



Northeast Bank Reports Fourth Quarter Results and Declares Dividend

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PORTLAND, Maine, July 24, 2023 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$12.1 million, or \$1.61 per diluted common share, for the quarter ended June 30, 2023, compared to net income of \$10.3 million, or \$1.35 per diluted common share, for the quarter ended June 30, 2022. Net income for the year ended June 30, 2023 was \$44.2 million, or \$5.96 per diluted common share, compared to \$42.2 million, or \$5.34 per diluted common share, for the year ended June 30, 2022.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on August 23, 2023, to shareholders of record as of August 9, 2023.

Discussing results, Rick Wayne, Chief Executive Officer, said, "We closed our fiscal year with yet another strong quarter. The historic loan growth in our second fiscal quarter continued to prove beneficial, as National Lending Division interest income increased by \$29.8 million to \$53.3 million over the quarter ended June 30, 2022. Our National Lending Division finished the fiscal year with record purchases with \$1.14 billion, including \$48.8 million for the quarter. This resulted in net growth in our purchased portfolio of \$1.00 billion, or 209.9%, compared with June 30, 2022. In addition to the growth in loan balances, our National Lending Division's combined yield increased to 8.7% for the quarter ended June 30, 2023, as compared to 7.9% for the quarter ended June 30, 2022. Asset quality remains strong, with non-performing assets of 0.55% of total assets, as compared to 0.82% of total assets at June 30, 2022." Mr. Wayne continued, "As a result of the increase in the average balances of our loan portfolio, we are reporting earnings of \$1.61 per diluted common share, a return on average equity of 16.7%, and a return on average assets of 1.7% for the quarter."

As of June 30, 2023, total assets were \$2.87 billion, an increase of \$1.29 billion, or 81.3%, 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 months and year ended June 30, 2023:

	Loan Portfolio Changes			
	June 30, 2023 Balance	March 31, 2023 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 1,480,119	\$ 1,460,598	\$ 19,521	1.34%
National Lending Originated	987,832	994,707	(6,875)	(0.69%)
SBA National	24,873	25,537	(664)	(2.60%)
Community Banking	27,536	28,953	(1,417)	(4.89%)
Total	<u>\$ 2,520,360</u>	<u>\$ 2,509,795</u>	<u>\$ 10,565</u>	<u>0.42%</u>

	June 30, 2023 Balance	June 30, 2022 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 1,480,119	\$ 477,682	\$ 1,002,437	209.85%
National Lending Originated	987,832	759,229	228,603	30.11%
SBA National	24,873	33,046	(8,173)	(24.73%)
Community Banking	27,536	34,909	(7,373)	(21.12%)
Total	<u>\$ 2,520,360</u>	<u>\$ 1,304,866</u>	<u>\$ 1,215,494</u>	<u>93.15%</u>

Loans generated by the Bank's National Lending Division for the quarter ended June 30, 2023 totaled \$133.0 million, which consisted of \$48.8 million of purchased loans, at an average price of 89.9% of unpaid principal balance, and \$84.2 million of originated loans.

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

National Lending Portfolio					
Three Months Ended June 30,					
2023			2022		
Purchased	Originated	Total	Purchased	Originated	Total
(Dollars in thousands)					

Loans purchased or originated during the period:

Unpaid principal balance	\$ 54,253	\$ 84,171	\$ 138,424	\$ 37,032	\$ 172,851	\$ 209,883
Net investment basis	48,783	84,171	132,954	36,502	172,851	209,353

Loan returns during the period:

Yield	8.12%	9.58%	8.71%	9.25%	7.03%	7.91%
Total Return on Purchased Loans (1)	8.12%	N/A	8.12%	9.25%	N/A	9.25%

Year Ended June 30,

2023			2022		
Purchased	Originated	Total	Purchased	Originated	Total

(Dollars in thousands)

Loans purchased or originated during the period:

Unpaid principal balance	\$ 1,314,783	\$ 556,991	\$ 1,871,774	\$ 199,523	\$ 587,840	\$ 787,363
Net investment basis	1,143,786	556,991	1,700,777	187,914	587,840	775,754

Loan returns during the period:

Yield	7.93%	8.84%	8.36%	8.91%	6.73%	7.65%
Total Return on Purchased Loans (1)	7.93%	N/A	7.93%	8.92%	N/A	8.92%

Total loans as of period end:

Unpaid principal balance	\$ 1,667,947	\$ 987,832	\$ 2,655,779	\$ 512,006	\$ 759,229	\$ 1,271,235
Net investment basis	1,480,119	987,832	2,467,951	477,682	759,229	1,236,911

(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."

