



Northeast Bank Reports Third Quarter Results and Declares Dividend

April 24, 2023

PORTLAND, Maine, April 24, 2023 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$12.5 million, or \$1.69 per diluted common share, for the quarter ended March 31, 2023, compared to net income of \$10.6 million, or \$1.36 per diluted common share, for the quarter ended March 31, 2022. Net income for the nine months ended March 31, 2023 was \$32.1 million, or \$4.35 per diluted common share, compared to \$31.9 million, or \$3.98 per diluted common share, for the nine months ended March 31, 2022.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on May 19, 2023, to shareholders of record as of May 5, 2023.

"We reported strong results in our third fiscal quarter," said Rick Wayne, Chief Executive Officer. "As a result of the historic loan growth during our second fiscal quarter, we increased the National Lending Division's interest income by \$29.1 million, or 140.2%, compared to the quarter ended March 31, 2022 and by \$13.8 million, or 38.3%, compared with the quarter ended December 31, 2022. We successfully integrated \$998.5 million in loans purchased during the second fiscal quarter into our existing loan portfolio and maintained careful underwriting standards. Utilizing our at-the-market stock offering plan, we issued 160 thousand shares of common stock during the quarter at a weighted average net proceeds per share of \$42.78." Mr. Wayne continued, "As a result of this activity, we are reporting earnings of \$1.69 per diluted common share, a return on average equity of 18.5%, and a return on average assets of 1.8% for the quarter."

As of March 31, 2023, total assets were \$2.87 billion, an increase of \$1.28 billion, or 81.1%, from total assets of \$1.58 billion as of June 30, 2022.

1. The following table highlights the changes in the loan portfolio for the three and nine months ended March 31, 2023:

	Loan Portfolio Changes			
	Three Months Ended March 31, 2023			
	March 31, 2023 Balance	December 31, 2022 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 1,460,598	\$ 1,483,567	\$ (22,969)	(1.55%)
National Lending Originated	994,707	963,775	30,932	3.21%
SBA National	25,537	27,239	(1,702)	(6.25%)
Community Banking	28,953	30,176	(1,223)	(4.05%)
Total	<u>\$ 2,509,795</u>	<u>\$ 2,504,757</u>	<u>\$ 5,038</u>	<u>0.20%</u>

	Nine Months Ended March 31, 2023			
	March 31, 2023 Balance	June 30, 2022 Balance	Change (\$)	Change (%)
		(Dollars in thousands)		
National Lending Purchased	\$ 1,460,598	\$ 477,682	\$ 982,916	205.77%
National Lending Originated	994,707	759,229	235,478	27.67%
SBA National	25,537	33,046	(7,509)	(22.72%)
Community Banking	28,953	34,909	(5,956)	(17.06%)
Total	<u>\$ 2,509,795</u>	<u>\$ 1,304,866</u>	<u>\$ 1,204,929</u>	<u>92.34%</u>

Loans generated by the Bank's National Lending Division for the quarter ended March 31, 2023 totaled \$138.6 million, which consisted of \$21.5 million of purchased loans, at an average price of 90.6% of unpaid principal balance, and \$117.1 million of originated loans.

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

	National Lending Portfolio					
	Three Months Ended March 31,					
	2023			2022		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					

Loans purchased or originated during the period:

Unpaid principal balance	\$ 23,715	\$ 117,108	\$ 140,823	\$ 32,079	\$ 152,105	\$ 184,184
Net investment basis	21,493	117,108	138,601	23,920	152,105	176,025

Loan returns during the period:						
Yield	7.62%	9.23%	8.26%	8.25%	6.94%	7.50%
Total Return on Purchased Loans (1)	7.62%	N/A	7.62%	8.30%	N/A	8.30%

Nine Months Ended March 31,

	2023			2022		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 1,260,530	\$ 472,820	\$ 1,733,350	\$ 162,492	\$ 414,989	\$ 577,481
Net investment basis	1,095,003	472,820	1,567,823	151,412	414,989	566,401

Loan returns during the period:						
Yield	7.83%	8.57%	8.20%	8.80%	6.61%	7.55%
Total Return on Purchased Loans (1)	7.83%	N/A	7.83%	8.80%	N/A	8.80%

Total loans as of period end:						
Unpaid principal balance	\$ 1,650,072	\$ 994,707	\$ 2,644,779	\$ 516,972	\$ 680,568	\$ 1,197,540
Net investment basis	1,460,598	994,707	2,455,305	479,824	680,568	1,160,392

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on real estate owned and other noninterest income recorded during the period divided by the average invested balance, which includes purchased loans held for sale, on an annualized basis. The total return on purchased loans does not include the effect of purchased loan charge-offs or recoveries during the period. Total return on purchased loans is considered a non-GAAP financial measure. See reconciliation in below table entitled "Total Return on Purchased Loans."

