Ended March 31,											
2020						2019					
Purchased		Originated		Total LASG		Purchased		Originated		Total LASG	
(Dollars in thousands)											
Loans purchased or originated during the period:											
Unpaid principal balance		\$ 70,860	\$ 48,772	\$ 119,632	\$ 4,675	\$ 84,546	\$ 89,221				
Net investment basis		65,056	48,772	113,828	4,604	84,546	89,150				
Loan returns during the period:											
Yield		10.05	% 7.35	% 8.50	% 9.49	% 7.87	% 8.56				
Total Return on Purchased Loans (1)		10.05	% 7.35	% 8.50	% 10.22	% 7.87	% 8.87				
Nine Months Ended March 31,											
2020						2019					
Purchased		Originated		Total LASG		Purchased		Originated		Total LASG	
(Dollars in thousands)											
Loans purchased or originated during the period:											
Unpaid principal balance		\$ 167,977	\$ 187,872	\$ 355,849	\$ 94,423	\$ 219,348	\$ 313,771				
Net investment basis		158,518	187,872	346,390	88,741	219,348	308,089				
Loan returns during the period:											
Yield		9.85	% 7.53	% 8.51	% 9.75	% 7.64	% 8.54				
Total Return on Purchased Loans (1)		10.00	% 7.53	% 8.57	% 10.00	% 7.64	% 8.65				
Total loans as of period end:											
Unpaid principal balance		\$ 432,920	\$ 512,964	\$ 945,884	\$ 354,655	\$ 478,020	\$ 832,675				
Net investment basis		395,944	512,964	908,908	320,326	478,020	798,346				

(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 increased by \$70.1 million, or 7.4%, from June 30, 2019, attributable primarily to increases in time deposits of \$39.7 million, or 7.9%, money market accounts of \$15.4 million, or 5.7%, and savings and interest checking accounts of \$13.4 million, or 13.2%.

3. Shareholders' equity increased by \$5.9 million, or 3.9%, from June 30, 2019, primarily due to net income of \$11.5 million, partially offset by the repurchase of 416,700 shares at a weighted average share price of \$12.83, which resulted in a \$5.3 million reduction in shareholders' equity.

Net income decreased by \$3.0 million to \$1.9 million for the quarter ended March 31, 2020, compared to net income of \$4.8 million for the quarter ended March 31, 2019.

1. Net interest and dividend income before provision for loan losses increased by \$1.3 million to \$16.3 million for the quarter ended March 31, 2020, compared to \$15.0 million for the quarter ended March 31, 2019. The increase was primarily due to higher average balances in the LASG portfolio, higher transactional interest income in the purchased portfolio, lower deposit interest expense due to lower average balances and rates, and a decrease in interest expense on subordinated debt from the redemption of trust preferred securities in May 2019. This activity was partially offset by lower average balances and yields from short-term investments, the SBA portfolio, and the Community Banking Portfolio.

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

Interest Income and Yield on Loans										
Three Months Ended March 31,										
2020					2019					
Average		Interest		Yield		Average		Interest		
Balance (1)		Income		Yield		Balance (1)		Income		
(Dollars in thousands)										
Community Banking		\$ 79,325	\$ 1,036	5.25	%	\$ 102,850	\$ 1,348	5.32	%	
SBA		53,643	952	7.14	%	69,247	1,366	8.00	%	
LASG:										
Originated		497,773	9,092	7.35	%	437,499	8,490	7.87	%	

Purchased	367,486	9,186	10.05	%	324,414	7,592	9.49	%
Total LASG	865,259	18,278	8.50	%	761,913	16,082	8.56	%
Total	\$ 998,227	\$ 20,266	8.17	%	\$ 934,010	\$ 18,796	8.16	%

	Nine Months Ended March 31, 2020				2019			
	Average Balance (1)	Interest Income	Yield		Average Balance (1)	Interest Income	Yield	
	(Dollars in thousands)							
Community Banking	\$ 85,254	\$ 3,494	5.45	%	\$ 110,566	\$ 4,319	5.20	%
SBA	57,939	3,424	7.87	%	71,309	4,091	7.64	%
LASG:								
Originated	474,568	26,834	7.53	%	418,747	24,031	7.64	%
Purchased	347,278	25,707	9.85	%	311,780	22,815	9.75	%
Total LASG	821,846	52,541	8.51	%	730,527	46,846	8.54	%
Total	\$ 965,039	\$ 59,459	8.20	%	\$ 912,402	\$ 55,256	8.07	%

