



Northeast Bank Reports First Quarter Results and Declares Dividend

October 27, 2021

PORTLAND, Maine, Oct. 27, 2021 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$9.9 million, or \$1.20 per diluted common share, for the quarter ended September 30, 2021, compared to net income of \$7.8 million, or \$0.94 per diluted common share, for the quarter ended September 30, 2020.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on November 23, 2021, to shareholders of record as of November 9, 2021.

Discussing results, Rick Wayne, Chief Executive Officer, said "We began the new fiscal year with a strong first quarter. Our National Lending Division generated \$129.8 million in originations and purchases for the quarter, growing the National Lending portfolio by \$38.6 million, or 4.0% over June 30, 2021. Year over year, we increased the National Lending Division average loan portfolio by \$147.2 million, or 17.8%, compared to the quarter ended September 30, 2020, while the yield remained strong at 7.65%. We continued to benefit from our correspondent arrangement with The Loan Source, Inc. and NEWITY (formerly ACAP SME, LLC), generating \$7.8 million of correspondent fee income, attributable to the significant PPP loan purchases by Loan Source. We earned \$1.20 per diluted common share, a return on average equity of 16.7%, a return on average assets of 2.4% and an efficiency ratio of 49.0%."

As of September 30, 2021, total assets were \$1.38 billion, a decrease of \$791.9 million, or 36.4%, from total assets of \$2.17 billion as of June 30, 2021, primarily due to the \$818.0 million, or 81.0%, decrease in cash and short-term investments, as discussed below. 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 ended September 30, 2021:

	September 30, 2021 Balance	June 30, 2021 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 432,083	\$ 429,054	\$ 3,029	0.71%
National Lending Originated	559,080	523,535	35,545	6.79%
SBA	38,482	39,549	(1,067)	(2.70%)
Community Banking	44,702	48,486	(3,784)	(7.80%)
Total	<u>\$ 1,074,347</u>	<u>\$ 1,040,624</u>	<u>\$ 33,723</u>	<u>3.24%</u>

Loans generated by the Bank's National Lending Division for the quarter ended September 30, 2021 totaled \$129.8 million, which consisted of \$35.3 million of purchased loans, at an average price of 95.5% of unpaid principal balance, and \$94.5 million of originated loans.

Additionally, the Bank originated \$6.3 million of Paycheck Protection Program ("PPP") loans in the quarter ended September 30, 2021, all of which were sold during the same quarter, recording a net gain of \$86 thousand on the sales primarily resulting from the recognition of net deferred fees upon the sale of the loans.

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

	National Lending Portfolio					
	Three Months Ended September 30,					
	2021			2020		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 37,034	\$ 94,485	\$ 131,519	\$ 5,822	\$ 40,908	\$ 46,730
Net investment basis	35,357	94,485	129,842	4,578	40,908	45,486
Loan returns during the period:						
Yield	9.26%	6.38%	7.65%	9.11%	7.04%	7.98%
Total Return on Purchased Loans (1)	9.19%	N/A	9.19%	9.11%	N/A	9.11%
Total loans as of period end:						
Unpaid principal balance	\$ 467,268	\$ 559,080	\$ 1,026,348	\$ 391,895	\$ 462,974	\$ 854,869
Net investment basis	432,083	559,080	991,163	358,203	462,974	821,177

(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."

- Cash and short-term investments decreased by \$818.0 million, or 81.0%, from June 30, 2021, primarily due to the timing of a large deposit account related to PPP payoff collections and purchases that is subject to significant fluctuation and was elevated given the PPP activity at June 30, 2021. Cash and short-term investments may fluctuate significantly while PPP collections, including forgiveness amounts, continue, depending on the timing of receipts and remittances of cash amounts.
- Deposits decreased by \$776.1 million, or 41.7%, from June 30, 2021, attributable to decreases in demand deposits of \$781.4 million, or 80.3%, time deposits of \$36.5 million, or 13.1% and money market accounts of \$16.2 million, or 5.7%, partially offset by an increase in savings and interest-bearing checking accounts of \$58.0 million, or 17.8%. The primary reason for the net decrease in deposits was due to timing of receipt of short-term customer funds related to PPP payoff collections prior to June 30, 2021, which were subsequently used to pay down NEWITY's PPP Liquidity Facility ("PPPLF") balance during the quarter ended September 30, 2021, as noted above with respect to the change in cash and short-term investments.
- Shareholders' equity increased by \$7.1 million, or 3.1%, from June 30, 2021, primarily due to net income of \$9.9 million and stock-based compensation of \$535 thousand, partially offset by the repurchase of 102 thousand shares of common stock at a weighted average price per share of \$29.91, which resulted in a \$3.1 million decrease in shareholders' equity.