- Deposits increased by \$649.5 million, or 50.4%, from June 30, 2022. The increase was attributable to increases in time deposits of \$791.9 million, or 622.0%, and money market deposits of \$31.8 million, or 12.9%, partially offset by a decrease in demand deposits of \$185.3 million, or 56.3%. The primary reason for the net increase in deposits was due to the increase in brokered time deposits, which increased by \$600.4 million compared to June 30, 2022. The use of brokered time deposits is part of the Bank's strategy to fund the loan purchases. The decrease in demand deposits was primarily due to a decrease in the Paycheck Protection Program ("PPP") Liquidity Facility balance during the year ended June 30, 2023 as the balance of PPP loans purchased by The Loan Source, Inc. that remain outstanding decreased significantly during this period.
- Shareholders' equity increased by \$48.3 million, or 19.5%, from June 30, 2022, primarily due to net income of \$44.2 million, the issuance of 194 thousand shares of voting common stock, adding \$8.0 million to shareholders' equity, and stock-based compensation of \$3.4 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 \$1.8 million to \$12.1 million for the quarter ended June 30, 2023, compared to net income of \$10.3 million for the quarter ended June 30, 2022.

1. Net interest and dividend income before provision for loan losses increased by \$10.6 million to \$34.2 million for the quarter ended June 30, 2023, compared to \$23.6 million for the quarter ended June 30, 2022. The increase was primarily due to the following:

- An increase in interest income earned on loans of \$29.9 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 \$2.6 million, primarily due to higher rates earned; partially offset by,
- An increase in deposit interest expense of \$17.0 million, due to higher interest rates and higher average balances in interest-bearing deposits; and
- An increase in FHLB borrowings interest expense of \$5.3 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 June 30,	
2023	2022

	Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield
			(Dollars in thousands)			
Community Banking	\$ 28,071	\$ 427	6.10%	\$ 35,028	\$ 451	5.16%
SBA National	25,706	705	11.00%	33,788	522	6.20%
National Lending:						
Originated	994,616	23,762	9.58%	720,101	12,622	7.03%
Purchased	1,461,164	29,584	8.12%	474,393	10,937	9.25%
Total National Lending	2,455,780	53,346	8.71%	1,194,494	23,559	7.91%
Total	\$ 2,509,557	\$ 54,478	8.71%	\$ 1,263,310	\$ 24,532	7.79%

	Year Ended June 30,					
	2023			2022		
	Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield
			(Dollars in thousands)			
Community Banking	\$ 30,271	\$ 1,915	6.33%	\$ 41,009	\$ 2,143	5.23%
SBA National	28,138	2,896	10.29%	35,678	2,356	6.60%
SBA PPP	-	-	0.00%	633	17	2.69%
National Lending:						
Originated	922,438	81,534	8.84%	627,786	42,256	6.73%
Purchased	1,040,940	82,549	7.93%	458,036	40,820	8.91%
Total National Lending	1,963,378	164,083	8.36%	1,085,822	83,076	7.65%
Total	\$ 2,021,787	\$ 168,894	8.35%	\$ 1,163,142	\$ 87,592	7.53%

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 June 30, 2022, transactional income increased by \$1.3 million for the quarter ended June 30, 2023, and regularly scheduled interest and accretion increased by \$17.4 million due to the increase in average balances. The total return on purchased loans for the quarter ended June 30, 2023 was 8.1%, a decrease from 9.3% for the quarter ended June 30, 2022. The following table details the total return on purchased loans:

