



Northeast Bank Reports Third Quarter Results and Declares Dividend

April 25, 2022

PORTLAND, Maine, April 25, 2022 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$10.6 million, or \$1.36 per diluted common share, for the quarter ended March 31, 2022, compared to net income of \$34.2 million, or \$4.06 per diluted common share, for the quarter ended March 31, 2021. Net income for the nine months ended March 31, 2022 was \$31.9 million, or \$3.98 per diluted common share, compared to \$50.1 million, or \$6.01 per diluted common share, for the nine months ended March 31, 2021. Net income for the three and nine months ended March 31, 2021 included \$33.0 million of net gains on the sale of U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans originated and sold during the quarter ended March 31, 2021, which had an after-tax earnings per diluted common share impact of \$2.75 and \$2.80, respectively.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on May 18, 2022, to shareholders of record as of May 4, 2022.

"We reported strong results in our third fiscal quarter," said Rick Wayne, Chief Executive Officer. "Originations by our National Lending Division were particularly strong, with \$152.1 million for the quarter, or \$415.0 million for the fiscal year to date. This resulted in net growth in our originated portfolio of \$61.3 million, or 9.9%, compared with December 31, 2021, or \$157.0 million, or 30.0%, compared with June 30, 2021. We increased National Lending originated interest income by \$2.5 million, or 29.6%, compared with the quarter ended March 31, 2021." Mr. Wayne continued, "As a result of this activity, we are reporting earnings of \$1.36 per diluted common share, a return on average equity of 17.6%, and a return on average assets of 2.8% for the quarter."

As of March 31, 2022, total assets were \$1.57 billion, a decrease of \$608.3 million, or 28.0%, from total assets of \$2.17 billion as of June 30, 2021.

1. Cash and short-term investments decreased by \$784.7 million, or 77.7%, primarily due to the timing of a large deposit account related to SBA PPP elevated loan payoff collections 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.

2. The following table highlights the changes in the loan portfolio for the three and nine months ended March 31, 2022:

	Loan Portfolio Changes			
	Three Months Ended March 31, 2022			
	March 31, 2022 Balance	December 31, 2021 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 479,824	\$ 484,513	\$ (4,689)	(0.97%)
National Lending Originated	680,568	619,223	61,345	9.91%
SBA National	34,574	35,682	(1,108)	(3.11%)
Community Banking	37,359	41,766	(4,407)	(10.55%)
Total	<u>\$ 1,232,325</u>	<u>\$ 1,181,184</u>	<u>\$ 51,141</u>	<u>4.33%</u>
	Nine Months Ended March 31, 2022			
	March 31, 2022 Balance	June 30, 2021 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 479,824	\$ 429,054	\$ 50,770	11.83%
National Lending Originated	680,568	523,535	157,033	29.99%
SBA National	34,574	39,549	(4,975)	(12.58%)
Community Banking	37,359	48,486	(11,127)	(22.95%)
Total	<u>\$ 1,232,325</u>	<u>\$ 1,040,624</u>	<u>\$ 191,701</u>	<u>18.42%</u>

Loans generated by the Bank's National Lending Division for the quarter ended March 31, 2022 totaled \$176.0 million, which consisted of \$23.9 million of purchased loans, at an average price of 74.6% of unpaid principal balance, and \$152.1 million of originated loans.

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

	National Lending Portfolio					
	Three Months Ended March 31,					
	2022			2021		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					

Loans purchased or originated during the period:

Unpaid principal balance	\$ 32,079	\$ 152,105	\$ 184,184	\$ 42,547	\$ 69,327	\$ 111,874
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Net investment basis	23,920	152,105	176,025	39,895	69,327	109,222
Loan returns during the period:						
Yield	8.25%	6.94%	7.50%	8.48%	7.28%	7.83%
Total Return on Purchased Loans (1)	8.30%	N/A	8.30%	8.48%	N/A	8.48%

Nine Months Ended March 31,

	2022			2021		
	Purchased	Originated	Total	Purchased	Originated	Total
(Dollars in thousands)						
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 162,492	\$ 414,989	\$ 577,481	\$ 146,135	\$ 194,842	\$ 340,977
Net investment basis	151,412	414,989	566,401	135,757	194,842	330,599
Loan returns during the period:						
Yield	8.80%	6.61%	7.55%	8.88%	7.06%	7.90%
Total Return on Purchased Loans (1)	8.80%	N/A	8.80%	8.88%	N/A	8.88%
Total loans as of period end:						
Unpaid principal balance	\$ 516,972	\$ 680,568	\$ 1,197,540	\$ 471,778	\$ 473,930	\$ 945,708
Net investment basis	479,824	680,568	1,160,392	433,497	473,930	907,427

(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."