(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 March 31, 2019, transactional income for the quarter ended March 31, 2020 increased by \$509 thousand, while regularly scheduled interest and accretion increased by \$503 thousand due to the increase in average balances. The total return on purchased loans for the quarter ended March 31, 2020 was 10.1%, a decrease from 10.2% for the quarter ended March 31, 2019. The following table details the total return on purchased loans:

	Total Return on Purchased Loans Three Months Ended March 31,				
	2020 Income	Return (1)	2019 Income	Return (1)	
	(Dollars in thousands)				
Regularly scheduled interest and accretion	\$ 6,731	7.36	% \$ 6,228	7.79	%
Transactional income:					
Gain on loan sales	-	0.00	% 582	0.73	%
Gain on real estate owned	-	0.00	% -	0.00	%
Other noninterest income	-	0.00	% -	0.00	%
Accelerated accretion and loan fees	2,455	2.69	% 1,364	1.70	%
Total transactional income	2,455	2.69	% 1,946	2.43	%
Total	\$ 9,186	10.05	% \$ 8,174	10.22	%

	Nine Months Ended March 31,				
	2020 Income	Return (1)	2019 Income	Return (1)	
	(Dollars in thousands)				
Regularly scheduled interest and accretion	\$ 19,311	7.40	% \$ 17,849	7.63	%
Transactional income:					
Gain on loan sales	-	0.00	% 582	0.25	%
Gain on real estate owned	395	0.15	% -	0.00	%
Other noninterest income	-	0.00	% -	0.00	%
Accelerated accretion and loan fees	6,396	2.45	% 4,966	2.12	%
Total transactional income	6,791	2.60	% 5,548	2.37	%
Total	\$ 26,102	10.00	% \$ 23,397	10.00	%

(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 periods shown. Total return is considered a non-GAAP financial measure.

2. Provision for loan losses increased by \$3.1 million for the quarter ended March 31, 2020, compared to the quarter ended March 31, 2019, of which \$3.0 million was allocated to the SBA portfolio.

3. Noninterest income decreased by \$1.0 million for the quarter ended March 31, 2020, compared to the quarter ended March 31, 2019, primarily due to the following:

- A decrease in gain on sale of other loans of \$582 thousand, due to no loans sold during the current quarter, as compared to three LASG purchased loans sold in the quarter ended March 31, 2019;
- A decrease in gain on sale of SBA loans of \$331 thousand, due to a lower volume of SBA loans sold in the current quarter resulting from lower originations in previous quarters; and,
- A decrease of \$92 thousand in fees for other services to customers due to lower commercial loans servicing fees resulting from a higher volume of SBA loan payoffs.

4. Noninterest expense increased by \$329 thousand for the quarter ended March 31, 2020 compared to the quarter ended March 31, 2019, primarily due to the following:

- An increase in other noninterest expense of \$203 thousand, due to a \$215 thousand impairment charge on the SBA servicing asset, as compared to a \$94 thousand recovery in the quarter ended March 31, 2019;
- An increase in salaries and employee benefits of \$178 thousand, primarily due to increases in regular compensation and incentive compensation, partially offset by a decrease in stock-based compensation;
- An increase in data processing fees of \$167 thousand, primarily due to increased IT outsourcing costs; and
- An increase in loan acquisition and collection expense of \$107 thousand, primarily related to increased costs associated with real estate owned properties; partially offset by,
- A decrease in professional fees of \$144 thousand, due to a decrease in legal expenses related to the corporate reorganization completed in the prior period, as well as lower other professional fees; and
- A decrease in Federal Deposit Insurance Corporation ("FDIC") insurance expense of \$77 thousand, primarily due to credits issued from the FDIC in the current quarter.

5. Income tax expense decreased by \$169 thousand to \$1.7 million, or an effective tax rate of 48.1%, for the quarter ended March 31, 2020, compared to \$1.9 million, or an effective tax rate of 28.3%, for the quarter ended March 31, 2019. The decrease was primarily due to lower pre-tax income, which decreased by \$3.1 million during the quarter ended March 31, 2020 compared to the quarter ended March 31, 2019. Offsetting this activity was the Bank's recording of a \$554 thousand expense related to the recapture of the tax reserve for loan losses as a result of the repurchase of common stock during the quarter ended March 31, 2020. This is a one-time expense as the Bank has now recaptured all of its tax bad debt reserve, which arose from pre-1988 bad debt deductions taken for tax purposes in excess of net charge-offs, which now must be recaptured. Because the Bank had only intended to use the reserve to absorb loan losses, no provision had been made for this liability.