	Total Return on Purchased Loans			
	Three Months Ended June 30,			
	2023		2022	
	Income	Return (1)	Income	Return (1)
		(Dollars in thousands)		
Regularly scheduled interest and accretion	\$ 24,821	6.81%	\$ 7,432	6.29%
Transactional income:				
Gain on real estate owned	-	0.00%	-	0.00%
Accelerated accretion and loan fees	4,763	1.31%	3,505	2.96%
Total transactional income	4,763	1.31%	3,505	2.96%
Total	\$ 29,584	8.12%	\$ 10,937	9.25%

	Year Ended June 30,			
	2023		2022	
	Income	Return (1)	Income	Return (1)
		(Dollars in thousands)		
Regularly scheduled interest and accretion	\$ 69,788	6.70%	\$ 28,811	6.29%
Transactional income:				
Gain on real estate owned	-	0.00%	31	0.01%
Accelerated accretion and loan fees	12,761	1.23%	12,009	2.62%
Total transactional income	12,761	1.23%	12,040	2.63%
Total	\$ 82,549	7.93%	\$ 40,851	8.92%

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, 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 \$3.0 million for the quarter ended June 30, 2023, compared to the quarter ended June 30, 2022, principally due to the following:

- A decrease in correspondent fee income of \$3.5 million from the recognition of correspondent fees and related net servicing income. Correspondent income for the quarters ended June 30, 2023 and 2022 is comprised of the following components:

	Three Months Ended June 30,	
	2023	2022
	(In thousands)	
Correspondent Fee	\$ 8	\$ 1,067
Amortization of Purchased Accrued Interest	132	1,451
Earned Net Servicing Interest	67	1,168
Total	<u>\$ 207</u>	<u>\$ 3,686</u>

The Bank has \$177 thousand of unamortized correspondent fee and purchased accrued interest remaining at June 30, 2023. The decrease in correspondent fee income was partially offset by:

- An increase in gain on sale of SBA loans of \$278 thousand, due to the sale of \$5.4 million in SBA loans during the quarter ended June 30, 2023.

3. Noninterest expense increased by \$3.5 million for the quarter ended June 30, 2023 compared to the quarter ended June 30, 2022, primarily due to the following:

- An increase in salaries and employee benefits expense of \$1.7 million, primarily due to increases in regular compensation, stock compensation expense, and incentive compensation expense;
- An increase in deposit insurance expense of \$443 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 other noninterest expense of \$408 thousand, primarily due to a one-time \$338 thousand decrease in non-income tax expense that was reclassified out of other noninterest expense and into income tax expense during the quarter ended June 30, 2022 and a \$45 thousand increase in travel and meals and entertainment expense; and
- An increase in loan expense of \$382 thousand, due to increases in general loan expense and collection expense.

4. Income tax expense increased by \$877 thousand to \$6.4 million, or an effective tax rate of 34.5%, for the quarter ended June 30, 2023, compared to \$5.5 million, or an effective tax rate of 34.8%, for the quarter ended June 30, 2022. The increase in income tax expense is due to the increase in pre-tax income. The decrease in the effective tax rate from June 30, 2022 is primarily due to a one-time income tax accrual adjustment of \$290 thousand during the quarter ended June 30, 2022.

As of June 30, 2023, nonperforming assets totaled \$15.7 million, or 0.55% of total assets, compared to \$12.9 million, or 0.82% of total assets, as of June 30, 2022.

As of June 30, 2023, past due loans totaled \$13.1 million, or 0.52% of total loans, compared to past due loans totaling \$7.0 million, or 0.53% of total loans, as of June 30, 2022.

As of June 30, 2023, the Bank's Tier 1 leverage capital ratio was 10.4%, compared to 16.1% at June 30, 2022, and the Total capital ratio was 12.3% at June 30, 2023, compared to 19.5% at June 30, 2022. Capital ratios decreased due to 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 of Northeast Bank, will host a **conference call to discuss fourth quarter earnings and business outlook at 10:00 a.m. Eastern Time on Tuesday, July 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)

