

## FY 2019 Q4 Investor Call



# Forward-Looking Statement

Statements in this presentation 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 Northeast Bank (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 interest rates and real estate values; competitive pressures from other financial institutions; the effects of weakness in general economic conditions on a national basis or in the local markets in which the Bank operates, including changes which adversely affect borrowers’ ability to service and repay our loans; changes in loan defaults and charge-off rates; changes 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; operational risks including, but not limited to, cybersecurity, fraud and natural disasters; 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 our Annual Report on Form 10-K and updated by our Quarterly Reports on Form 10-Q and other filings submitted to the Securities and Exchange Commission by Northeast Bancorp prior to completion of the corporate reorganization and submitted to the Federal Deposit Insurance Corporation by the Bank after completion of the corporate reorganization. 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.

# Q4 FY19 and YTD FY19 Highlights

	Q4 FY19	YTD FY19
<b>Total Loan Volume</b>	\$122.8 million	\$498.6 million
<b>LASG:</b>		
<b>Purchased Loans</b>	\$47.1 million invested on \$49.9 million of UPB <sup>(1)</sup> (94.3% purchase price)	\$135.8 million invested on \$144.4 million of UPB <sup>(1)</sup> (94.1% purchase price)
<b>Originated Loans<sup>(2)</sup></b>	\$51.8 million	\$271.2 million
<b>Weighted Average Rate as of 6/30/2019</b>	7.48%	7.61%
<b>Community Bank:</b>		
<b>Residential Mortgage Originations</b>	\$14.4 million	\$40.7 million
<b>Commercial Originations</b>	\$1.3 million	\$3.7 million
<b>SBA:</b>		
<b>Originations<sup>(3)</sup></b>	\$8.1 million	\$47.2 million
<b>Sales</b>	\$3.7 million	\$35.5 million
<b>Gain on Sale</b>	\$227 thousand	\$2.6 million
<b>Net Interest Margin</b>	5.95%	5.35%
<b>Purchased Loan Return<sup>(4)</sup></b>	12.27%	10.57%
<b>Earnings (Loss)</b>	\$(603) thousand	\$13.9 million
<b>EPS (Diluted)</b>	(\$0.07)	\$1.52
<b><u>Performance excluding Reorganization Expense (Non-GAAP)<sup>(5)</sup></u></b>		
<b>Net Operating Earnings</b>	\$5.4 million	\$20.3 million
<b>Operating EPS (Diluted)</b>	\$0.59	\$2.20
<b>Operating Return on Equity</b>	14.18%	13.74%
<b>Operating Return on Assets</b>	1.81%	1.69%

(1) Unpaid principal balance

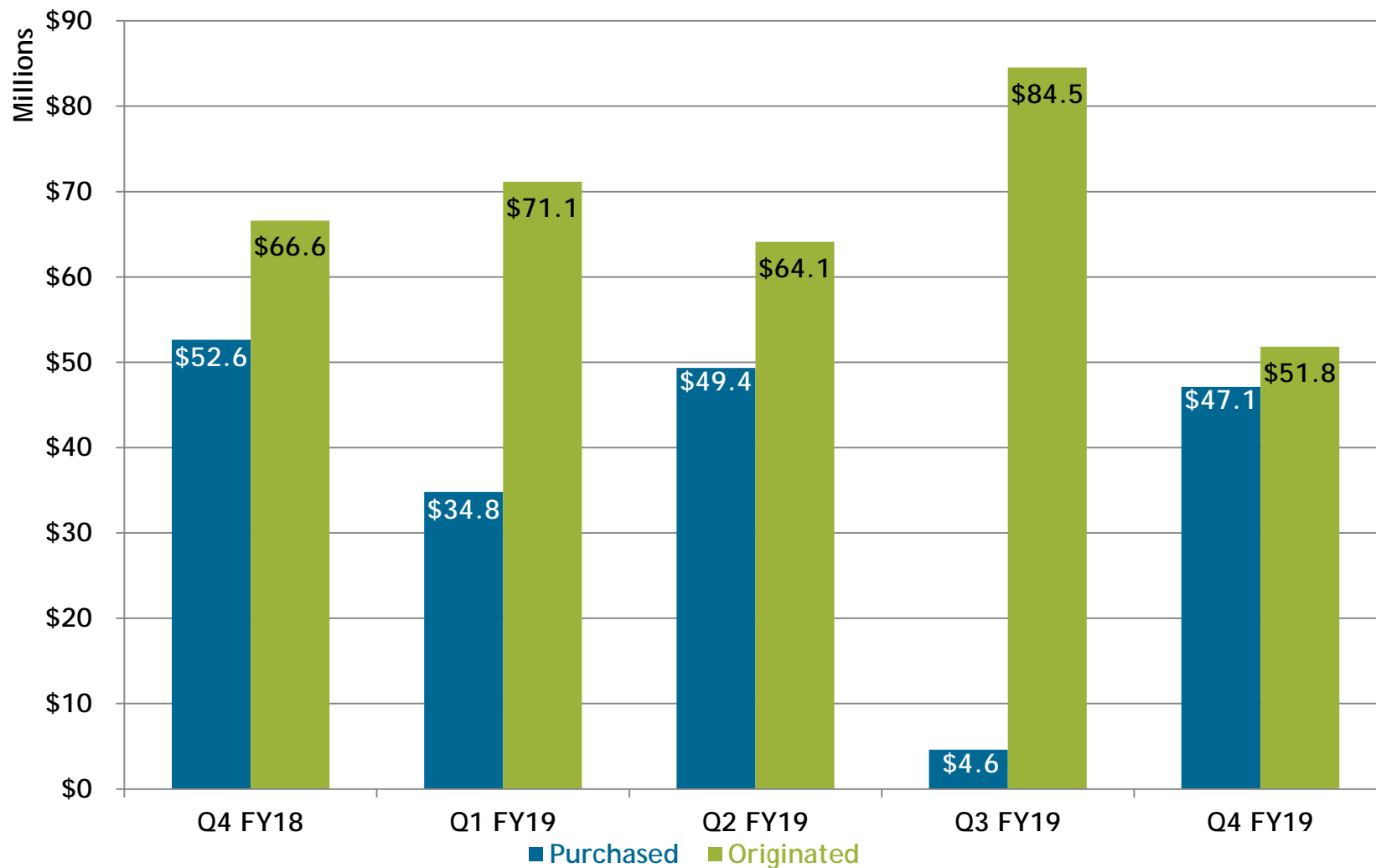
(2) LASG originations during Q4 FY19 and YTD FY19 were 95% & 94% variable rate, respectively, of which 95% & 92% were Prime rate based, respectively

(3) SBA originations during Q4 FY19 and YTD FY19 included funded loans of \$7.7 million and \$45.8 million, respectively