As of March 31, 2020, nonperforming assets totaled \$27.5 million, or 2.23% of total assets, as compared to \$16.7 million, or 1.45% of total assets, as of June 30, 2019. The increase was primarily due to four LASG purchased loans totaling \$4.9 million, one LASG originated loan totaling \$2.7 million, and two SBA loans totaling \$2.1 million that were placed on nonaccrual, and a \$1.2 million increase in real estate owned, due to three properties transferred in, partially offset by two properties sold during the nine months ended March 31, 2020.

As of March 31, 2020, past due loans totaled \$36.4 million, or 3.52% of total loans, as compared to past due loans totaling \$14.6 million, or 1.50% of total loans as of June 30, 2019. The increase was primarily due to twenty LASG purchased loans totaling \$14.4 million, one LASG originated loan totaling \$2.7 million, and six SBA loans totaling \$3.8 million, becoming past due during the nine months ended March 31, 2020. Of the twenty LASG purchased loans totaling \$14.4 million, seven loans totaling \$3.8 million were purchased during the quarter ended March 31, 2020.

As of March 31, 2020, the Bank's Tier 1 leverage capital ratio was 13.0%, compared to 12.9% at June 30, 2019, and the Total capital ratio was 18.0% at March 31, 2020 and June 30, 2019. Effective April 13, 2020, the Bank's Tier 1 leverage capital ratio limit is 9% and Total capital ratio limit is 12%.

Investor Call Information

Rick Wayne, Chief Executive Officer of Northeast Bank, Jean-Pierre Lapointe, Chief Financial Officer of Northeast Bank, and Pat Dignan, Executive Vice President and Chief Credit Officer of Northeast Bank, will host a **conference call to discuss third quarter earnings and business outlook at 10:00 a.m. Eastern Time on Thursday, April 23rd**. Investors can access the call by dialing 877.878.2762 and entering the following passcode: 8453418. 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 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 common 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, the 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; the length and extent of the economic contraction resulting from the COVID-19 pandemic; continued deterioration in general business and economic conditions on a national basis and in the local markets in which the Bank operates, including changes which adversely affect borrowers' ability to service and repay our loans; changes in customer behavior due to changing business and economic conditions or legislative or regulatory initiatives; continued 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.

For More Information:

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NORTHEAST BANK BALANCE SHEETS

(Unaudited)

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

	March 31, 2020	June 30, 2019
Assets		
Cash and due from banks	\$ 3,856	\$ 2,482
Short-term investments	84,919	54,425
Total cash and cash equivalents	88,775	56,907
Available-for-sale debt securities, at fair value	66,318	75,774
Equity securities, at fair value	7,163	6,938
Total investment securities	73,481	82,712
Residential real estate loans held for sale	370	3,179
SBA loans held for sale	-	731
Total loans held for sale	370	3,910
Loans:		
Commercial real estate	696,403	668,496
Commercial and industrial	251,688	232,839
Residential real estate	83,830	71,218
Consumer	1,999	2,507
Total loans	1,033,920	975,060
Less: Allowance for loan losses	8,809	5,702
Loans, net	1,025,111	969,358

Premises and equipment, net	9,810	5,582
Real estate owned and other repossessed collateral, net	3,110	1,957
Federal Home Loan Bank stock, at cost	1,306	1,258
Intangible assets, net	109	434
Loan servicing rights, net	2,007	2,851
Bank-owned life insurance	16,965	17,057
Other assets	10,414	11,832
Total assets	\$ 1,231,458	\$ 1,153,858
Liabilities and Shareholders' Equity		
Deposits:		
Demand	\$ 70,443	\$ 68,782
Savings and interest checking	114,441	101,061
Money market	286,240	270,835
Time	541,390	501,693
Total deposits	1,012,514	942,371
Federal Home Loan Bank advances	15,000	15,000
Subordinated debt	14,912	14,829
Lease liability	4,846	323
Other liabilities	24,661	27,755
Total liabilities	1,071,933	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 March 31, 2020 and June 30, 2019	-	-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 8,588,989 and 8,997,326 shares issued and outstanding at March 31, 2020 and June 30, 2019, respectively	8,589	8,997
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; 44,783 shares issued and outstanding at March 31, 2020 and June 30, 2019	45	45
Additional paid-in capital	73,700	78,095
Retained earnings	78,824	67,581
Accumulated other comprehensive loss	(1,633)	(1,138)
Total shareholders' equity	159,525	153,580
Total liabilities and shareholders' equity	\$ 1,231,458	\$ 1,153,858