Net income increased by \$2.1 million to \$9.9 million for the quarter ended September 30, 2021, compared to net income of \$7.8 million for the quarter ended September 30, 2020.

- Net interest and dividend income before provision for loan losses increased by \$3.8 million to \$18.8 million for the quarter ended September 30, 2021, compared to \$15.0 million for the quarter ended September 30, 2020. The increase was primarily due to the following:
 - An increase in interest income earned on loans of \$1.9 million, primarily due to an increase in interest income earned on National Lending Division originated and purchased portfolios, due to higher average balances in both portfolios and higher rates on the purchased portfolio, partially offset by lower rates earned on the originated portfolio;
 - A decrease in deposit interest expense of \$1.7 million, due to lower interest rates and lower average balances in interest-bearing deposits; and
 - A decrease in interest expense on subordinated debt of \$281 thousand, as the Bank redeemed its \$15.1 million subordinated debt in full at par plus accrued interest on July 1, 2021; partially offset by,
 - A decrease of \$196 thousand in interest income earned on securities, due to lower average balances and average rates earned.

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

	Interest Income and Yield on Loans					
	Three Months Ended September 30,					
	2021			2020		
Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield	
(Dollars in thousands)						
Community Banking	\$ 47,052	\$ 587	4.95%	\$ 65,438	\$ 843	5.11%
SBA National	38,297	623	6.45%	48,252	556	4.57%
SBA PPP	1,384	11	3.15%	16,901	80	1.88%
National Lending:						
Originated	546,291	8,785	6.38%	452,744	8,029	7.04%
Purchased	427,804	9,987	9.26%	374,200	8,597	9.11%
Total National Lending	974,095	18,772	7.65%	826,944	\$ 16,626	7.98%
Total	\$ 1,060,828	\$ 19,993	7.48%	\$ 957,535	\$ 18,105	7.50%

(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, 2020, regularly scheduled interest and accretion for the quarter ended September 30, 2021 increased by \$417 thousand due to the increase in average balances and transactional income increased by \$899 thousand. The total return on purchased loans for the quarter ended September 30, 2021 was 9.2%, an increase from 9.1% for the quarter ended September 30, 2020. The following table details the total return on purchased loans:

Total Return on Purchased Loans	
Three Months Ended September 30,	
2021	2020

	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 6,982	6.47%	\$ 6,565	6.96%
Transactional income:				
Gain on loan sales	-	0.00%	-	0.00%
Loss on real estate owned	(74)	(0.07%)	-	0.00%
Other noninterest income	-	0.00%	-	0.00%
Accelerated accretion and loan fees	3,005	2.79%	2,032	2.15%
Total transactional income	2,931	2.72%	2,032	2.15%
Total	\$ 9,913	9.19%	\$ 8,597	9.11%

(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 (credit) for loan losses decreased by \$603 thousand to a credit of \$226 thousand for the quarter ended September 30, 2021, from a \$377 thousand provision in the quarter ended September 30, 2020. The decrease in the provision (credit) for loan losses reflects decreases in certain qualitative factors during the current quarter as a result of continued improvements relative to the COVID-19 pandemic, as compared to increases in certain qualitative factors during the quarter ended September 30, 2020 as a result of impacts from the COVID-19 pandemic. The decrease in the qualitative factors was partially offset by a \$402 thousand increase in specific reserves on impaired loans, primarily related to two National Lending Division loans that are in the process of being modified.