3. Deposits decreased by \$594.3 million, or 31.9%, from June 30, 2021. The decrease was attributable to decreases in demand deposits of \$590.6 million, or 60.7% and time deposits of \$160.0 million, or 57.6%, partially offset by an increase in savings and interest checking deposits of \$170.7 million, or 52.5%. The primary reason for the net decrease in deposits was due to timing of the 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 nine months ended March 31, 2022.

4. Shareholders' equity increased by \$15.1 million, or 6.5%, from June 30, 2021, primarily due to net income of \$31.9 million, partially offset by the repurchase of 535 thousand shares of voting common stock at a weighted average price per share of \$33.28, which resulted in a \$17.8 million decrease to shareholders' equity. Shareholders' equity also increased by \$1.4 million as a result of stock compensation expense recognized.

Net income decreased by \$23.6 million to \$10.6 million for the quarter ended March 31, 2022, compared to net income of \$34.2 million for the quarter ended March 31, 2021.

1. Net interest and dividend income before provision for loan losses increased by \$2.4 million to \$21.0 million for the quarter ended March 31, 2022, compared to \$18.6 million for the quarter ended March 31, 2021. The increase was primarily due to the following:

- An increase in interest income earned on the National Lending Division's purchased and originated portfolios of \$3.7 million, due to higher average balances, partially offset by lower rates earned in both portfolios;
- A decrease in deposit interest expense of \$887 thousand, due to lower interest rates and lower average balances;
- A decrease of \$300 thousand in interest expense due to advances taken from the PPPLF to fund PPP originations during the quarter ended March 31, 2021; and
- A decrease of \$282 thousand in interest expense due to the payoff of the subordinated debt; partially offset by,
- A decrease in PPP loan interest income of \$2.6 million, due to the significant decrease in PPP loans during the quarter ended March 31, 2022.

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,					
	2022			2021		
Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield	
(Dollars in thousands)						
Community Banking	\$ 40,144	\$ 550	5.56%	\$ 52,852	\$ 658	5.05%
SBA National	34,605	577	6.76%	44,775	663	6.01%
National Lending:						
Originated	643,707	11,021	6.94%	473,881	8,501	7.28%
Purchased	477,912	9,722	8.25%	406,979	8,513	8.48%
Total National Lending	1,121,619	20,743	7.50%	880,860	17,014	7.83%

Total excluding SBA PPP	\$ 1,196,368	\$ 21,870	7.41%	\$ 978,487	\$ 18,335	7.60%
SBA PPP	\$ 462	\$ 3	3.05%	\$ 481,853	\$ 2,558	2.15%
Total including SBA PPP	\$ 1,196,830	\$ 21,873	7.41%	\$ 1,460,340	\$ 20,893	5.80%

Interest Income and Yield on Loans

Nine Months Ended March 31,

	2022			2021		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	\$ 42,995	\$ 1,692	5.24%	\$ 59,272	\$ 2,160	4.85%
SBA National	36,322	1,835	6.73%	47,236	1,835	5.17%
National Lending:						
Originated	597,127	29,634	6.61%	459,000	24,331	7.06%
Purchased	452,603	29,883	8.80%	392,183	26,142	8.88%
Total National Lending	1,049,730	59,517	7.55%	851,183	50,473	7.90%
Total excluding SBA PPP	\$ 1,129,047	\$ 63,044	7.44%	\$ 957,691	\$ 54,468	7.58%
SBA PPP	\$ 827	\$ 17	2.74%	\$ 164,053	\$ 2,638	2.14%
Total including SBA PPP	\$ 1,129,874	\$ 63,061	7.43%	\$ 1,121,744	\$ 57,106	6.78%