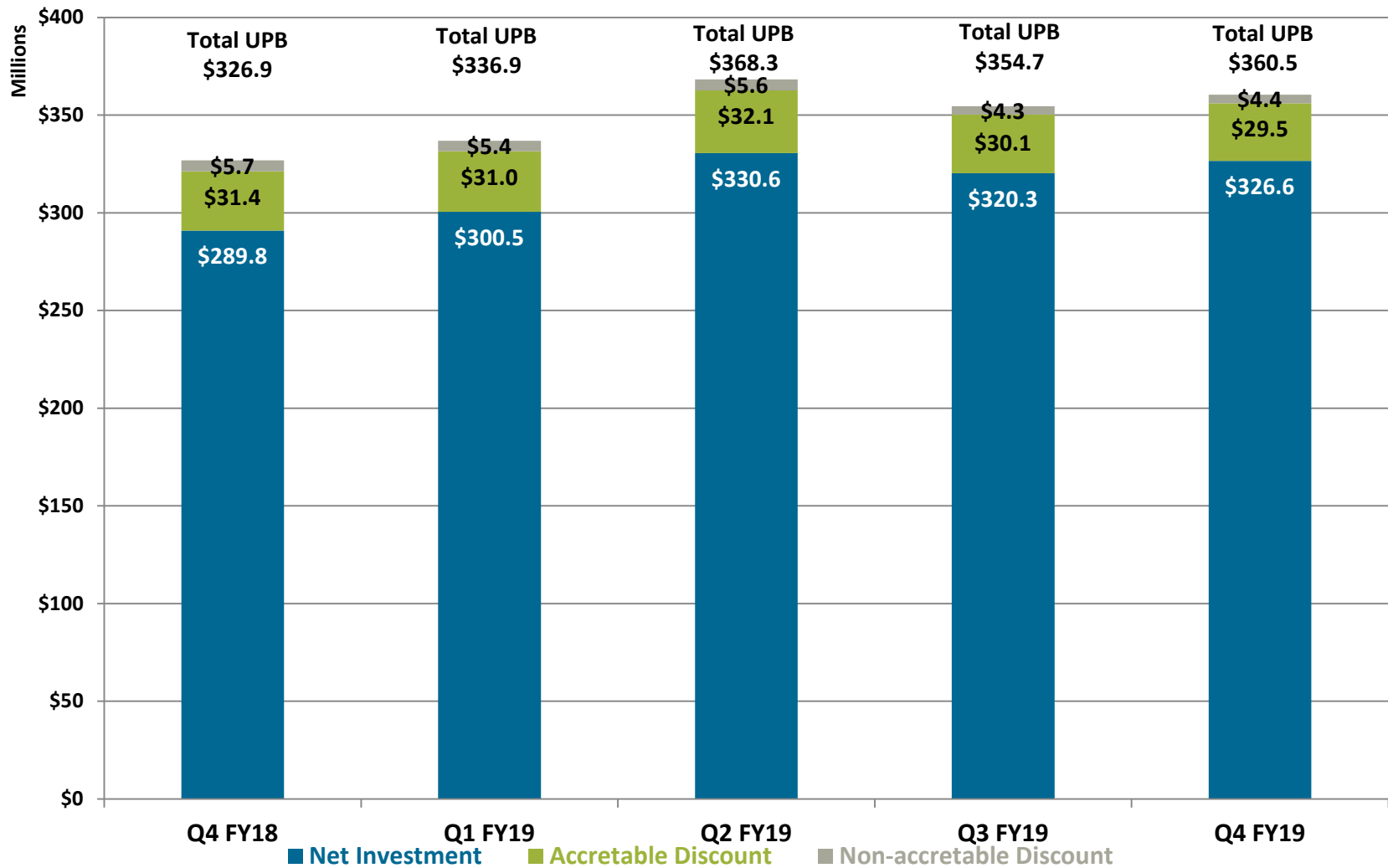
(4) Purchased loan return for Q4 FY19 and YTD FY19 included \$3.6 million and \$9.1 million of transactional income, respectively

(5) Performance excluding Reorganization Expense (non-GAAP) excludes reorganization expense of \$6.0 million and \$6.4 million (after tax) related to the corporate reorganization, for Q4 FY19 and YTD FY19, respectively. See reconciliation on slide 9.

## LASG Activity By Trailing 5 Quarters



# Purchased Loan Investment Basis and Discount By Trailing 5 Quarters



# LASG Portfolio – Q4 FY19 Return Summary<sup>(1)</sup> as of June 30, 2019

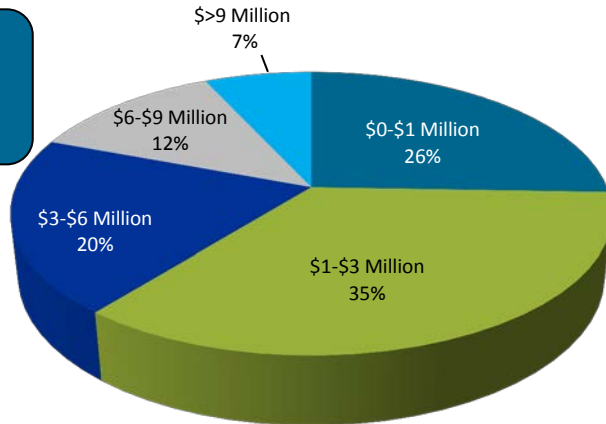
	<u>Purchased</u>	<u>Originated</u>	<u>Total</u>
Regularly Scheduled Interest & Accretion	7.67%	7.75%	7.72%
Accelerated Accretion & Fees Recognized on Loan Payoffs & Gain on Loan Sales	4.60%	0.00%	1.81%
<b>Total</b>	<b>12.27%</b>	<b>7.75%</b>	<b>9.53%</b>

(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 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.

# LASG Loan Portfolio Statistics as of June 30, 2019

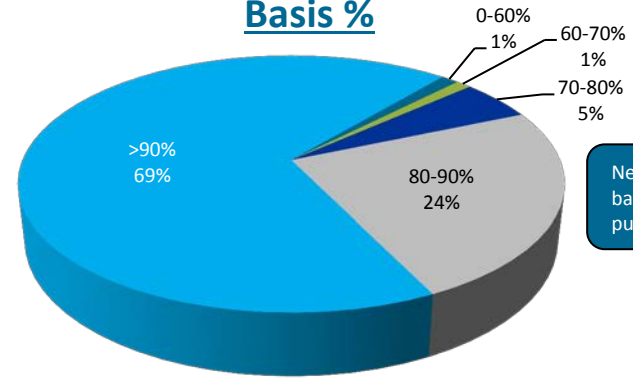
## Investment Size

- Average investment size of \$779 thousand / loan
- Originated: \$2.1 million
- Purchased: \$401 thousand