3. Noninterest income increased by \$2.0 million for the quarter ended September 30, 2021, compared to the quarter ended September 30, 2020, primarily due to the following:

- An increase in correspondent fee income of \$3.1 million from the recognition of correspondent fees and net servicing income as a result of the correspondent arrangement entered into with Loan Source during the quarter ended June 30, 2020. Under the correspondent arrangement, the Bank earns a correspondent fee when Loan Source purchases PPP loans and the Bank subsequently shares in net servicing income on such purchased PPP loans. Correspondent income for the quarters ended September 30, 2021 and 2020 is comprised of the following components:

	Three Months Ended September 30,	
	2021	2020
	(In thousands)	
Correspondent Fee	\$ 1,087	\$ 822
Amortization of Purchased Accrued Interest	1,794	279
Earned Net Servicing Interest	4,950	3,646
Total	\$ 7,831	\$ 4,747

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

Quarter	PPP Loans Purchased by Loan Source ⁽³⁾	Correspondent Fee	Purchased Accrued Interest ⁽¹⁾	Total ⁽²⁾
	(In thousands)			
Q4 FY 2020	\$ 1,272,900	\$ 2,891	\$ 688	\$ 3,579
Q1 FY 2021	2,112,100	5,348	2,804	8,152
Q2 FY 2021	1,333,500	495	3,766	4,261
Q3 FY 2021	2,141,900	-	598	598
Q4 FY 2021	4,371,000	171	2,703	2,874
Q1 FY 2022	6,300	-	1	1
Total	\$ 11,237,700	\$ 8,905	\$ 10,560	\$ 19,465
Less amounts recognized in Q1 FY 22		(1,087)	(1,794)	(2,881)
Less amounts recognized in previous quarters		(4,081)	(2,785)	(6,866)
Amount remaining to be recognized		\$ 3,737	\$ 5,981	\$ 9,718

(1) - Northeast Bank's share

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

(3) - Loan Source's ending PPP loan balance was \$6.66 billion as of September 30, 2021

In addition to this increase:

- An \$83 thousand decrease in losses on real estate owned (“REO”), due to a loss on sale of a REO property during the current quarter, as compared to a larger write-down on an existing REO property during the quarter ended September 30, 2020; partially offset by,
 - A decrease in gain on sale of PPP loans of \$1.0 million, due to a lower volume of PPP loans sold, whereby the Bank recognized a gain of \$86 thousand from the sale of \$6.3 million of PPP loans during the current quarter, as compared to a gain of \$1.1 million from the sale of \$53.7 million of PPP loans during the quarter ended September 30, 2020; and
 - An \$83 thousand decrease in gain on sale of residential loans held for sale due to no loans sold in the current quarter as the residential division was discontinued during fiscal 2021.
4. Noninterest expense increased by \$3.4 million for the quarter ended September 30, 2021 compared to the quarter ended September 30, 2020, primarily due to the following:
- An increase in loan expense of \$1.6 million, due to a \$1.6 million increase of one-time correspondent expenses associated with the wrap-up of PPP origination activity;
 - An increase in salaries and employee benefits expense of \$1.2 million, due to increases in bonus, regular employee compensation, stock compensation expense, and payroll tax expense, and a decrease in deferred salaries contra-expense; and
 - An increase in other noninterest expense of \$249 thousand, primarily due to a \$16 thousand impairment charge on SBA servicing assets in the quarter ended September 30, 2021, as compared to a \$128 thousand recovery in the quarter ended September 30, 2020, and a \$67 thousand increase in travel and meals and entertainment expense during the quarter ended September 30, 2021 compared to September 30, 2020.
5. Income tax expense increased by \$904 thousand to \$4.2 million, or an effective tax rate of 29.9%, for the quarter ended September 30, 2021, compared to \$3.3 million, or an effective tax rate of 29.8%, for the quarter ended September 30, 2020. The increase was primarily due to higher pre-tax income, which increased by \$3.0 million during the quarter ended September 30, 2021 compared to the quarter ended September 30, 2020.