NORTHEAST BANK
STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Interest and dividend income:				
Interest and fees on loans	\$ 20,266	\$ 18,796	\$ 59,459	\$ 55,256
Interest on available-for-sale securities	426	444	1,320	1,229
Other interest and dividend income	395	939	1,061	2,789
Total interest and dividend income	21,087	20,179	61,840	59,274
Interest expense:				
Deposits	4,228	4,447	12,725	12,111
Federal Home Loan Bank advances	226	116	569	359
Subordinated debt	282	578	845	1,752
Obligation under capital lease agreements	30	5	98	19
Total interest expense	4,766	5,146	14,237	14,241

Net interest and dividend income before provision for loan losses	16,321	15,033	47,603	45,033
Provision for loan losses	3,489	414	3,595	1,047
Net interest and dividend income after provision for loan losses	12,832	14,619	44,008	43,986
Noninterest income:				
Fees for other services to customers	316	408	1,142	1,240
Gain on sales of SBA loans	237	568	793	2,361
Gain on sales of residential loans held for sale	139	108	565	387
Gain on sales of other loans	-	582	-	582
Net unrealized gain on equity securities	87	65	102	75
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	(64)	-	247	(64)
Bank-owned life insurance income	108	108	457	328
Other noninterest income	37	27	66	56
Total noninterest income	860	1,866	3,372	4,965
Noninterest expense:				
Salaries and employee benefits	5,960	5,782	18,272	16,991
Occupancy and equipment expense	919	957	2,667	2,692
Professional fees	339	483	1,175	1,516
Data processing fees	994	827	2,980	2,764
Marketing expense	91	160	239	413
Loan acquisition and collection expense	716	609	1,807	1,633
FDIC insurance premiums (credits)	4	81	(15)	242
Intangible asset amortization	109	107	326	325
Other noninterest expense	949	746	2,774	2,433
Total noninterest expense	10,081	9,752	30,225	29,009
Income before income tax expense	3,611	6,733	17,155	19,942
Income tax expense	1,736	1,905	5,637	5,455
Net income	\$ 1,875	\$ 4,828	\$ 11,518	\$ 14,487
Weighted-average shares outstanding:				
Basic	9,004,819	9,044,230	9,032,254	9,029,409
Diluted	9,128,651	9,198,077	9,187,891	9,194,346
Earnings per common share:				
Basic	\$ 0.21	\$ 0.53	\$ 1.28	\$ 1.60
Diluted	0.21	0.52	1.25	1.58
Cash dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03

NORTHEAST BANK
AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31,								
	2020		2019		2019				
	Average Balance	Interest Income/Expense	Average Yield/Rate	%	Average Balance	Interest Income/Expense	Average Yield/Rate	%	
Assets:									
Interest-earning assets:									
Investment securities	\$ 78,369	\$ 426	2.19	%	\$ 84,318	\$ 444	2.14	%	
Loans (1) (2) (3)	998,227	20,266	8.17	%	934,010	18,796	8.16	%	
Federal Home Loan Bank stock	2,295	29	5.08	%	1,332	26	7.92	%	

Short-term investments (4)	114,794	366	1.28	%	152,854	913	2.42	%
Total interest-earning assets	1,193,685	21,087	7.11	%	1,172,514	20,179	6.98	%
Cash and due from banks	3,054				2,647			
Other non-interest earning assets	37,634				28,399			
Total assets	\$ 1,234,373				\$ 1,203,560			

Liabilities & Shareholders' Equity:

Interest-bearing liabilities:

NOW accounts	\$ 78,777	\$ 104	0.53	%	\$ 68,869	\$ 59	0.35	%
Money market accounts	279,852	1,105	1.59	%	318,423	1,251	1.59	%
Savings accounts	33,912	13	0.15	%	35,599	14	0.16	%
Time deposits	519,980	3,006	2.33	%	501,378	3,123	2.53	%
Total interest-bearing deposits	912,521	4,228	1.86	%	924,269	4,447	1.95	%
Federal Home Loan Bank advances	39,011	226	2.33	%	15,000	116	3.14	%
Subordinated debt	14,897	282	7.61	%	24,170	578	9.70	%
Lease obligations	4,997	30	2.41	%	419	5	4.84	%
Total interest-bearing liabilities	971,426	4,766	1.97	%	963,858	5,146	2.17	%

Non-interest bearing liabilities:

Demand deposits and escrow accounts	89,248				79,599			
Other liabilities	8,671				9,489			
Total liabilities	1,069,345				1,052,946			
Shareholders' equity	165,028				150,614			
Total liabilities and shareholders' equity	\$ 1,234,373				\$ 1,203,560			

Net interest income \$ 16,321 \$ 15,033

Interest rate spread			5.14	%			4.81	%
Net interest margin (5)			5.50	%			5.20	%

(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)

	Nine Months Ended March 31,				2019			
	2020	Interest	Average		Average	Interest	Average	
	Average	Income/	Yield/	Average	Income/	Yield/		
	Balance	Expense	Rate	Balance	Expense	Rate		
Assets:								
Interest-earning assets:								
Investment securities	\$ 80,494	\$ 1,320	2.18	%	\$ 85,850	\$ 1,229	1.91	%
Loans (1) (2) (3)	965,039	59,459	8.20	%	912,402	55,256	8.07	%
Federal Home Loan Bank stock	1,876	66	4.68	%	1,547	74	6.37	%
Short-term investments (4)	84,025	995	1.58	%	164,841	2,715	2.19	%
Total interest-earning assets	1,131,434	61,840	7.27	%	1,164,640	59,274	6.78	%
Cash and due from banks	2,820				2,606			
Other non-interest earning assets	38,663				30,339			
Total assets	\$ 1,172,887				\$ 1,197,585			

Liabilities & Shareholders' Equity:

Interest-bearing liabilities:

NOW accounts	\$ 71,614	\$ 241	0.45	%	\$ 70,882	\$ 183	0.34	%
Money market accounts	271,506	3,268	1.60	%	366,326	4,259	1.55	%
Savings accounts	34,236	43	0.17	%	35,592	42	0.16	%
Time deposits	489,396	9,173	2.49	%	450,064	7,627	2.26	%
Total interest-bearing deposits	866,752	12,725	1.95	%	922,864	12,111	1.75	%
Federal Home Loan Bank advances	30,055	569	2.52	%	15,000	359	3.19	%
Subordinated debt	14,869	845	7.56	%	24,084	1,752	9.69	%
Lease obligations	5,352	98	2.44	%	490	19	5.17	%
Total interest-bearing liabilities	917,028	14,237	2.07	%	962,438	14,241	1.97	%
Non-interest bearing liabilities:								
Demand deposits and escrow accounts	86,735				80,953			
Other liabilities	8,730				8,575			
Total liabilities	1,012,493				1,051,966			
Shareholders' equity	160,394				145,619			
Total liabilities and shareholders' equity	\$ 1,172,887				\$ 1,197,585			
Net interest income		\$ 47,603				\$ 45,033		
Interest rate spread			5.20	%			4.81	%
Net interest margin (5)			5.60	%			5.15	%

(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					
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019	
Net interest income	\$ 16,321	\$ 15,545	\$ 15,737	\$ 17,288	\$ 15,033	
Provision (credit) for loan losses	3,489	243	(136)	262	414	
Noninterest income	860	1,337	1,176	1,151	1,866	
Noninterest expense	10,081	9,789	10,354	18,504	9,752	
Net income (loss)	1,875	4,867	4,776	(603)	4,828	
Weighted-average common shares outstanding:						
Basic	9,004,819	9,048,171	9,043,761	9,041,926	9,044,230	
Diluted	9,128,651	9,223,137	9,211,874	9,041,926	9,198,077	
Earnings (loss) per common share:						
Basic	\$ 0.21	\$ 0.54	\$ 0.53	\$ (0.07)	\$ 0.53	
Diluted	0.21	0.53	0.52	(0.07)	0.52	
Operating earnings per common share (4):						
Basic	\$ 0.21	\$ 0.54	\$ 0.53	\$ 0.60	\$ 0.53	
Diluted	0.21	0.53	0.52	0.59	0.52	
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	
Return (loss) on average assets	0.61	% 1.68	% 1.68	% (0.20	%) 1.63	%
Return (loss) on average equity	4.57	% 12.09	% 12.18	% (1.58	%) 13.00	%
Net interest rate spread (1)	5.14	% 5.19	% 5.31	% 5.55	% 4.81	%