## Purchased Loan Net Investment

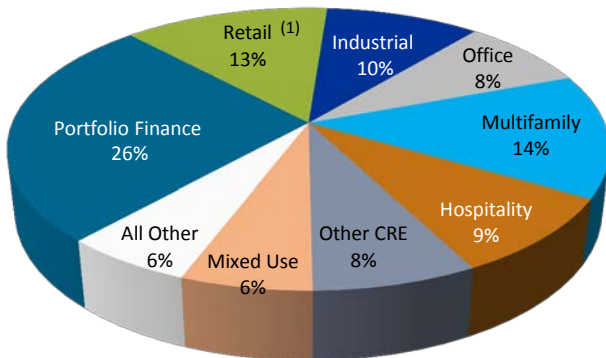
### Basis %



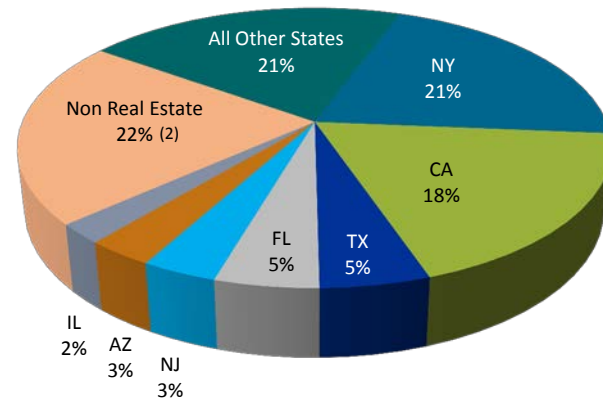
Net investment basis of 91% for purchased loans

## Collateral Type

Diverse collateral types focused primarily in five major real estate sectors: office, industrial, retail/mixed use, hospitality, and multifamily



## Collateral State

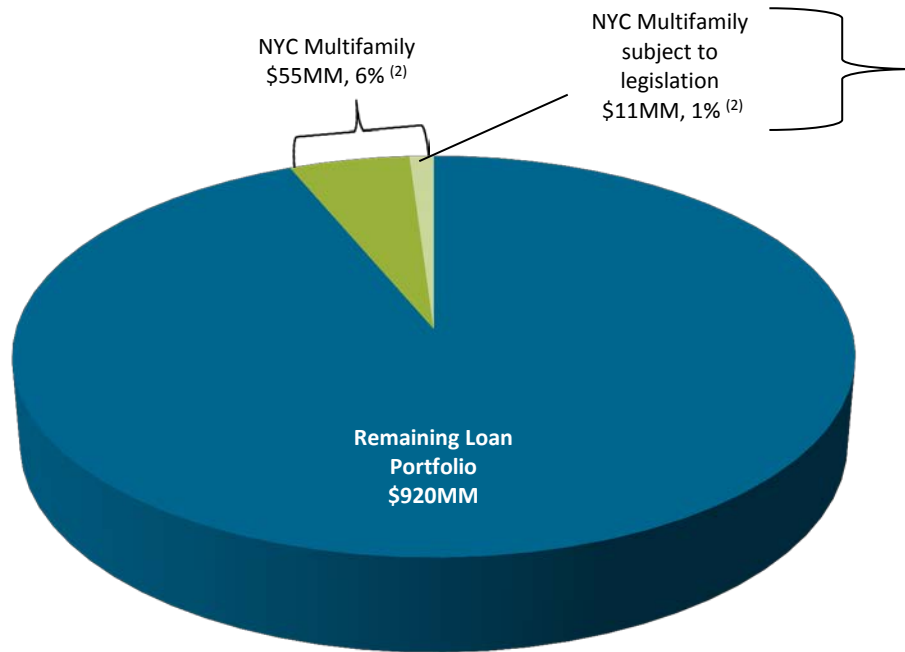


- Geographically diverse with collateral in 42 different states
- CA and NY represent combined 39% of portfolio

(1) Includes traditional and non-traditional retail, such as restaurants and gas stations  
 (2) 77% of the 22% Non Real Estate total represents Portfolio Finance loans

# Impact of Recent New York City Rent Control Legislation<sup>(1)</sup>

## NYC Multifamily Exposure



- Appraised value of the collateral is \$27 million, or 41% weighted average LTV



# Reconciliation of Net Income (Loss) Available to Common Shareholders (GAAP) to Net Operating Earnings (non-GAAP)<sup>1</sup>

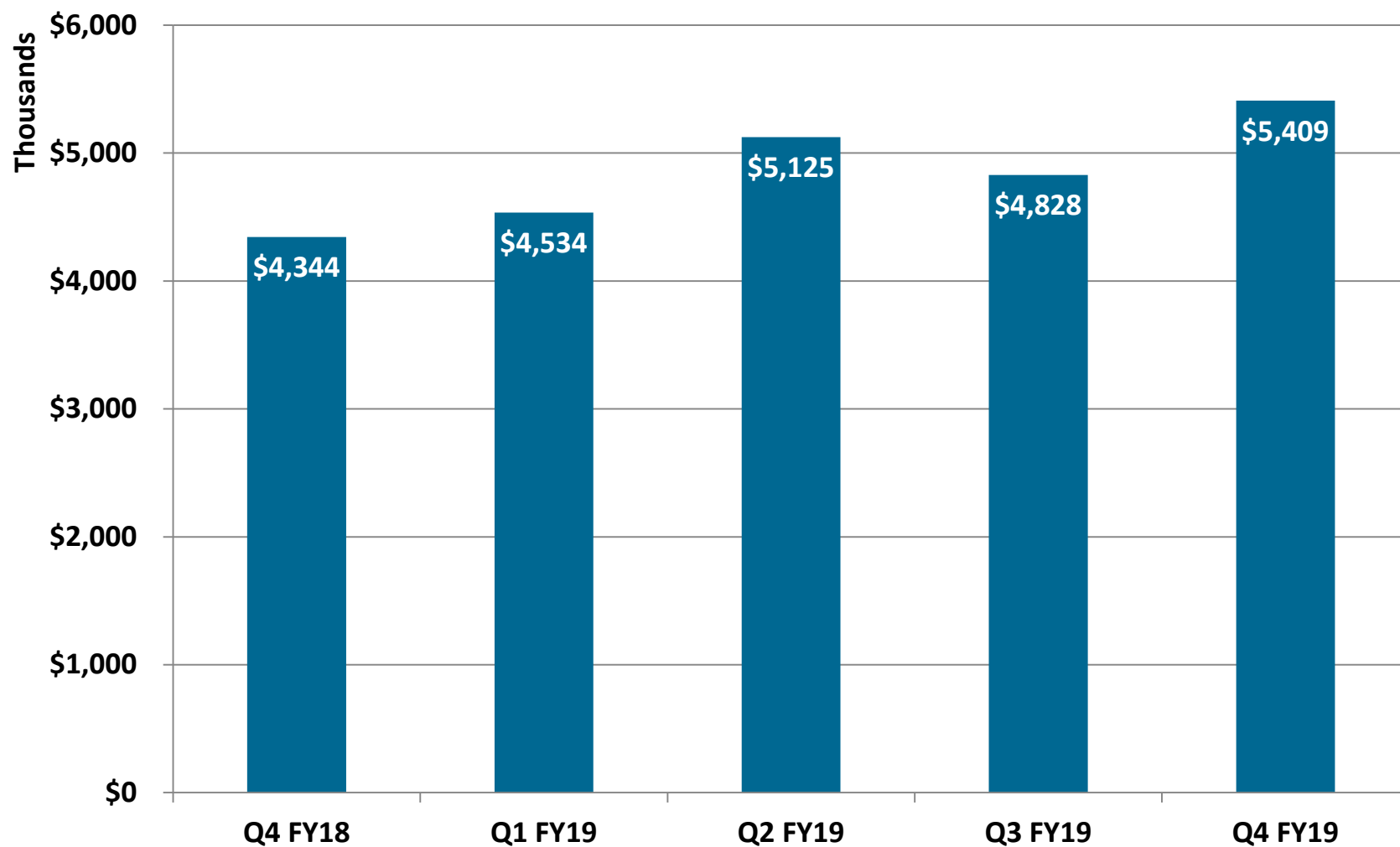
	Q4 FY19	YTD FY19
<b>Net income (loss) (GAAP)</b>	\$ (603) thousand	\$13.9 million
<b>Items excluded from net operating earnings, net of tax:</b>		
<b>Write-off of fair value adjustment on trust preferred securities</b>	\$5.1 million	\$5.1 million
<b>Termination of interest rate swaps and caps</b>	\$793 thousand	\$793 thousand
<b>Related legal and professional fees</b>	\$162 thousand	\$523 thousand
<b>Total after-tax items</b>	\$6.0 million	\$6.4 million
<b>Net operating earnings (non-GAAP)</b>	\$5.4 million	\$20.3 million
<b>Weighted average common shares outstanding -diluted</b>	9,041,926	9,156,233
<b>Reported diluted earnings (loss) per share (GAAP)</b>	\$(0.07)	\$1.52
<b>Items excluded from net operating earnings<sup>2</sup></b>	\$0.66	\$0.68
<b>Net operating earnings per share (non-GAAP) -diluted<sup>2</sup></b>	\$0.59	\$2.20
<b>Operating Return on Equity<sup>3</sup></b>	14.18%	13.74%