	June 30, 2023	June 30, 2022
Assets		
Cash and due from banks	\$ 2,515	\$ 2,095
Short-term investments	195,394	169,984
Total cash and cash equivalents	197,909	172,079
Available-for-sale debt securities, at fair value	53,403	54,911
Equity securities, at fair value	6,771	6,798
Total investment securities	60,174	61,709
Loans:		
Commercial real estate	1,940,563	882,187
Commercial and industrial	499,815	352,729
Residential real estate	79,497	69,209
Consumer	485	741
Total loans	2,520,360	1,304,866
Less: Allowance for loan losses	7,304	5,028
Loans, net	2,513,056	1,299,838
Premises and equipment, net	27,737	9,606
Federal Home Loan Bank stock, at cost	24,644	1,610
Loan servicing rights, net	1,530	1,285
Bank-owned life insurance	18,364	17,922
Other assets	26,524	18,710
Total assets	\$ 2,869,938	\$ 1,582,759

Liabilities and Shareholders' Equity

Deposits:		
Demand	\$ 143,738	\$ 329,007
Savings and interest checking	596,347	585,274
Money market	277,939	246,095
Time	919,183	127,317
Total deposits	1,937,207	1,287,693
Federal Home Loan Bank advances	562,615	15,000
Lease liability	21,918	4,451
Other liabilities	51,535	27,294
Total liabilities	2,573,275	1,334,438
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at June 30, 2023 and 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 June 30, 2023 and 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 June 30, 2023 and 2022	-	-
Additional paid-in capital	42,840	38,749
Retained earnings	246,872	202,980
Accumulated other comprehensive loss	(718)	(850)
Total shareholders' equity	296,663	248,321
Total liabilities and shareholders' equity	\$ 2,869,938	\$ 1,582,759

NORTHEAST BANK
STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended June 30,		Year Ended June 30,	
	2023	2022	2023	2022
Interest and dividend income:				
Interest and fees on loans	\$ 54,478	\$ 24,532	\$ 168,894	\$ 87,592
Interest on available-for-sale securities	374	81	1,122	316
Other interest and dividend income	2,900	262	7,155	628
Total interest and dividend income	57,752	24,875	177,171	88,536
Interest expense:				
Deposits	18,139	1,121	48,076	4,529
Federal Home Loan Bank advances	5,430	115	10,225	493
Obligation under capital lease agreements	28	20	74	90
Total interest expense	23,597	1,256	58,375	5,112
Net interest and dividend income before provision for loan losses	34,155	23,619	118,796	83,424
Provision (credit) for loan losses	453	(879)	2,303	(2,462)
Net interest and dividend income after provision for loan losses	33,702	24,498	116,493	85,886
Noninterest income:				
Fees for other services to customers	448	410	1,589	1,646
Gain on sales of SBA loans	278	-	576	-
Gain on sales of PPP loans	-	-	-	86
Net unrealized loss on equity securities	(81)	(180)	(208)	(511)
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	-	100	(73)	155
Correspondent fee income	207	3,686	2,534	22,528
Gain on termination of interest rate swap	-	-	96	-
Bank-owned life insurance income	114	107	443	424
Other noninterest income	146	21	301	117

Total noninterest income	1,112	4,144	5,258	24,445
Noninterest expense:				
Salaries and employee benefits	10,570	8,912	35,721	31,138
Occupancy and equipment expense	1,100	891	4,214	3,558
Professional fees	624	437	2,554	1,891
Data processing fees	1,305	1,203	4,995	4,544
Marketing expense	339	223	922	733
Loan acquisition and collection expense	673	291	2,514	3,202
FDIC insurance premiums	540	97	1,224	395
Other noninterest expense	1,210	802	4,392	3,322
Total noninterest expense	16,361	12,856	56,536	48,783
Income before income tax expense	18,453	15,786	65,215	61,548
Income tax expense	6,367	5,490	21,028	19,385
Net income	\$ 12,086	\$ 10,296	\$ 44,187	\$ 42,163
Weighted-average shares outstanding:				
Basic	7,459,074	7,506,465	7,345,253	7,806,626
Diluted	7,523,508	7,617,933	7,413,932	7,902,610
Earnings per common share:				
Basic	\$ 1.62	\$ 1.37	\$ 6.02	\$ 5.40
Diluted	1.61	1.35	5.96	5.34
Cash dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.04