Net interest margin (2)	5.50	%	5.59	%	5.72	%	5.95	%	5.20	%
Efficiency ratio (non-GAAP) (3)	58.68	%	57.98	%	61.22	%	100.35	%	57.71	%
Noninterest expense to average total assets	3.28	%	3.38	%	3.64	%	6.18	%	3.29	%
Average interest-earning assets to average interest-bearing liabilities	122.88	%	123.50	%	123.81	%	121.71	%	121.65	%
Operating return on average assets (non-GAAP) (4)	0.61	%	1.68	%	1.68	%	1.81	%	1.63	%
Operating return on average equity (non-GAAP) (4)	4.57	%	12.09	%	12.18	%	14.18	%	13.00	%
Operating efficiency ratio (non-GAAP) (3) (4)	58.68	%	57.98	%	61.22	%	55.15	%	57.71	%
Operating noninterest expense to average total assets (non-GAAP) (4)	3.28	%	3.38	%	3.64	%	3.40	%	3.29	%

As of:

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 1,187	\$ 1,586	\$ 1,515	\$ 2,772	\$ 2,317
Commercial real estate	7,439	8,032	4,530	3,892	3,336
Commercial and industrial	2,226	622	87	1,284	1,495
Consumer	40	59	136	148	236
Total originated portfolio	10,892	10,299	6,268	8,096	7,384
Total purchased portfolio	13,485	8,489	7,834	6,671	5,366
Total nonperforming loans	24,377	18,788	14,102	14,767	12,750
Real estate owned and other repossessed collateral, net	3,110	2,505	1,936	1,957	2,014
Total nonperforming assets	\$ 27,487	\$ 21,293	\$ 16,038	\$ 16,724	\$ 14,764
Past due loans to total loans	3.52	% 2.84	% 1.50	% 1.50	% 2.16
Nonperforming loans to total loans	2.36	% 1.88	% 1.51	% 1.51	% 1.33
Nonperforming assets to total assets	2.23	% 1.76	% 1.43	% 1.45	% 1.20
Allowance for loan losses to total loans	0.85	% 0.54	% 0.57	% 0.58	% 0.59
Allowance for loan losses to nonperforming loans	36.14	% 28.77	% 37.44	% 38.61	% 44.38
Commercial real estate loans to total capital (5)	304.40	% 292.58	% 262.92	% 282.05	% 251.02
Net loans to core deposits (6)	102.04	% 106.52	% 102.59	% 103.33	% 94.19
Purchased loans to total loans, including held for sale	38.28	% 36.65	% 35.50	% 33.37	% 33.27
Equity to total assets	12.95	% 13.53	% 14.08	% 13.31	% 12.44
Common equity tier 1 capital ratio	15.71	% 16.48	% 16.92	% 15.89	% 16.23
Total capital ratio	18.03	% 18.52	% 19.07	% 18.01	% 19.33
Tier 1 leverage capital ratio	13.04	% 14.26	% 14.06	% 12.86	% 13.58
Total shareholders' equity	\$ 159,525	\$ 163,400	\$ 158,101	\$ 153,580	\$ 153,188
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	159,525	163,400	158,101	153,580	153,188
Less: Intangible assets (7)	(2,116)	(2,641)	(2,940)	(3,285)	(3,485)
Tangible common shareholders' equity (non-GAAP)	\$ 157,409	\$ 160,759	\$ 155,161	\$ 150,295	\$ 149,703
Common shares outstanding	8,633,772	9,052,013	9,038,912	9,042,109	9,041,868
Book value per common share	\$ 18.48	\$ 18.05	\$ 17.49	\$ 16.98	\$ 16.94
Tangible book value per share (non-GAAP) (8)	18.23	17.76	17.17	16.62	16.56

(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 earnings per common share, 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). Net operating earnings is calculated as net loss of \$603 thousand, less non-recurring reorganization expense, net of tax, of \$6.0 million, for net operating earnings of \$5.4 million for the quarter ended June 30, 2019.

(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.



Source: Northeast Bank