(1) Management believes operating earnings, which exclude non-recurring items related to the corporate reorganization, provide a more meaningful representation of the Bank's performance.

(2) The calculation of net operating earnings per share (non-GAAP) -diluted includes dilutive shares of 171,054 and 166,466 for the three months and year ended June 30, 2019, since net operating earnings are in a net income position for the three months ended June 30, 2019.

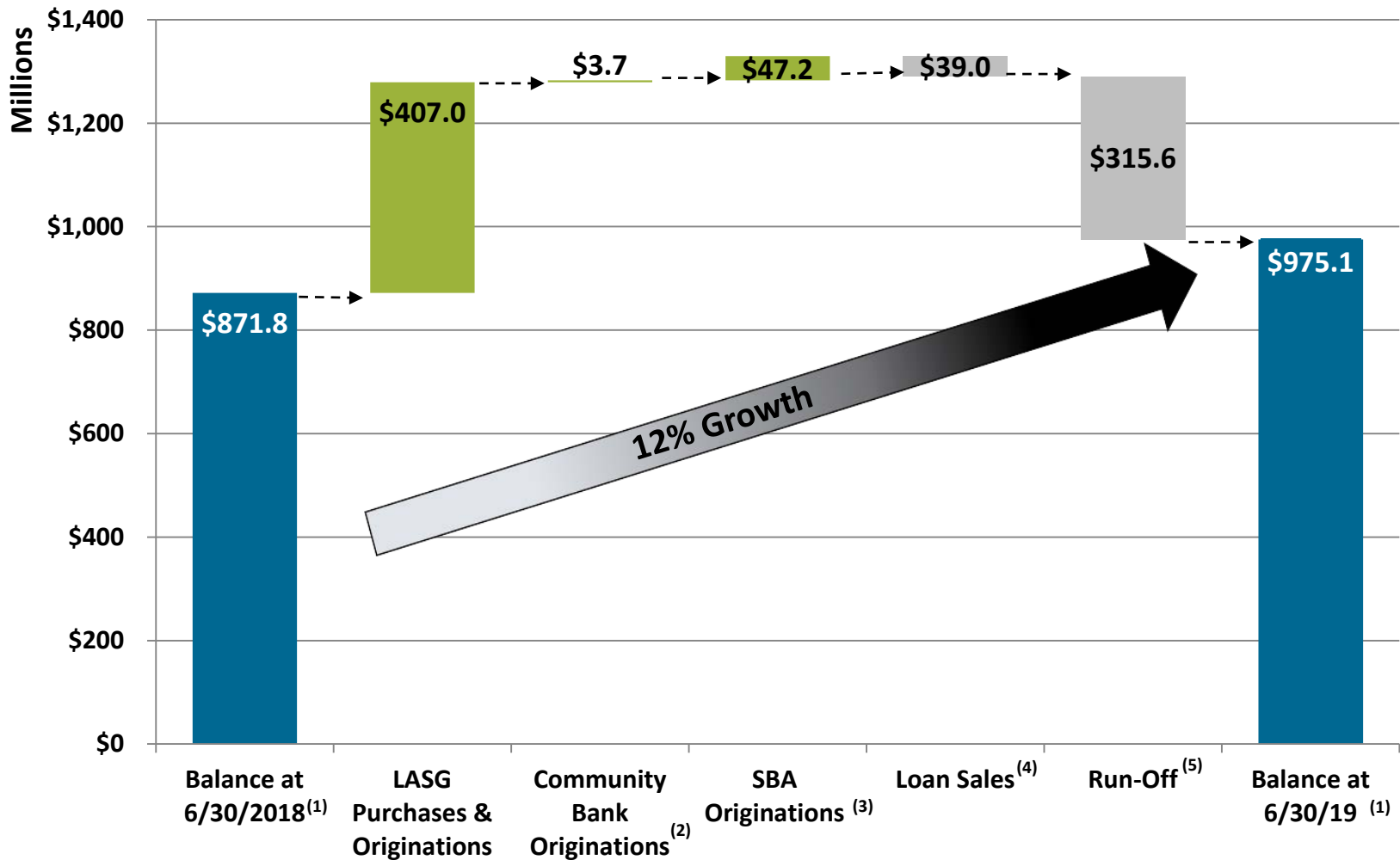
(3) Operating ROE excludes \$6.0 million and \$6.4 million (after tax) related to the corporate reorganization from net operating earnings for Q4 FY9 and YTD FY19, respectively.