	Three Months Ended June 30,					
	2023			2022		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 60,584	\$ 374	2.48%	\$ 62,347	\$ 81	0.52%
Loans (1) (2)	2,509,557	54,478	8.71%	1,263,310	24,532	7.79%
Federal Home Loan Bank stock	20,483	260	5.09%	1,513	7	1.86%
Short-term investments (3)	201,493	2,640	5.26%	168,059	255	0.61%
Total interest-earning assets	2,792,117	57,752	8.30%	1,495,229	24,875	6.67%
Cash and due from banks	2,508			2,667		
Other non-interest earning assets	64,580			45,742		
Total assets	\$ 2,859,205			\$ 1,543,638		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 567,746	\$ 5,594	3.95%	\$ 410,628	\$ 391	0.38%
Money market accounts	252,560	1,785	2.83%	263,540	215	0.33%
Savings accounts	83,782	330	1.58%	141,526	204	0.58%
Time deposits	973,216	10,430	4.30%	119,235	311	1.05%
Total interest-bearing deposits	1,877,304	18,139	3.88%	934,929	1,121	0.48%
Federal Home Loan Bank advances	472,440	5,430	4.61%	15,000	115	3.08%
Capital lease obligations	21,972	28	0.51%	4,615	20	1.74%
Total interest-bearing liabilities	2,371,716	23,597	3.99%	954,544	1,256	0.53%

Demand deposits and escrow accounts	173,668	326,690
Other liabilities	23,095	12,881
Total liabilities	2,568,479	1,294,115
Shareholders' equity	290,726	249,523
Total liabilities and shareholders' equity	<u>\$ 2,859,205</u>	<u>\$ 1,543,638</u>

Net interest income	<u>\$ 34,155</u>	<u>\$ 23,619</u>
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Interest rate spread	4.31%	6.14%
Net interest margin (4)	4.91%	6.34%
Cost of funds (5)	3.72%	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 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)

	Year Ended June 30,					
	2023			2022		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 60,760	\$ 1,122	1.85%	\$ 64,560	\$ 316	0.49%
Loans (1) (2)	2,021,787	168,894	8.35%	1,163,142	87,592	7.53%
Federal Home Loan Bank stock	10,600	397	3.75%	1,306	26	1.99%
Short-term investments (3)	171,949	6,758	3.93%	290,167	602	0.21%
Total interest-earning assets	<u>2,265,096</u>	<u>177,171</u>	7.82%	<u>1,519,175</u>	<u>88,536</u>	5.83%
Cash and due from banks	2,525			2,681		
Other non-interest earning assets	78,986			49,503		
Total assets	<u>\$ 2,346,607</u>			<u>\$ 1,571,359</u>		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 539,022	\$ 15,584	2.89%	\$ 330,228	\$ 960	0.29%
Money market accounts	250,152	4,368	1.75%	265,116	806	0.30%
Savings accounts	113,678	1,178	1.04%	110,145	565	0.51%
Time deposits	703,591	26,946	3.83%	185,347	2,198	1.19%
Total interest-bearing deposits	1,606,443	48,076	2.99%	890,836	4,529	0.51%
Federal Home Loan Bank advances	234,623	10,225	4.36%	15,000	493	3.29%
Capital lease obligations	15,859	74	0.47%	5,228	90	1.72%
Total interest-bearing liabilities	<u>1,856,925</u>	<u>58,375</u>	3.14%	<u>911,064</u>	<u>5,112</u>	0.56%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	208,287			403,760		
Other liabilities	13,337			14,167		
Total liabilities	<u>2,078,549</u>			<u>1,328,991</u>		
Shareholders' equity	268,058			242,368		
Total liabilities and shareholders' equity	<u>\$ 2,346,607</u>			<u>\$ 1,571,359</u>		
Net interest income	<u>\$ 118,796</u>			<u>\$ 83,424</u>		