As of September 30, 2021, nonperforming assets totaled \$22.2 million, or 1.60% of total assets, as compared to \$20.4 million, or 0.94% of total assets, as of June 30, 2021. The increase was primarily due to three National Lending Division loans totaling \$3.4 million that were placed on nonaccrual during the quarter ended September 30, 2021, partially offset by the sale of one REO property totaling \$989 thousand, and paydowns on nonaccrual loans.

As of September 30, 2021, past due loans totaled \$14.9 million, or 1.39% of total loans, as compared to past due loans totaling \$11.3 million, or 1.08% of total loans as of June 30, 2021. The increase was primarily due to three National Lending Division loans totaling \$4.6 million becoming past due during the quarter ended September 30, 2021, partially offset by three purchased loans totaling \$891 thousand and one SBA loan totaling \$317 thousand that became current or paid off.

As of September 30, 2021, the Bank’s Tier 1 leverage capital ratio was 14.8%, compared to 13.6% at June 30, 2021, and the Total capital ratio was 22.7% at September 30, 2021, compared to 24.3% at June 30, 2021. Capital ratios were primarily affected by increased earnings and decreased assets.

Investor Call Information

Rick Wayne, Chief Executive Officer, Jean-Pierre Lapointe, Chief Financial Officer, and Pat Dignan, Executive Vice President and Chief Credit Officer, will host a **conference call to discuss first quarter earnings and business outlook at 10:00 a.m. Eastern Time on Thursday, October 28th**. Investors can access the call by dialing 800.773.2954 and entering the following passcode: 50237132. 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 eight branches. Our National Lending Division purchases and originates commercial loans on a nationwide basis. ableBanking, a division of Northeast Bank, offers online savings products to consumers nationwide. Information regarding Northeast Bank can be found at www.northeastbank.com.

Non-GAAP Financial Measures

In addition to results presented in accordance with generally accepted accounting principles (“GAAP”), this press release contains certain non-GAAP financial measures, including tangible common shareholders’ equity, tangible book value per share, total return on purchased loans, efficiency ratio, net interest margin excluding PPP, and net interest margin excluding PPP and collection account. The Bank’s management believes that the supplemental non-GAAP information is utilized by regulators and market analysts to evaluate a company’s financial condition and therefore, such information is useful to investors. These disclosures should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies’ non-GAAP financial measures having the same or similar names.

Forward-Looking Statements

Statements in this press release that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We may also make forward-looking statements in other documents we file with the FDIC, in our annual reports to our shareholders, in press releases and other written materials, and in oral statements made by our officers, directors or employees. You can identify forward-looking statements by the use of the words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “assume,” “outlook,” “will,” “should,” and other expressions that predict or indicate future events and trends and which do not relate to historical matters. 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; changes in employment levels, 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 political, business and economic conditions or legislative or regulatory initiatives; turbulence in the capital and debt markets; reductions in net interest income resulting from interest rate volatility as well as changes in the balances and mix of loans and deposits; changes in interest rates and real estate values; changes in loan collectability, increases in 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; changes in legislation or regulation and accounting principles, policies and guidelines; 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; reputational risk relating to our participation in the Paycheck Protection Program and other pandemic-related legislative and regulatory initiatives and programs; changes in assumptions used in making such forward-looking statements; and the other risks and uncertainties detailed in the Bank's Annual Report on Form 10-K and updated by our Quarterly Reports on Form 10-Q and other filings submitted to the Federal Deposit Insurance Corporation. These statements speak only as of the date of this release and the Bank does not undertake any obligation to update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this communication or to reflect the occurrence of unanticipated events.