2. Deposits increased by \$841.2 million, or 65.3%, from June 30, 2022. The increase was attributable to increases in time deposits of \$883.9 million, or 694.3%, and savings and interest checking deposits of \$108.6 million, or 18.6%, partially offset by a decrease in demand deposits of \$153.9 million, or 46.8%. The primary reason for the net increase in deposits was due to the increase in brokered time deposits, which increased to \$744.1 million compared to none outstanding at June 30, 2022. The use of brokered time deposits is part of the Bank's strategy to fund the loan purchases in the short-term. The decrease in demand deposits was primarily due to a \$165.0 million decrease in the Paycheck Protection Program ("PPP") Liquidity Facility ("PPPLF") balance during the nine months ended March 31, 2023 as the balance of PPP loans purchased by ACAP that remain outstanding has decreased significantly during this period.

3. Shareholders' equity increased by \$35.6 million, or 14.3%, from June 30, 2022, primarily due to net income of \$32.1 million, the issuance of 194 thousand shares of voting common stock, adding \$8.0 million to shareholders' equity, and stock-based compensation of \$2.6 million, partially offset by the repurchase of 136 thousand shares of voting common stock at a weighted average price per share of \$37.99, which resulted in a \$5.2 million decrease to shareholders' equity.

Net income increased by \$1.9 million to \$12.5 million for the quarter ended March 31, 2023, compared to net income of \$10.6 million for the quarter ended March 31, 2022.

1. Net interest and dividend income before provision for loan losses increased by \$11.2 million to \$32.2 million for the quarter ended March 31, 2023, compared to \$21.0 million for the quarter ended March 31, 2022. The increase was primarily due to the following:

- An increase in interest income earned on loans of \$29.2 million, primarily due to an increase in interest income earned on the National Lending Division's originated and purchased portfolios, due to higher average balances in both portfolios and higher rates earned on the originated portfolio, partially offset by lower rates earned on the purchased portfolio; and
- An increase in interest income earned on short-term investments of \$1.8 million, primarily due to higher rates earned; partially offset by,
- An increase in deposit interest expense of \$16.3 million, due to higher interest rates and higher average balances in interest-bearing deposits; and
- An increase in FHLB borrowings interest expense of \$3.7 million, primarily due to higher average balances.

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,					
	2023			2022		
Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield	
(Dollars in thousands)						
Community Banking	\$ 29,157	\$ 436	6.06%	\$ 40,144	\$ 550	5.56%
SBA National	28,288	851	12.20%	34,605	577	6.76%
SBA PPP	-	-	0.00%	462	3	3.05%

National Lending:						
Originated	981,660	22,347	9.23%	643,707	11,021	6.94%
Purchased	<u>1,463,242</u>	<u>27,475</u>	7.62%	<u>477,912</u>	<u>9,722</u>	8.25%
Total National Lending	<u>2,444,902</u>	<u>49,822</u>	8.26%	<u>1,121,619</u>	<u>20,743</u>	7.50%
Total	<u>\$ 2,502,347</u>	<u>\$ 51,109</u>	8.28%	<u>\$ 1,196,830</u>	<u>\$ 21,873</u>	7.41%