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, 2021, transactional income increased by \$888 thousand for the quarter ended March 31, 2022, and regularly scheduled interest and accretion increased by \$377 thousand due to the increase in average balances. The total return on purchased loans for the quarter ended March 31, 2022 was 8.3%, a decrease from 8.5% for the quarter ended March 31, 2021. The following table details the total return on purchased loans:

Total Return on Purchased Loans

Three Months Ended March 31,

	2022		2021	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 7,166	6.08%	\$ 6,789	6.77%
Transactional income:				
Gain on real estate owned	56	0.05%	-	0.00%
Accelerated accretion and loan fees	2,556	2.17%	1,724	1.71%
Total transactional income	2,612	2.22%	1,724	1.71%
Total	\$ 9,778	8.30%	\$ 8,513	8.48%

Nine Months Ended March 31,

	2022		2021	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 21,379	6.29%	\$ 20,466	6.95%
Transactional income:				
Gain on real estate owned	31	0.00%	-	0.00%
Accelerated accretion and loan fees	8,504	2.51%	5,676	1.93%
Total transactional income	8,535	2.51%	5,676	1.93%
Total	\$ 29,914	8.80%	\$ 26,142	8.88%

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on asset sales and gains on real estate owned recorded during the period divided by the average invested balance, which includes purchased loans held for sale, on an annualized basis. The total return does not include the effect of purchased loan charge-offs or recoveries in the quarter. Total return is considered a non-GAAP financial measure.

2. Noninterest income decreased by \$34.1 million for the quarter ended March 31, 2022, compared to the quarter ended March 31, 2021, principally due to the following:

- A decrease in gain on sale of PPP loans of \$33.0 million, due to the sale of PPP loans with a total principal balance of \$2.14 billion, which resulted in a net gain based on the recognition of net deferred fees in the quarter ended March 31, 2021 as compared to no sales in the quarter ended March 31, 2022; and

- A decrease in correspondent fee income of \$1.0 million from the recognition of correspondent fees and net servicing income. Correspondent income for the quarters ended March 31, 2022 and 2021 is comprised of the following components:

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Correspondent Fee	\$ 1,087	\$ 1,098
Amortization of Purchased Accrued Interest	1,690	922
Earned Net Servicing Interest	2,193	3,950
Total	<u>\$ 4,970</u>	<u>\$ 5,970</u>

In addition to the net servicing interest income, 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	<u>\$ 11,237,700</u>	<u>\$ 8,905</u>	<u>\$ 10,560</u>	<u>\$ 19,465</u>
Less amounts recognized in Q3 FY 22		(1,087)	(1,690)	(2,777)
Less amounts recognized in previous quarters		(6,255)	(6,193)	(12,448)
Amount remaining to be recognized		<u>\$ 1,563</u>	<u>\$ 2,677</u>	<u>\$ 4,240</u>

(1) - The Bank's share

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

(3) - Loan Source's ending PPP loan balance was \$2.79 billion as of March 31, 2022

In addition to the decreases above:

- An increase in unrealized loss on equity securities of \$159 thousand.

3. Noninterest expense increased by \$1.8 million for the quarter ended March 31, 2022 compared to the quarter ended March 31, 2021, primarily due to the following:

- An increase in salaries and employee benefits expense of \$2.1 million, primarily due to a decrease in deferred salaries contra-expense related to PPP originations in the quarter ended March 31, 2021, partially offset by a decrease in bonus expense, due to a non-recurring increase in bonus expense in the quarter ended March 31, 2021 attributable to the high level of PPP originations and sales; and
- An increase in other noninterest expense of \$175 thousand, primarily due to a \$184 thousand decrease in recovery on the SBA servicing asset; partially offset by,
- A decrease in loan expense of \$403 thousand, due to decreases in real estate owned ("REO") expense and collection legal expense due to reimbursements, partially offset by an increase in other collection expense; and
- A decrease in data processing fees of \$135 thousand, primarily due to decreases in IT professional implementation expenses and computer service fees, partially offset by increases in software license expense and monitoring and support expense.