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**NORTHEAST BANK
BALANCE SHEETS**

(Unaudited)

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

	September 30, 2021	June 30, 2021
Assets		
Cash and due from banks	\$ 2,602	\$ 2,850
Short-term investments	189,847	1,007,641
Total cash and cash equivalents	192,449	1,010,491
Available-for-sale debt securities, at fair value	58,537	59,737
Equity securities, at fair value	7,228	7,230
Total investment securities	65,765	66,967
Loans:		
Commercial real estate	771,340	725,287
Commercial and industrial	248,296	257,604
Residential real estate	53,715	56,591
Consumer	996	1,142
Total loans	1,074,347	1,040,624
Less: Allowance for loan losses	7,166	7,313
Loans, net	1,067,181	1,033,311
Premises and equipment, net	10,554	11,271
Real estate owned and other repossessed collateral, net	821	1,639
Federal Home Loan Bank stock, at cost	1,209	1,209
Loan servicing rights, net	1,906	2,061
Bank-owned life insurance	17,604	17,498
Other assets	25,058	29,955
Total assets	<u>\$ 1,382,547</u>	<u>\$ 2,174,402</u>
Liabilities and Shareholders' Equity		
Deposits:		
Demand	\$ 191,123	\$ 972,495
Savings and interest checking	383,027	325,062
Money market	270,801	287,033

Time	241,359	277,840
Total deposits	<u>1,086,310</u>	<u>1,862,430</u>
Federal Home Loan Bank advances	15,000	15,000
Subordinated debt	-	15,050
Lease liability	5,668	6,061
Other liabilities	<u>36,061</u>	<u>43,470</u>
Total liabilities	<u>1,143,039</u>	<u>1,942,011</u>

Commitments and contingencies

Shareholders' equity

Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at September 30, 2021 and June 30, 2021	-	-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 8,172,776 and 8,150,480 shares issued and outstanding at September 30, 2021 and June 30, 2021, respectively	8,173	8,151
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; no shares issued and outstanding at September 30, 2021 and June 30, 2021	-	-
Additional paid-in capital	61,634	64,420
Retained earnings	170,929	161,132
Accumulated other comprehensive loss	<u>(1,228)</u>	<u>(1,312)</u>
Total shareholders' equity	<u>239,508</u>	<u>232,391</u>
Total liabilities and shareholders' equity	<u>\$ 1,382,547</u>	<u>\$ 2,174,402</u>

NORTHEAST BANK **STATEMENTS OF INCOME**

(Unaudited)

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

	Three Months Ended September 30,	
	2021	2020
Interest and dividend income:		
Interest and fees on loans	\$ 19,993	\$ 18,105
Interest on available-for-sale securities	94	290
Other interest and dividend income	174	88
Total interest and dividend income	<u>20,261</u>	<u>18,483</u>
Interest expense:		
Deposits	1,309	3,058
Federal Home Loan Bank advances	128	124
Paycheck Protection Program Liquidity Facility	-	2
Subordinated debt	-	281
Obligation under lease agreements	25	25
Total interest expense	<u>1,462</u>	<u>3,490</u>
Net interest and dividend income before provision (credit) for loan losses	18,799	14,993
Provision (credit) for loan losses	<u>(226)</u>	<u>377</u>
Net interest and dividend income after provision (credit) for loan losses	<u>19,025</u>	<u>14,616</u>
Noninterest income:		
Fees for other services to customers	457	499
Gain on sales of PPP loans	86	1,110
Gain on sales of residential loans held for sale	-	83
Net unrealized loss on equity securities	(21)	-
Loss on real estate owned, other repossessed collateral and premises and equipment, net	(74)	(157)
Correspondent fee income	7,831	4,747