Interest rate spread	4.68%	5.27%
Net interest margin (4)	5.24%	5.49%
Cost of funds (5)	2.83%	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 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				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Net interest income	\$ 34,155	\$ 32,239	\$ 28,752	\$ 23,649	\$ 23,619
Provision (credit) for loan losses	453	676	325	850	(879)
Noninterest income	1,112	1,188	1,301	1,659	4,144
Noninterest expense	16,361	13,836	13,704	12,634	12,856
Net income	12,086	12,517	11,298	8,287	10,296
Weighted-average common shares outstanding:					
Basic	7,459,074	7,352,447	7,256,281	7,312,291	7,506,465
Diluted	7,523,508	7,413,812	7,323,402	7,394,089	7,617,933
Earnings per common share:					
Basic	\$ 1.62	\$ 1.70	\$ 1.56	\$ 1.13	\$ 1.37
Diluted	1.61	1.69	1.54	1.12	1.35
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Return on average assets	1.70%	1.80%	2.13%	2.03%	2.68%
Return on average equity	16.67%	18.53%	17.48%	13.07%	16.55%
Net interest rate spread (1)	4.31%	4.19%	5.42%	5.61%	6.14%
Net interest margin (2)	4.91%	4.75%	5.82%	5.96%	6.34%
Efficiency ratio (non-GAAP) (3)	46.39%	41.39%	45.60%	49.92%	46.31%
Noninterest expense to average total assets	2.30%	1.99%	2.58%	3.09%	3.34%
Average interest-earning assets to average interest-bearing liabilities	117.73%	118.20%	119.28%	142.88%	156.64%

	As of:				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 280	\$ 379	\$ 448	\$ 520	\$ 550
Commercial real estate	3,548	3,355	3,297	3,528	5,031
Commercial and industrial	520	561	631	452	202
Consumer	-	-	8	8	11
Total originated portfolio	4,348	4,295	4,384	4,508	5,794
Total purchased portfolio	11,335	10,227	8,515	9,089	7,152
Total nonperforming loans	15,683	14,522	12,899	13,597	12,946
Real estate owned and other repossessed collateral, net	-	-	-	90	-
Total nonperforming assets	\$ 15,683	\$ 14,522	\$ 12,899	\$ 13,687	\$ 12,946

Past due loans to total loans	0.52%	0.70%	0.74%	0.97%	0.53%
Nonperforming loans to total loans	0.62%	0.58%	0.51%	0.93%	0.99%
Nonperforming assets to total assets	0.55%	0.51%	0.46%	0.79%	0.82%
Allowance for loan losses to total loans	0.29%	0.28%	0.26%	0.40%	0.39%
Allowance for loan losses to nonperforming loans	46.57%	48.84%	49.70%	43.38%	38.34%
Net charge-offs (recoveries)	\$ 240	\$ (5)	\$ (190)	\$ (20)	\$ (92)
Commercial real estate loans to total capital (4)	595.38%	614.90%	661.48%	328.35%	294.20%
Net loans to deposits (5)	129.73%	117.56%	113.74%	109.78%	100.94%
Purchased loans to total loans (6)	58.73%	58.20%	59.23%	32.62%	36.61%
Equity to total assets	10.34%	9.90%	9.38%	14.47%	15.69%
Common equity tier 1 capital ratio	12.03%	11.59%	10.84%	17.36%	19.08%
Total capital ratio	12.33%	11.89%	11.11%	17.77%	19.47%
Tier 1 leverage capital ratio	10.37%	10.06%	12.53%	15.59%	16.13%
Total shareholders' equity	\$ 296,663	\$ 283,869	\$ 263,427	\$ 252,163	\$ 248,321
Less: Preferred stock	-	-	-	-	-
Common shareholders' equity	296,663	283,869	263,427	252,163	248,321
Less: Intangible assets (7)	-	-	-	(1,141)	(1,285)
Tangible common shareholders' equity (non-GAAP)	<u>\$ 296,663</u>	<u>\$ 283,869</u>	<u>\$ 263,427</u>	<u>\$ 251,022</u>	<u>\$ 247,036</u>
Common shares outstanding	7,668,650	7,668,650	7,511,044	7,477,158	7,442,103
Book value per common share	\$ 38.69	\$ 37.02	\$ 35.07	\$ 33.72	\$ 33.37
Tangible book value per share (non-GAAP) (8)	38.69	37.02	35.07	33.57	33.19

(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). 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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