## Net Operating Earnings For Trailing 5 Quarters<sup>(1)</sup>



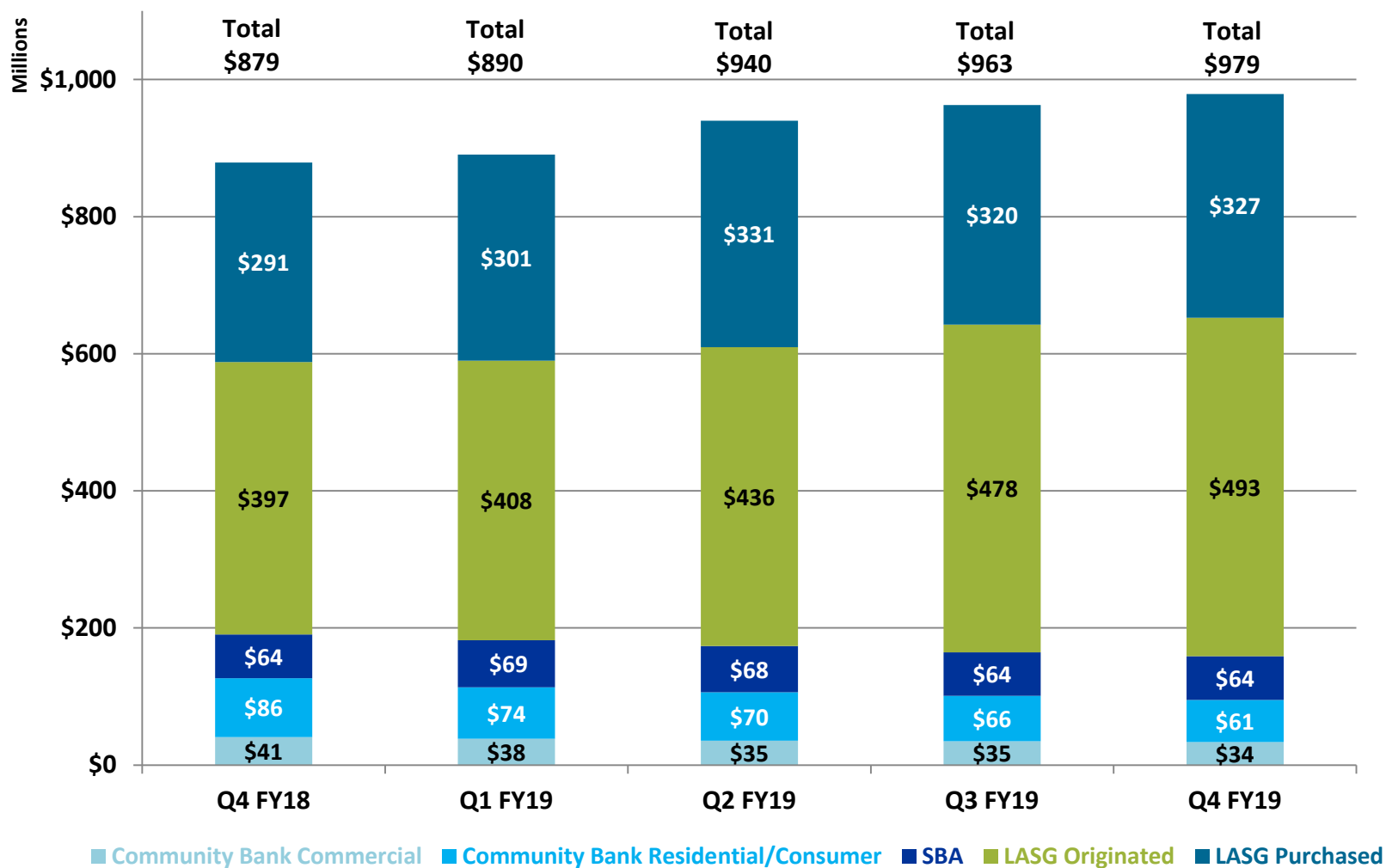
(1) Management believes net operating earnings, which exclude non-core items related to the corporate reorganization, provide a more meaningful representation of the Bank's performance. Q4 FY19 results above exclude \$6.0 million of expenses (after tax) related to the corporate reorganization. See reconciliation on slide 9.

# Loan Portfolio Roll Forward: Trailing Twelve Months



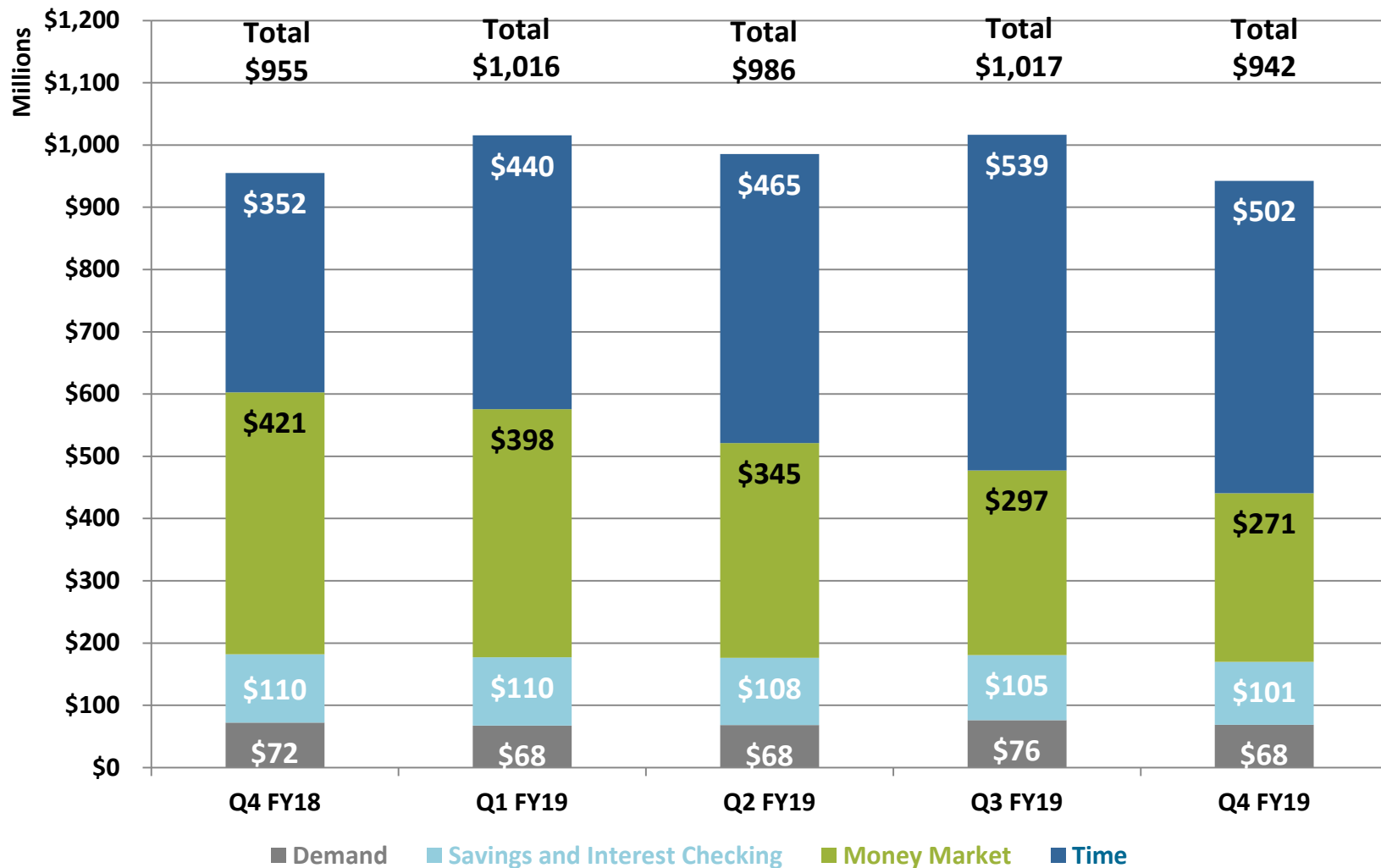
- (1) Balances do not include loans held for sale in the amount of \$7.2 million and \$3.9 million at June 30, 2018 and 2019, respectively
- (2) Does not include \$40.7 million of residential mortgages that were originated for sale
- (3) Of the \$47.2 million of SBA originations, \$45.8 million have been funded
- (4) Includes \$35.5 million of SBA loan sales for the trailing twelve months, and excludes residential mortgages originated for sale
- (5) Run-off includes scheduled amortization, principal pay downs and payoffs