4. Income tax expense decreased by \$9.8 million to \$4.7 million, or an effective tax rate of 30.6%, for the quarter ended March 31, 2022, compared to \$14.5 million, or an effective tax rate of 29.8%, for the quarter ended March 31, 2021. The decrease in income tax expense is due to the decrease in pre-tax income. The increase in the effective tax rate from March 31, 2021 is primarily due to changes in state tax apportionment.

As of March 31, 2022, nonperforming assets totaled \$17.9 million, or 1.14% of total assets, compared to \$20.4 million, or 0.94% of total assets, as of June 30, 2021. The decrease was primarily due to the sale of three REO properties totaling \$1.7 million and the paydown of one nonperforming National Lending originated loan totaling \$1.0 million during the nine months ended March 31, 2022.

As of March 31, 2022, past due loans totaled \$13.1 million, or 1.07% of total loans, 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 two National Lending purchased loans totaling \$2.6 million that became past due, partially offset by the paydown of one National Lending originated loan totaling \$1.0 million during the nine months ended March 31, 2022.

As of March 31, 2022, the Bank's Tier 1 leverage capital ratio was 16.2%, compared to 13.6% at June 30, 2021, and the Total capital ratio was 20.6% at March 31, 2022, compared to 24.3% at June 30, 2021. Capital ratios were primarily affected by increased earnings and decreased assets, while the Total capital ratio was negatively impacted by the redemption of the subordinated debt on July 1, 2021.

Investor Call Information

Rick Wayne, Chief Executive Officer, Jean-Pierre Lapointe, Chief Financial Officer, 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 Tuesday, April 26th**. Investors can access the call by dialing 866.374.5140 and entering the following PIN: 69980912#. 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. 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 ongoing negative impacts and disruptions of the ongoing 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; 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 political, business and economic conditions or legislative or regulatory initiatives; 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.

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NORTHEAST BANK

BALANCE SHEETS

(Unaudited)

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

	<u>March 31, 2022</u>	<u>June 30, 2021</u>
Assets		
Cash and due from banks	\$ 2,319	\$ 2,850
Short-term investments	223,492	1,007,641
Total cash and cash equivalents	<u>225,811</u>	<u>1,010,491</u>
Available-for-sale debt securities, at fair value	55,723	59,737
Equity securities, at fair value	6,955	7,230
Total investment securities	<u>62,678</u>	<u>66,967</u>

Loans:

Commercial real estate	838,296	725,287
Commercial and industrial	337,061	257,604
Residential real estate	56,180	56,591
Consumer	788	1,142
Total loans	1,232,325	1,040,624
Less: Allowance for loan losses	5,816	7,313
Loans, net	1,226,509	1,033,311
Premises and equipment, net	9,493	11,271
Real estate owned and other repossessed collateral, net	-	1,639
Federal Home Loan Bank stock, at cost	1,282	1,209
Loan servicing rights, net	1,696	2,061
Bank-owned life insurance	17,815	17,498
Other assets	20,832	29,955
Total assets	<u>\$ 1,566,116</u>	<u>\$ 2,174,402</u>
Liabilities and Shareholders' Equity		
Deposits:		
Demand	\$ 381,866	\$ 972,495
Savings and interest checking	495,800	325,062
Money market	272,614	287,033
Time	117,842	277,840
Total deposits	1,268,122	1,862,430
Federal Home Loan Bank advances	15,000	15,000
Subordinated debt	-	15,050
Lease liability	4,862	6,061
Other liabilities	30,663	43,470
Total liabilities	1,318,647	1,942,011
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at March 31, 2022 and June 30, 2021	-	-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 7,727,312 and 8,150,480 shares issued and outstanding at March 31, 2022 and June 30, 2021, respectively	7,727	8,151
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; No shares issued and outstanding at March 31, 2022 and June 30, 2021	-	-
Additional paid-in capital	48,159	64,420
Retained earnings	192,759	161,132
Accumulated other comprehensive loss	(1,176)	(1,312)
Total shareholders' equity	247,469	232,391
Total liabilities and shareholders' equity	<u>\$ 1,566,116</u>	<u>\$ 2,174,402</u>