	Nine Months Ended March 31,					
	2023			2022		
	Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	\$ 31,002	\$ 1,490	6.40%	\$ 42,995	\$ 1,692	5.24%
SBA National	28,945	2,191	10.08%	36,322	1,835	6.73%
SBA PPP	-	-	0.00%	827	17	2.74%
National Lending:						
Originated	898,467	57,770	8.57%	597,127	29,634	6.61%
Purchased	<u>901,377</u>	<u>52,965</u>	7.83%	<u>452,603</u>	<u>29,883</u>	8.80%
Total National Lending	<u>1,799,844</u>	<u>110,735</u>	8.20%	<u>1,049,730</u>	<u>59,517</u>	7.55%
Total	<u>\$ 1,859,791</u>	<u>\$ 114,416</u>	8.20%	<u>\$ 1,129,874</u>	<u>\$ 63,061</u>	7.43%

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, 2022, transactional income increased by \$583 thousand for the quarter ended March 31, 2023, and regularly scheduled interest and accretion increased by \$17.1 million due to the increase in average balances. The total return on purchased loans for the quarter ended March 31, 2023 was 7.6%, a decrease from 8.3% for the quarter ended March 31, 2022. The following table details the total return on purchased loans:

	Total Return on Purchased Loans			
	Three Months Ended March 31,			
	2023		2022	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 24,280	6.73%	\$ 7,166	6.08%
Transactional income:				
Gain on real estate owned	-	0.00%	56	0.05%
Accelerated accretion and loan fees	<u>3,195</u>	0.89%	<u>2,556</u>	2.17%
Total transactional income	<u>3,195</u>	0.89%	<u>2,612</u>	2.22%
Total	<u>\$ 27,475</u>	7.62%	<u>\$ 9,778</u>	8.30%

	Nine Months Ended March 31,			
	2023		2022	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 44,968	6.65%	\$ 21,379	6.29%
Transactional income:				
Gain on real estate owned	-	0.00%	31	0.00%
Accelerated accretion and loan fees	<u>7,997</u>	1.18%	<u>8,504</u>	2.51%
Total transactional income	<u>7,997</u>	1.18%	<u>8,535</u>	2.51%
Total	<u>\$ 52,965</u>	7.83%	<u>\$ 29,914</u>	8.80%

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, 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 does not include the effect of purchased loan charge-offs or recoveries during the period. Total return is considered a non-GAAP financial measure.

2. Noninterest income decreased by \$4.2 million for the quarter ended March 31, 2023, compared to the quarter ended March 31, 2022, principally due to the following:

- A decrease in correspondent fee income of \$4.6 million from the recognition of correspondent fees and net servicing income. Correspondent income for the quarters ended March 31, 2023 and 2022 is comprised of the following components:

	Three Months Ended March 31,	
	2023	2022
	(In thousands)	
Correspondent Fee	\$ 9	\$ 1,087
Amortization of Purchased Accrued Interest	165	1,690
Earned Net Servicing Interest	153	2,193
Total	<u>\$ 327</u>	<u>\$ 4,970</u>

The Bank has \$317 thousand of unamortized correspondent fee and purchased accrued interest remaining at March 31, 2023. The decrease in correspondent fee income was partially offset by:

- A decrease in unrealized loss on equity securities of \$338 thousand; and
 - An increase in gain on sale of SBA loans of \$228 thousand, due to the sale of \$3.7 million in SBA loans during the quarter ended March 31, 2023.
3. Noninterest expense increased by \$2.4 million for the quarter ended March 31, 2023 compared to the quarter ended March 31, 2022, primarily due to the following:
- An increase in salaries and employee benefits expense of \$1.2 million, primarily due to increases in regular employee compensation and stock compensation expense;
 - An increase in professional fees of \$411 thousand, primarily due to increased legal expense;
 - An increase in deposit insurance expense of \$345 thousand, primarily due to the increase in average assets and decrease in Tier 1 leverage ratio, which increased the Bank's assessment rate; and
 - An increase in data processing fees of \$202 thousand, primarily due to increases in IT hardware and software expense, IT professional implementation expense, and IT outsourced processing expense.
4. Income tax expense increased by \$1.7 million to \$6.4 million, or an effective tax rate of 33.8%, for the quarter ended March 31, 2023, compared to \$4.7 million, or an effective tax rate of 30.6%, for the quarter ended March 31, 2022. The increase in income tax expense is due to the increase in pre-tax income. The increase in the effective tax rate from March 31, 2022 is primarily due to changes in state tax apportionment and changes to permanent tax differences.