# Loan Mix As of Trailing 5 Quarter Ends<sup>(1)</sup>

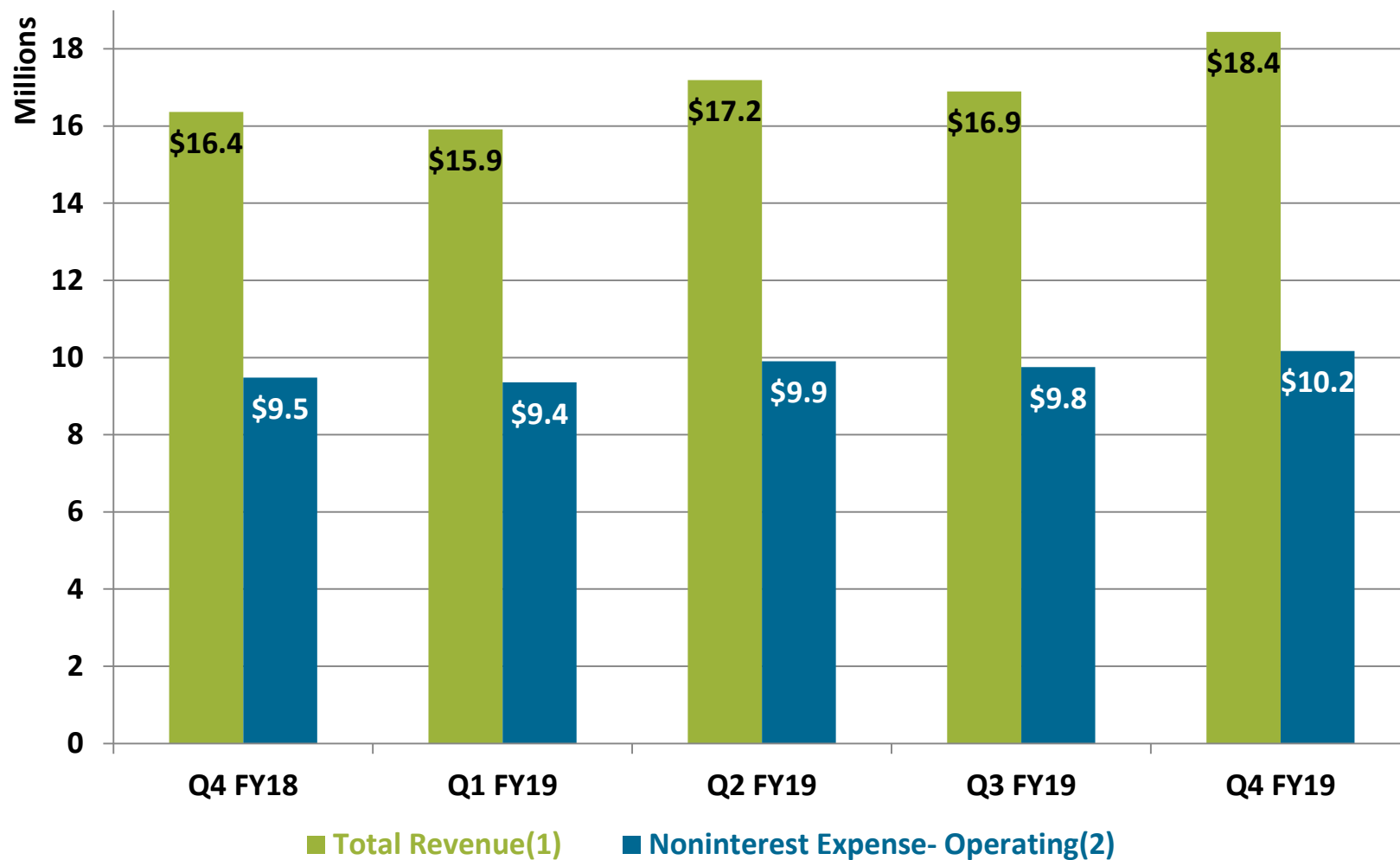


(1) Includes loans held for sale

# Deposit Mix By Trailing 5 Quarter Ends

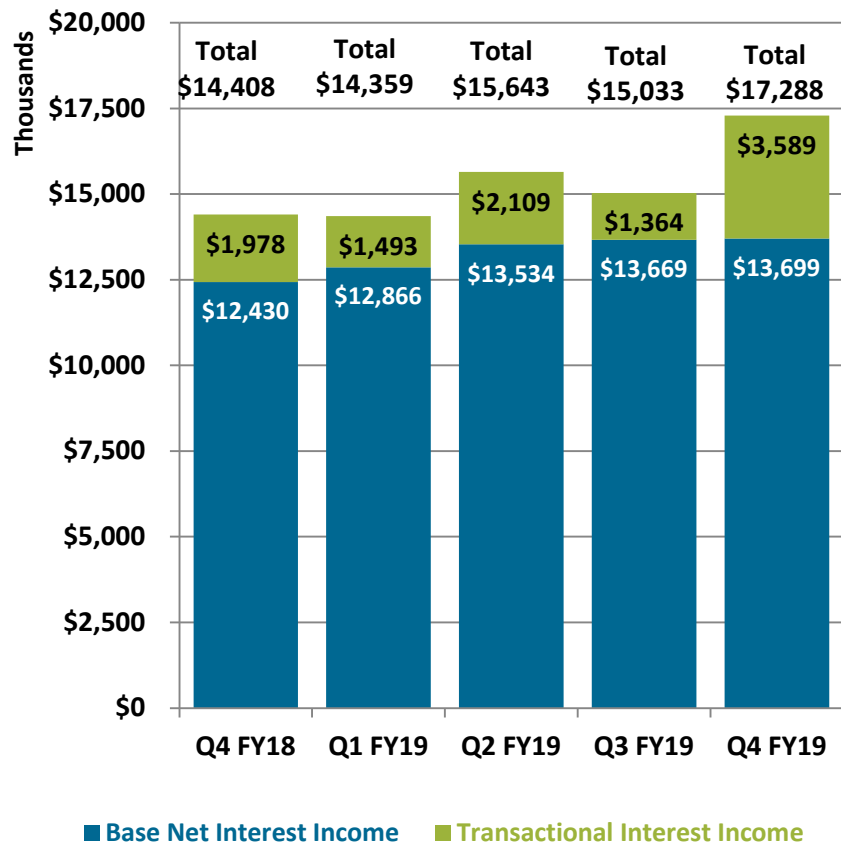


## Revenue and Noninterest Expense for Trailing 5 Quarters

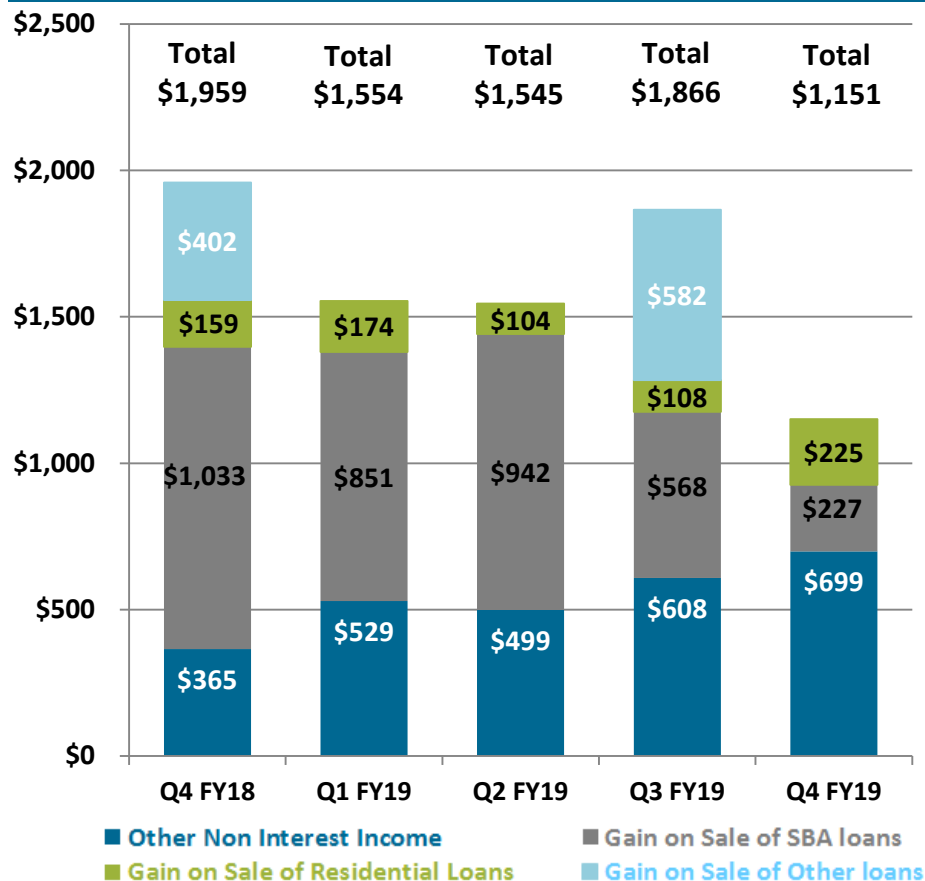


# Key Components of Income For Trailing 5 Quarters

## Net Interest Income Before Loan Loss Provision

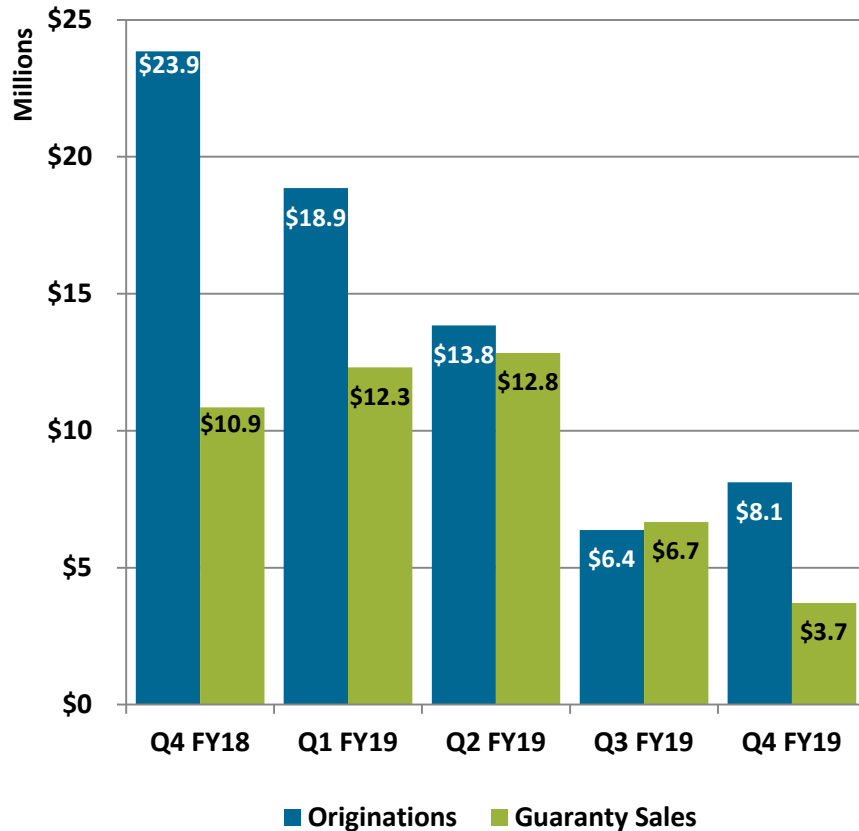