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,	
	2022	2021	2022	2021
Interest and dividend income:				
Interest and fees on loans	\$ 21,873	\$ 20,893	\$ 63,061	\$ 57,106
Interest on available-for-sale securities	65	158	235	641
Other interest and dividend income	73	110	365	252

Total interest and dividend income	22,011	21,161	63,661	57,999
Interest expense:				
Deposits	916	1,803	3,408	7,390
Federal Home Loan Bank advances	122	145	377	395
Paycheck Protection Program Liquidity Facility	-	300	-	302
Subordinated debt	-	282	-	845
Obligation under capital lease agreements	21	28	70	84
Total interest expense	1,059	2,558	3,855	9,016
Net interest and dividend income before provision for loan losses	20,952	18,603	59,806	48,983
Provision (credit) for loan losses	(287)	(211)	(1,582)	531
Net interest and dividend income after provision for loan losses	21,239	18,814	61,388	48,452
Noninterest income:				
Fees for other services to customers	476	441	1,236	1,427
Gain on sales of PPP loans	-	33,010	86	34,124
Gain on sales of residential loans held for sale	-	4	-	105
Net unrealized loss on equity securities	(258)	(99)	(332)	(115)
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	56	-	55	(344)
Correspondent fee income	4,970	5,970	18,842	16,798
Bank-owned life insurance income	105	105	317	318
Other noninterest income	59	38	97	69
Total noninterest income	5,408	39,469	20,301	52,382
Noninterest expense:				
Salaries and employee benefits	7,258	5,113	22,226	17,436
Occupancy and equipment expense	916	940	2,667	2,914
Professional fees	540	599	1,455	1,405
Data processing fees	1,167	1,302	3,341	3,392
Marketing expense	160	130	511	290
Loan acquisition and collection expense	452	855	2,911	2,368
FDIC insurance premiums	98	119	298	324
Other noninterest expense	810	578	2,518	1,868
Total noninterest expense	11,401	9,636	35,927	29,997
Income before income tax expense	15,246	48,647	45,762	70,837
Income tax expense	4,659	14,485	13,895	20,705
Net income	\$ 10,587	\$ 34,162	\$ 31,867	\$ 50,132
Weighted-average shares outstanding:				
Basic	7,687,737	8,344,797	7,907,398	8,261,248
Diluted	7,790,963	8,421,247	7,998,221	8,347,882
Earnings per common share:				
Basic	\$ 1.38	\$ 4.09	\$ 4.03	\$ 6.07
Diluted	1.36	4.06	3.98	6.01
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,					
2022			2021		
Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate

Assets:

Interest-earning assets:

Investment securities	\$ 63,865	\$ 65	0.41%	\$ 69,034	\$ 158	0.93%
Loans (1) (2) (3)	1,196,830	21,873	7.41%	1,460,340	20,893	5.80%
Federal Home Loan Bank stock	1,280	6	1.90%	2,410	6	1.01%
Short-term investments (4)	226,820	67	0.12%	387,198	104	0.11%
Total interest-earning assets	1,488,795	22,011	6.00%	1,918,982	21,161	4.47%
Cash and due from banks	2,504			2,112		
Other non-interest earning assets	46,022			62,127		
Total assets	\$ 1,537,321			\$ 1,983,221		

Liabilities & Shareholders' Equity:

Interest-bearing liabilities:

NOW accounts	\$ 353,019	\$ 202	0.23%	\$ 180,630	\$ 90	0.20%
Money market accounts	256,074	192	0.30%	316,116	347	0.45%
Savings accounts	126,902	167	0.53%	38,500	10	0.11%
Time deposits	134,558	355	1.07%	587,440	1,356	0.94%
Total interest-bearing deposits	870,553	916	0.43%	1,122,686	1,803	0.65%
Federal Home Loan Bank advances	15,000	122	3.30%	39,306	145	1.50%
PPPLF advances	-	-	0.00%	345,063	300	0.35%
Subordinated debt	-	-	0.00%	15,015	282	7.62%
Capital lease obligations	5,022	21	1.70%	6,588	28	1.72%
Total interest-bearing liabilities	890,575	1,059	0.48%	1,528,658	2,558	0.68%