As of March 31, 2023, nonperforming assets totaled \$14.5 million, or 0.51% of total assets, compared to \$12.9 million, or 0.82% of total assets, as of June 30, 2022. The increase was primarily due to six National Lending loans totaling \$4.3 million that were placed on nonaccrual status, partially offset by two National Lending loans totaling \$2.5 million that paid off during the nine months ended March 31, 2023.

As of March 31, 2023, past due loans totaled \$17.5 million, or 0.70% of total loans, compared to past due loans totaling \$7.0 million, or 0.53% of total loans, as of June 30, 2022. The increase was primarily due to 74 National Lending loans totaling \$12.6 million that became past due, partially offset by the payoff of one National Lending purchased loan totaling \$1.0 million during the nine months ended March 31, 2023.

As of March 31, 2023, the Bank's Tier 1 leverage capital ratio was 10.1%, compared to 16.1% at June 30, 2022, and the Total capital ratio was 11.9% at March 31, 2023, compared to 19.5% at June 30, 2022. Capital ratios decreased from an increase in assets, primarily loans, partially offset by increased earnings.

Investor Call Information

Rick Wayne, Chief Executive Officer, Jean-Pierre Lapointe, Chief Financial Officer, and Pat Dignan, Executive Vice President and Chief Operating Officer, will host a **conference call to discuss third quarter earnings and business outlook at 10:00 a.m. Eastern Time on Tuesday, April 25th**. To access the conference call by phone, please go to this link ([Phone Registration](#)), and you will be provided with dial in details. 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 seven 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, and efficiency ratio. The Bank's management believes that the supplemental non-GAAP information is utilized by regulators and market analysts to evaluate a company's financial condition and therefore, such information is useful to investors. These disclosures should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names.

Forward-Looking Statements

Statements in this press release that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor

provisions of the Private Securities Litigation Reform Act of 1995. We may also make forward-looking statements in other documents we file with the Federal Deposit Insurance Corporation (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, changes in general business and economic conditions on a national basis and in the local markets in which the Bank operates, including changes which adversely affect borrowers' ability to service and repay loans; changes in customer behavior due to political, business and economic conditions, including inflation and concerns about liquidity; 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 and 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; 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 FDIC. 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)

	March 31, 2023	June 30, 2022
Assets		
Cash and due from banks	\$ 2,002	\$ 2,095
Short-term investments	214,569	169,984
Total cash and cash equivalents	216,571	172,079
Available-for-sale debt securities, at fair value	53,792	54,911
Equity securities, at fair value	6,797	6,798
Total securities	60,589	61,709
Loans:		
Commercial real estate	1,929,908	882,187
Commercial and industrial	498,878	352,729
Residential real estate	80,443	69,209
Consumer	566	741
Total loans	2,509,795	1,304,866
Less: Allowance for loan losses	7,092	5,028
Loans, net	2,502,703	1,299,838
Premises and equipment, net	26,967	9,606
Federal Home Loan Bank stock, at cost	16,290	1,610
Loan servicing rights, net	1,651	1,285
Bank-owned life insurance	18,250	17,922
Other assets	23,458	18,710
Total assets	<u>\$ 2,866,479</u>	<u>\$ 1,582,759</u>
Liabilities and Shareholders' Equity		
Deposits:		
Demand	\$ 175,154	\$ 329,007
Savings and interest checking	693,849	585,274
Money market	248,617	246,095
Time	1,011,256	127,317
Total deposits	2,128,876	1,287,693
Federal Home Loan Bank advances	388,591	15,000