Bank-owned life insurance income	106	106
Other noninterest income	14	28
Total noninterest income	<u>8,399</u>	<u>6,416</u>
Noninterest expense:		
Salaries and employee benefits	7,562	6,351
Occupancy and equipment expense	887	926
Professional fees	521	363
Data processing fees	1,077	1,025
Marketing expense	192	41
Loan expense	2,248	689
FDIC insurance premiums	112	48
Other noninterest expense	739	490
Total noninterest expense	<u>13,338</u>	<u>9,933</u>
Income before income tax expense	14,086	11,099
Income tax expense	4,209	3,305
Net income	<u>\$ 9,877</u>	<u>\$ 7,794</u>
Weighted-average common shares outstanding:		
Basic	8,132,131	8,196,828
Diluted	8,212,836	8,315,096
Earnings per common share:		
Basic	\$ 1.21	\$ 0.95
Diluted	1.20	0.94
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,					
	2021			2020		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 66,545	\$ 94	0.56%	\$ 72,140	\$ 290	1.59%
Loans (1) (2) (3)	1,060,828	19,993	7.48%	957,535	18,105	7.50%
Federal Home Loan Bank stock	1,209	7	2.30%	1,390	33	9.42%
Short-term investments (4)	443,447	167	0.15%	169,609	55	0.13%
Total interest-earning assets	<u>1,572,029</u>	<u>20,261</u>	5.11%	<u>1,200,674</u>	<u>18,483</u>	6.11%
Cash and due from banks	2,814			2,925		
Other non-interest earning assets	49,803			38,853		
Total assets	<u>\$ 1,624,646</u>			<u>\$ 1,242,452</u>		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 270,034	\$ 175	0.26%	\$ 123,644	\$ 127	0.41%
Money market accounts	275,905	202	0.29%	312,271	535	0.68%
Savings accounts	71,659	69	0.38%	37,525	14	0.15%
Time deposits	259,972	863	1.32%	435,827	2,382	2.17%
Total interest-bearing deposits	<u>877,570</u>	<u>1,309</u>	0.59%	<u>909,267</u>	<u>3,058</u>	1.33%
Federal Home Loan Bank advances	15,000	128	3.39%	15,000	124	3.28%
PPPLF advances	-	-	0.00%	1,758	2	0.45%
Subordinated debt	-	-	0.00%	14,952	281	7.46%
Lease liability	5,817	25	1.71%	4,306	25	2.30%

Total interest-bearing liabilities	<u>898,387</u>	<u>1,462</u>	0.65%	<u>945,283</u>	<u>3,490</u>	1.46%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	471,451			112,303		
Other liabilities	<u>20,166</u>			<u>17,693</u>		
Total liabilities	1,390,004			1,075,279		
Shareholders' equity	<u>234,642</u>			<u>167,173</u>		
Total liabilities and shareholders' equity	<u>\$ 1,624,646</u>			<u>\$ 1,242,452</u>		
Net interest income		<u>\$ 18,799</u>			<u>\$ 14,993</u>	
Interest rate spread			4.46%			4.65%
Net interest margin (5)			4.74%			4.95%
Cost of funds (6)			0.42%			1.31%

(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.

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

NORTHEAST BANK

SELECTED FINANCIAL HIGHLIGHTS AND OTHER DATA

(Unaudited)

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

	Three Months Ended				
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Net interest income	\$ 18,799	\$ 18,102	\$ 18,603	\$ 15,388	\$ 14,993
Provision (credit) for loan losses	(226)	(1,926)	(211)	365	377
Noninterest income	8,399	19,650	39,469	6,497	6,416
Noninterest expense	13,338	9,427	9,636	10,428	9,933
Net income	9,877	21,370	34,162	8,176	7,794
Weighted-average common shares outstanding:					
Basic	8,132,131	8,318,689	8,344,797	8,244,068	8,196,828
Diluted	8,212,836	8,397,897	8,421,247	8,309,252	8,315,096
Earnings per common share:					
Basic	\$ 1.21	\$ 2.57	\$ 4.09	\$ 0.99	\$ 0.95
Diluted	1.20	2.54	4.06	0.98	0.94
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Return on average assets	2.41%	4.55%	6.99%	2.66%	2.49%
Return on average equity	16.70%	37.97%	71.06%	18.37%	18.50%
Net interest rate spread (1)	4.46%	3.67%	3.79%	4.92%	4.65%
Net interest margin (2)	4.74%	3.99%	3.93%	5.23%	4.95%
Net interest margin, excluding PPP (Non-GAAP) (3)	4.75%	4.55%	4.64%	5.23%	5.00%
Net interest margin, excluding PPP and collection account (Non-GAAP) (4)	6.00%	5.56%	5.06%	5.23%	5.00%
Efficiency ratio (non-GAAP) (5)	49.04%	24.97%	16.59%	47.65%	46.40%
Noninterest expense to average total assets	3.26%	2.01%	1.97%	3.40%	3.17%
Average interest-earning assets to average interest-bearing liabilities	174.98%	173.30%	125.53%	129.68%	127.02%