Non-interest bearing liabilities:

Demand deposits and escrow accounts	388,171			238,756		
Other liabilities	14,220			20,850		
Total liabilities	1,292,966			1,788,264		
Shareholders' equity	244,355			194,957		
Total liabilities and shareholders' equity	\$ 1,537,321			\$ 1,983,221		

Net interest income \$ 20,952 \$ 18,603

Interest rate spread 5.52% 3.79%
 Net interest margin (5) 5.71% 3.93%

Cost of funds (6) 0.34% 0.59%

(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
AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

Nine Months Ended March 31,

	2022			2021		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 65,295	\$ 235	0.48%	\$ 70,539	\$ 641	1.21%

Loans (1) (2) (3)	1,129,874	63,061	7.43%	1,121,744	57,106	6.78%
Federal Home Loan Bank stock	1,237	19	2.05%	1,725	51	3.94%
Short-term investments (4)	330,722	346	0.14%	232,237	201	0.12%
Total interest-earning assets	<u>1,527,128</u>	<u>63,661</u>	5.55%	<u>1,426,245</u>	<u>57,999</u>	5.42%
Cash and due from banks	2,686			2,703		
Other non-interest earning assets	50,751			47,581		
Total assets	<u>\$ 1,580,565</u>			<u>\$ 1,476,529</u>		

Liabilities & Shareholders' Equity:

Interest-bearing liabilities:

NOW accounts	\$ 303,525	\$ 569	0.25%	\$ 143,938	\$ 330	0.31%
Money market accounts	265,639	591	0.30%	312,797	1,259	0.54%
Savings accounts	99,725	361	0.48%	37,771	36	0.13%
Time deposits	207,304	1,887	1.21%	469,793	5,765	1.63%
Total interest-bearing deposits	876,193	3,408	0.52%	964,299	7,390	1.02%
Federal Home Loan Bank advances	15,000	377	3.35%	22,984	395	2.29%
PPPLF advances	-	-	0.00%	113,932	302	0.35%
Subordinated debt	-	-	0.00%	14,983	845	7.51%
Capital lease obligations	5,431	70	1.72%	5,793	84	1.93%
Total interest-bearing liabilities	<u>896,624</u>	<u>3,855</u>	0.57%	<u>1,121,991</u>	<u>9,016</u>	1.07%

Non-interest bearing liabilities:

Demand deposits and escrow accounts	429,354			157,569		
Other liabilities	14,596			17,527		
Total liabilities	1,340,574			1,297,087		
Shareholders' equity	239,991			179,442		
Total liabilities and shareholders' equity	<u>\$ 1,580,565</u>			<u>\$ 1,476,529</u>		

Net interest income \$ 59,806 \$ 48,983

Interest rate spread	4.98%	4.35%
Net interest margin (5)	5.22%	4.58%
Cost of funds (6)	0.39%	0.94%

(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				
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Net interest income	\$ 20,952	\$ 20,055	\$ 18,799	\$ 18,102	\$ 18,603
Provision (credit) for loan losses	(287)	(1,069)	(226)	(1,926)	(211)
Noninterest income	5,408	6,493	8,399	19,650	39,469
Noninterest expense	11,401	11,187	13,338	9,427	9,636
Net income	10,587	11,403	9,877	21,370	34,162

Weighted-average common shares outstanding:

Basic	7,687,737	7,952,938	8,132,131	8,318,689	8,344,797
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Diluted	7,790,963	8,041,476	8,212,836	8,397,897	8,421,247
Earnings per common share:					
Basic	\$ 1.38	\$ 1.43	\$ 1.21	\$ 2.57	\$ 4.09
Diluted	1.36	1.42	1.20	2.54	4.06
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Return on average assets	2.79%	2.86%	2.41%	4.55%	6.99%
Return on average equity	17.57%	18.77%	16.70%	37.97%	71.06%
Net interest rate spread (1)	5.52%	4.99%	4.46%	3.67%	3.79%
Net interest margin (2)	5.71%	5.24%	4.74%	3.99%	3.93%
Net interest margin, excluding PPP (Non-GAAP) (3)	5.71%	5.24%	4.75%	4.55%	4.64%
Net interest margin, excluding PPP and collection account (Non-GAAP) (4)	6.72%	6.44%	6.00%	5.56%	5.06%
Efficiency ratio (non-GAAP) (5)	43.25%	42.14%	49.04%	24.97%	16.59%
Noninterest expense to average total assets	3.01%	2.80%	3.26%	2.01%	1.97%
Average interest-earning assets to average interest-bearing liabilities	167.20%	168.71%	174.98%	173.30%	125.53%
As of:					
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 621	\$ 611	\$ 619	\$ 696	\$ 643
Commercial real estate	6,608	7,963	6,644	5,756	4,790
Commercial and industrial	230	311	1,510	286	1,408
Consumer	12	20	39	43	23
Total originated portfolio	7,471	8,905	8,812	6,781	6,864
Total purchased portfolio	10,441	12,294	12,527	11,977	16,059
Total nonperforming loans	17,912	21,199	21,339	18,758	22,923
Real estate owned and other repossessed collateral, net	-	53	821	1,639	2,885
Total nonperforming assets	\$ 17,912	\$ 21,252	\$ 22,160	\$ 20,397	\$ 25,808
Past due loans to total loans	1.07%	1.23%	1.39%	1.08%	1.67%
Nonperforming loans to total loans	1.45%	1.79%	1.99%	1.80%	2.29%
Nonperforming assets to total assets	1.14%	1.46%	1.60%	0.94%	1.51%
Allowance for loan losses to total loans	0.47%	0.51%	0.67%	0.70%	0.88%
Allowance for loan losses to nonperforming loans	32.47%	28.49%	33.58%	38.99%	38.48%
Commercial real estate loans to total capital (6)	252.90%	260.40%	232.10%	215.38%	223.09%
Net loans to core deposits (7) (10)	97.19%	102.53%	98.96%	55.71%	76.99%
Purchased loans to total loans, including held for sale	38.94%	41.02%	40.22%	41.23%	43.22%
Equity to total assets	15.80%	16.39%	17.32%	10.69%	12.65%
Common equity tier 1 capital ratio	20.13%	20.27%	22.03%	22.16%	21.07%
Total capital ratio	20.60%	20.79%	22.69%	24.29%	23.39%
Tier 1 leverage capital ratio	16.17%	15.19%	14.83%	13.63%	14.32%
Total shareholders' equity	\$ 247,469	\$ 239,237	\$ 239,508	\$ 232,391	\$ 216,862
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	247,469	239,237	239,508	232,391	216,862
Less: Intangible assets (8)	(1,696)	(1,645)	(1,906)	(2,061)	(2,149)
Tangible common shareholders' equity (non-GAAP)	\$ 245,773	\$ 237,592	\$ 237,602	\$ 230,330	\$ 214,713
Common shares outstanding	7,727,312	7,815,566	8,172,776	8,150,480	8,344,797
Book value per common share	\$ 32.03	\$ 30.61	\$ 29.31	\$ 28.51	\$ 25.99
Tangible book value per share (non-GAAP) (9)	31.81	30.40	29.07	28.26	25.73

- (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 \$3 thousand, \$2 thousand, \$11 thousand, \$884 thousand, and \$2.6 million, PPPLF interest expense of \$0, \$0, \$0, \$98 thousand, and \$300 thousand, and brokered CD interest expense of \$0, \$0, \$0, and \$99 thousand, as well as PPP loan average balances of \$462 thousand, \$628 thousand, \$1.4 million, \$172.8 million, and \$481.9 million, for the quarters ended March 31, 2022, December 31, 2021, September 30, 2021, June 30, 2021, and March 31, 2021, 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 \$244.0 million, \$287.7 million, \$334.3 million, \$405.9 million, and \$121.7 million and earned \$60 thousand, \$73 thousand, \$84 thousand, \$100 thousand, and \$29 thousand in interest income for the quarters ended March 31, 2022, December 31, 2021, 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 exclude PPP loans held for sale.

For More Information:

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