Lease liability	20,730	4,451
Other liabilities	44,413	27,294
Total liabilities	<u>2,582,610</u>	<u>1,334,438</u>
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at March 31, 2023 and June 30, 2022	-	-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 7,668,650 and 7,442,103 shares issued and outstanding at March 31, 2023 and June 30, 2022, respectively	7,669	7,442
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; No shares issued and outstanding at March 31, 2023 and June 30, 2022	-	-
Additional paid-in capital	41,967	38,749
Retained earnings	234,861	202,980
Accumulated other comprehensive loss	(628)	(850)
Total shareholders' equity	<u>283,869</u>	<u>248,321</u>
Total liabilities and shareholders' equity	<u>\$ 2,866,479</u>	<u>\$ 1,582,759</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,	
	2023	2022	2023	2022
Interest and dividend income:				
Interest and fees on loans	\$ 51,109	\$ 21,873	\$ 114,416	\$ 63,061
Interest on available-for-sale securities	329	65	748	235
Other interest and dividend income	1,916	73	4,255	365
Total interest and dividend income	<u>53,354</u>	<u>22,011</u>	<u>119,419</u>	<u>63,661</u>
Interest expense:				
Deposits	17,240	916	29,937	3,408
Federal Home Loan Bank advances	3,862	122	4,795	377
Obligation under capital lease agreements	13	21	46	70
Total interest expense	<u>21,115</u>	<u>1,059</u>	<u>34,778</u>	<u>3,855</u>
Net interest and dividend income before provision for loan losses	32,239	20,952	84,641	59,806
Provision (credit) for loan losses	676	(287)	1,851	(1,582)
Net interest and dividend income after provision for loan losses	<u>31,563</u>	<u>21,239</u>	<u>82,790</u>	<u>61,388</u>
Noninterest income:				
Fees for other services to customers	372	476	1,142	1,236
Gain on sales of SBA loans	228	-	299	-
Gain on sales of PPP loans	-	-	-	86
Net unrealized gain (loss) on equity securities	80	(258)	(127)	(332)
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	-	56	(73)	55
Correspondent fee income	327	4,970	2,327	18,842
Gain on termination of interest rate swap	-	-	96	-
Bank-owned life insurance income	110	105	329	317
Other noninterest income	71	59	154	97
Total noninterest income	<u>1,188</u>	<u>5,408</u>	<u>4,147</u>	<u>20,301</u>
Noninterest expense:				
Salaries and employee benefits	8,434	7,258	25,149	22,226
Occupancy and equipment expense	1,061	916	3,113	2,667
Professional fees	951	540	1,931	1,455
Data processing fees	1,369	1,167	3,690	3,341
Marketing expense	187	160	583	511

Loan acquisition and collection expense	451	452	1,841	2,911
FDIC insurance premiums	443	98	684	298
Other noninterest expense	940	810	3,183	2,518
Total noninterest expense	<u>13,836</u>	<u>11,401</u>	<u>40,174</u>	<u>35,927</u>
Income before income tax expense	18,915	15,246	46,763	45,762
Income tax expense	6,398	4,659	14,661	13,895
Net income	<u>\$ 12,517</u>	<u>\$ 10,587</u>	<u>\$ 32,102</u>	<u>\$ 31,867</u>

Weighted-average shares outstanding:

Basic	7,352,447	7,687,737	7,307,142	7,907,398
Diluted	7,413,812	7,790,963	7,377,236	7,998,221

Earnings per common share:

Basic	\$ 1.70	\$ 1.38	\$ 4.39	\$ 4.03
Diluted	1.69	1.36	4.35	3.98

Cash dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03
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NORTHEAST BANK

AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31,					
	2023			2022		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
Assets:						
Interest-earning assets:						
Securities	\$ 60,315	\$ 329	2.21%	\$ 63,865	\$ 65	0.41%
Loans (1) (2)	2,502,347	51,109	8.28%	1,196,830	21,873	7.41%
Federal Home Loan Bank stock	13,958	76	2.21%	1,280	6	1.90%
Short-term investments (3)	174,431	1,840	4.28%	226,820	67	0.12%
Total interest-earning assets	<u>2,751,051</u>	<u>53,354</u>	<u>7.87%</u>	<u>1,488,795</u>	<u>22,011</u>	<u>6.00%</u>
Cash and due from banks	2,565			2,504		
Other non-interest earning assets	67,861			46,022		
Total assets	<u>\$ 2,821,477</u>			<u>\$ 1,537,321</u>		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 543,050	\$ 4,820	3.60%	\$ 353,019	\$ 202	0.23%
Money market accounts	253,542	1,372	2.19%	256,074	192	0.30%
Savings accounts	108,102	281	1.05%	126,902	167	0.53%
Time deposits	1,077,242	10,767	4.05%	134,558	355	1.07%
Total interest-bearing deposits	1,981,936	17,240	3.53%	870,553	916	0.43%
Federal Home Loan Bank advances	324,696	3,862	4.82%	15,000	122	3.30%
Capital lease obligations	20,789	13	0.25%	5,022	21	1.70%
Total interest-bearing liabilities	<u>2,327,421</u>	<u>21,115</u>	<u>3.68%</u>	<u>890,575</u>	<u>1,059</u>	<u>0.48%</u>
Noninterest-bearing liabilities:						
Demand deposits and escrow accounts	201,354			388,171		
Other liabilities	18,786			14,220		
Total liabilities	2,547,561			1,292,966		
Shareholders' equity	273,916			244,355		
Total liabilities and shareholders' equity	<u>\$ 2,821,477</u>			<u>\$ 1,537,321</u>		
Net interest income		<u>\$ 32,239</u>			<u>\$ 20,952</u>	