As of:

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 619	\$ 696	\$ 643	\$ 6,676	\$ 704
Commercial real estate	6,644	5,756	4,790	8,329	6,856
Commercial and industrial	1,510	286	1,408	1,978	2,013
Consumer	39	43	23	30	26
Total originated portfolio	8,812	6,781	6,864	17,013	9,599
Total purchased portfolio	12,527	11,977	16,059	13,497	11,848
Total nonperforming loans	21,339	18,758	22,923	30,510	21,447
Real estate owned and other repossessed collateral, net	821	1,639	2,885	2,866	4,102
Total nonperforming assets	<u>\$ 22,160</u>	<u>\$ 20,397</u>	<u>\$ 25,808</u>	<u>\$ 33,376</u>	<u>\$ 25,549</u>
Past due loans to total loans	1.39%	1.08%	1.67%	2.31%	2.03%
Nonperforming loans to total loans	1.99%	1.80%	2.29%	3.05%	2.30%
Nonperforming assets to total assets	1.60%	0.94%	1.51%	2.70%	2.03%
Allowance for loan losses to total loans	0.67%	0.70%	0.88%	0.99%	1.02%
Allowance for loan losses to nonperforming loans	33.58%	38.99%	38.48%	32.53%	44.46%
Commercial real estate loans to total capital (6)	232.10%	215.38%	223.09%	251.00%	248.47%
Net loans to core deposits (7) (10)	98.96%	55.71%	76.99%	101.86%	91.74%
Purchased loans to total loans, including held for sale	40.22%	41.23%	43.22%	41.79%	38.40%
Equity to total assets	17.32%	10.69%	12.65%	14.74%	13.73%
Common equity tier 1 capital ratio	22.03%	22.16%	21.07%	17.93%	18.57%
Total capital ratio	22.69%	24.29%	23.39%	20.37%	21.19%
Tier 1 leverage capital ratio	14.83%	13.63%	14.32%	15.07%	14.02%
Total shareholders' equity	\$ 239,508	\$ 232,391	\$ 216,862	\$ 181,962	\$ 172,551
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	239,508	232,391	216,862	181,962	172,551
Less: Intangible assets (8)	(1,906)	(2,061)	(2,149)	(2,035)	(2,323)
Tangible common shareholders' equity (non-GAAP)	<u>\$ 237,602</u>	<u>\$ 230,330</u>	<u>\$ 214,713</u>	<u>\$ 179,927</u>	<u>\$ 170,228</u>
Common shares outstanding	8,172,776	8,150,480	8,344,797	8,344,797	8,191,786
Book value per common share	\$ 29.31	\$ 28.51	\$ 25.99	\$ 21.81	\$ 21.06
Tangible book value per share (non-GAAP) (9)	29.07	28.26	25.73	21.56	20.78

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

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

(3) Net interest margin excluding PPP removes the effects of the following: PPP loan interest income of \$11 thousand, \$884 thousand, \$2.6 million, and \$80 thousand, PPPLF interest expense of \$0, \$98 thousand, \$300 thousand, and \$2 thousand, and brokered CD interest expense of \$0, \$0, \$99 thousand, and \$0, as well as PPP loan average balances of \$1.4 million, \$172.8 million, \$481.9 million, and \$16.9 million, for the quarters ended September 30, 2021, June 30, 2021, March 31, 2021, and September 30, 2020, respectively.

(4) Net interest margin excluding PPP and collection account removes the PPP impact above and removes the effects of the cash held by the Bank from the correspondent's collection account in short-term investments, which had an average balance of \$334.3 million, \$405.9 million, and \$121.7 million and earned \$84 thousand, \$100 thousand, and \$29 thousand in interest income for the quarters ended September 30, 2021, June 30, 2021 and March 31, 2021, respectively.

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

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

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

(8) Includes the loan servicing rights asset.

(9) Tangible book value per share represents total shareholders' equity less the sum of preferred stock and intangible assets divided by common shares outstanding.

(10) Net loans and total loans, including loans held for sale, exclude PPP loans held for sale.

For More Information:

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