



Northeast Bank Reports First Quarter Results and Declares Dividend

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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 | \$ 1,382,547 | \$ 2,174,402 |
| 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:

Jean-Pierre Lapointe, Chief Financial Officer
Northeast Bank, 27 Pearl Street, Portland, ME 04101
207.786.3245 ext. 3220
www.northeastbank.com