Interest rate spread	4.19%	5.52%
Net interest margin (4)	4.75%	5.71%
Cost of funds (5)	3.39%	0.34%

(1) Interest income and yield are stated on a fully tax-equivalent basis using the statutory tax rate.

(2) Nonaccrual loans are included in the computation of average, but unpaid interest has not been included for purposes of determining interest income.

(3) Short-term investments include Federal Reserve and FHLB overnight deposits and other interest-bearing deposits.

(4) Net interest margin is calculated as net interest income divided by total interest-earning assets.

(5) 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,					
	2023			2022		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Securities	\$ 60,818	\$ 748	1.64%	\$ 65,295	\$ 235	0.48%
Loans (1) (2)	1,859,791	114,416	8.20%	1,129,874	63,061	7.43%
Federal Home Loan Bank stock	7,317	137	2.49%	1,237	19	2.05%
Short-term investments (3)	162,136	4,118	3.38%	330,722	346	0.14%
Total interest-earning assets	2,090,062	119,419	7.61%	1,527,128	63,661	5.55%
Cash and due from banks	2,531			2,686		
Other non-interest earning assets	85,970			50,751		
Total assets	<u>\$ 2,178,563</u>			<u>\$ 1,580,565</u>		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 529,482	\$ 9,990	2.51%	\$ 303,525	\$ 569	0.25%
Money market accounts	249,353	2,583	1.38%	265,639	591	0.30%
Savings accounts	123,607	848	0.91%	99,725	361	0.48%
Time deposits	614,044	16,516	3.58%	207,304	1,887	1.21%
Total interest-bearing deposits	1,516,486	29,937	2.63%	876,193	3,408	0.52%
Federal Home Loan Bank advances	155,639	4,795	4.10%	15,000	377	3.35%
Capital lease obligations	13,829	46	0.44%	5,431	70	1.72%
Total interest-bearing liabilities	1,685,954	34,778	2.75%	896,624	3,855	0.57%
Noninterest-bearing liabilities:						
Demand deposits and escrow accounts	219,785			429,354		
Other liabilities	12,294			14,596		
Total liabilities	1,918,033			1,340,574		
Shareholders' equity	260,530			239,991		
Total liabilities and shareholders' equity	<u>\$ 2,178,563</u>			<u>\$ 1,580,565</u>		
Net interest income		<u>\$ 84,641</u>			<u>\$ 59,806</u>	
Interest rate spread			4.86%			4.98%
Net interest margin (4)			5.39%			5.22%
Cost of funds (5)			2.43%			0.39%

(1) Interest income and yield are stated on a fully tax-equivalent basis using the statutory tax rate.

(2) Nonaccrual loans are included in the computation of average, but unpaid interest has not been included for purposes of determining interest income.

(3) Short-term investments include Federal Reserve and FHLB overnight deposits and other interest-bearing deposits.

(4) Net interest margin is calculated as net interest income divided by total interest-earning assets.