## Noninterest Income

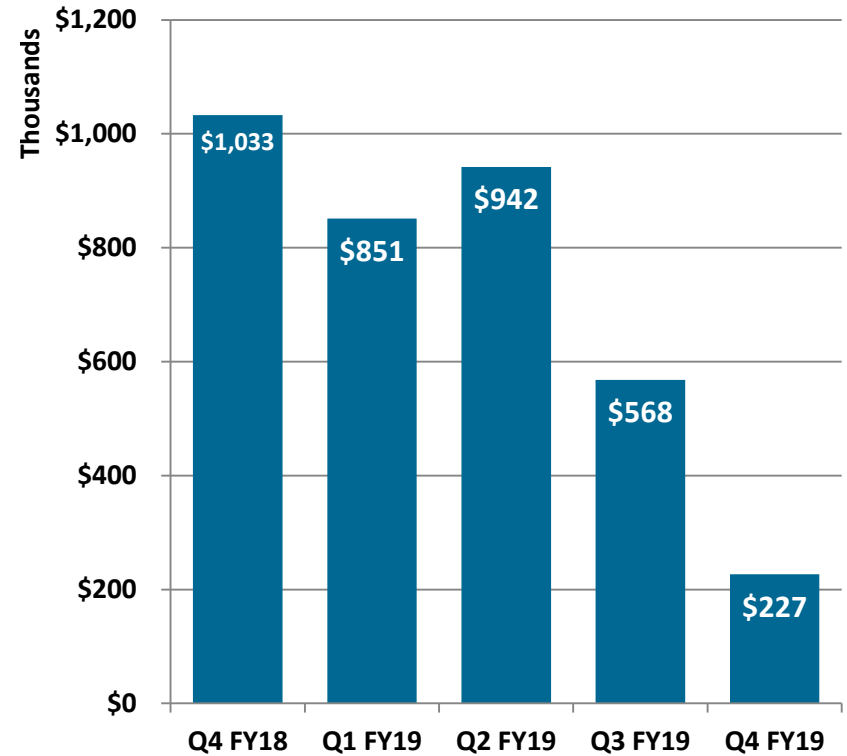


# SBA Division Activity

## Originations & Guaranty Sales<sup>(1)</sup>



## Net Gain on Sale<sup>(2)</sup>



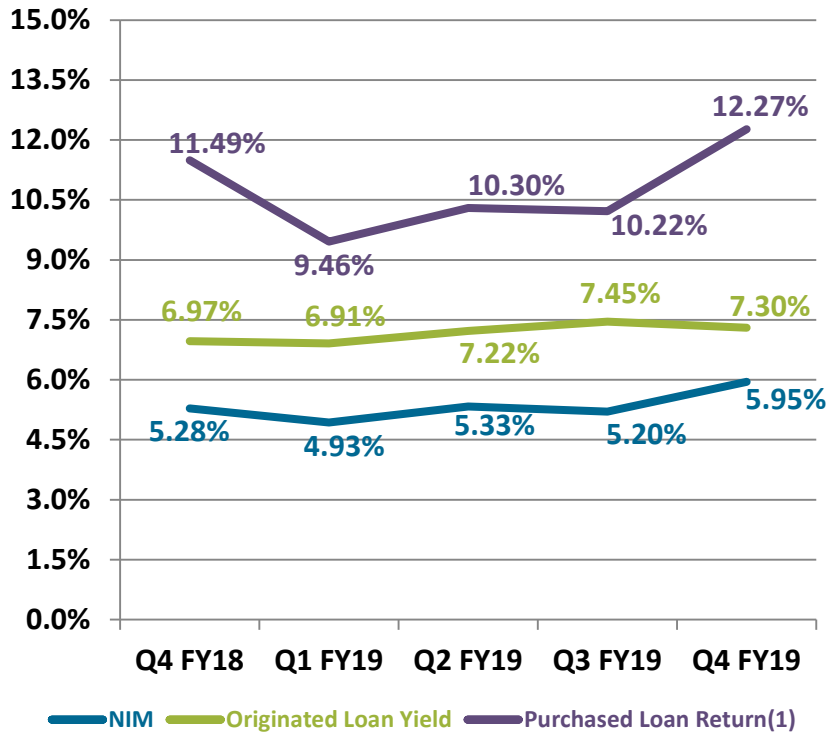
(1) Loan sales include originations and purchases from both current and prior quarters

(2) Servicing asset included in net gain by quarter: Q4 FY18: \$260 