(5) 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, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Net interest income	\$ 32,239	\$ 28,752	\$ 23,649	\$ 23,619	\$ 20,952
Provision (credit) for loan losses	676	325	850	(879)	(287)
Noninterest income	1,188	1,301	1,659	4,144	5,408
Noninterest expense	13,836	13,704	12,634	12,856	11,401
Net income	12,517	11,298	8,287	10,296	10,587
Weighted-average common shares outstanding:					
Basic	7,352,447	7,256,281	7,312,291	7,506,465	7,687,737
Diluted	7,413,812	7,323,402	7,394,089	7,617,933	7,790,963
Earnings per common share:					
Basic	\$ 1.70	\$ 1.56	\$ 1.13	\$ 1.37	\$ 1.38
Diluted	1.69	1.54	1.12	1.35	1.36
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Return on average assets	1.80%	2.13%	2.03%	2.68%	2.79%
Return on average equity	18.53%	17.48%	13.07%	16.55%	17.57%
Net interest rate spread (1)	4.19%	5.42%	5.61%	6.14%	5.52%
Net interest margin (2)	4.75%	5.82%	5.96%	6.34%	5.71%
Efficiency ratio (non-GAAP) (3)	41.39%	45.60%	49.92%	46.31%	43.25%
Noninterest expense to average total assets	1.99%	2.58%	3.09%	3.34%	3.01%
Average interest-earning assets to average interest-bearing liabilities	118.20%	119.28%	142.88%	156.64%	167.20%
	As of:				
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 379	\$ 448	\$ 520	\$ 550	\$ 621
Commercial real estate	3,355	3,297	3,528	5,031	6,608
Commercial and industrial	561	631	452	202	230
Consumer	-	8	8	11	12
Total originated portfolio	4,295	4,384	4,508	5,794	7,471
Total purchased portfolio	10,227	8,515	9,089	7,152	10,441
Total nonperforming loans	14,522	12,899	13,597	12,946	17,912
Real estate owned and other repossessed collateral, net	-	-	90	-	-
Total nonperforming assets	\$ 14,522	\$ 12,899	\$ 13,687	\$ 12,946	\$ 17,912
Past due loans to total loans	0.70%	0.74%	0.97%	0.53%	1.07%
Nonperforming loans to total loans	0.58%	0.51%	0.93%	0.99%	1.45%
Nonperforming assets to total assets	0.51%	0.46%	0.79%	0.82%	1.14%
Allowance for loan losses to total loans	0.28%	0.26%	0.40%	0.39%	0.47%
Allowance for loan losses to nonperforming loans	48.84%	49.70%	43.38%	38.34%	32.47%

Commercial real estate loans to total capital (4)	614.90%	661.48%	328.35%	294.20%	252.90%
Net loans to deposits (5)	117.56%	113.74%	109.78%	100.94%	97.19%
Purchased loans to total loans (6)	58.20%	59.23%	32.62%	36.61%	38.94%
Equity to total assets	9.90%	9.38%	14.47%	15.69%	15.80%
Common equity tier 1 capital ratio	11.59%	10.84%	17.36%	19.08%	20.13%
Total capital ratio	11.89%	11.11%	17.77%	19.47%	20.60%
Tier 1 leverage capital ratio	10.06%	12.53%	15.59%	16.13%	16.17%
Total shareholders' equity	\$ 283,869	\$ 263,427	\$ 252,163	\$ 248,321	\$ 247,469
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	283,869	263,427	252,163	248,321	247,469
Less: Intangible assets (7)	-	-	(1,141)	(1,285)	(1,696)
Tangible common shareholders' equity (non-GAAP)	\$ 283,869	\$ 263,427	\$ 251,022	\$ 247,036	\$ 245,773
Common shares outstanding	7,668,650	7,511,044	7,477,158	7,442,103	7,727,312
Book value per common share	\$ 37.02	\$ 35.07	\$ 33.72	\$ 33.37	\$ 32.03
Tangible book value per share (non-GAAP) (8)	37.02	35.07	33.57	33.19	31.81

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

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

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

(4) 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.

(5) During the quarter ended June 30, 2022, the Bank changed its internal policy limit to calculate based on deposits, not core deposits (non-maturity deposits and maturity deposits less than \$250 thousand). Ratios as of March 31, 2022 reflect loans to core deposits.

Beginning with the quarter ended December 31, 2022 and going forward, the Bank removed this internal policy limit (previously 125%).

(6) Beginning with the quarter ended December 31, 2022 and going forward, the Bank removed this internal policy limit (previously 60%).

(7) Includes the loan servicing rights asset. Beginning with the quarter ended December 31, 2022 and going forward, the Bank no longer excludes the loan servicing rights asset from tangible common shareholders' equity.

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

For More Information:

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