thousand; Q1 FY19: \$299 thousand; Q2 FY19: \$272 thousand; Q3 FY19: \$153 thousand; and Q4 FY19: \$75 thousand.

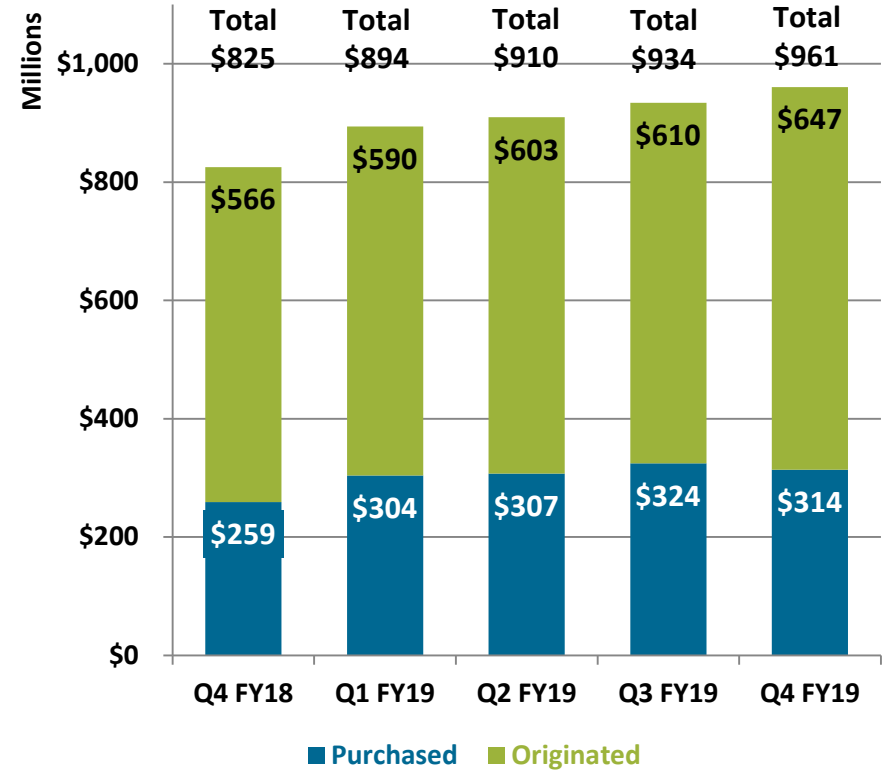


# Loan Performance & Average Loan Balance For Trailing 5 Quarters

## Loan Performance

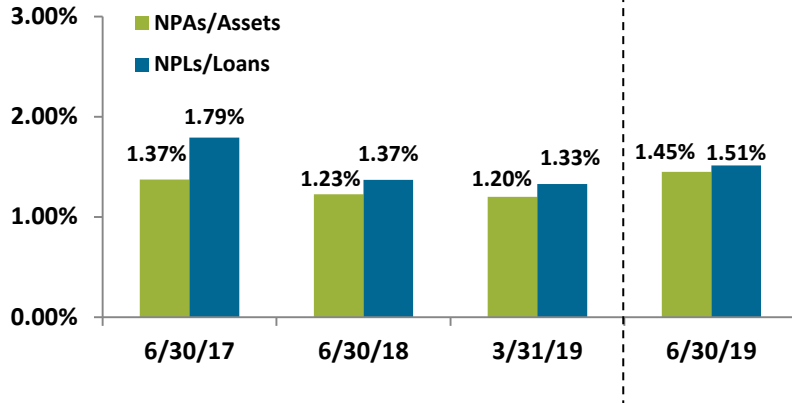


## Average Loan Balance For Trailing 5 Quarters<sup>(2)</sup>

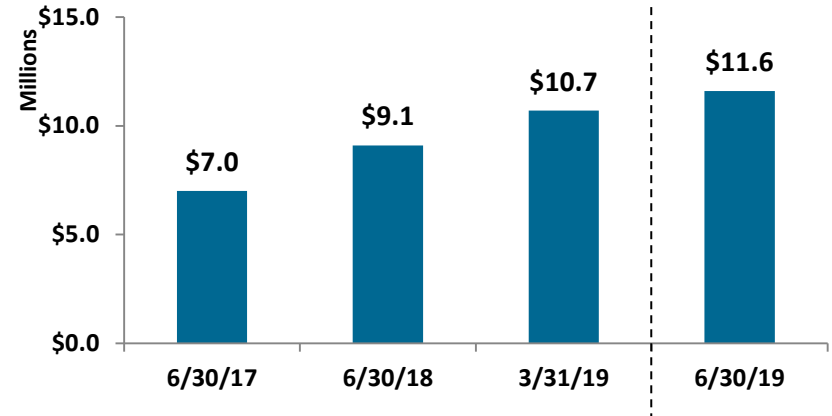


# Asset Quality Metrics

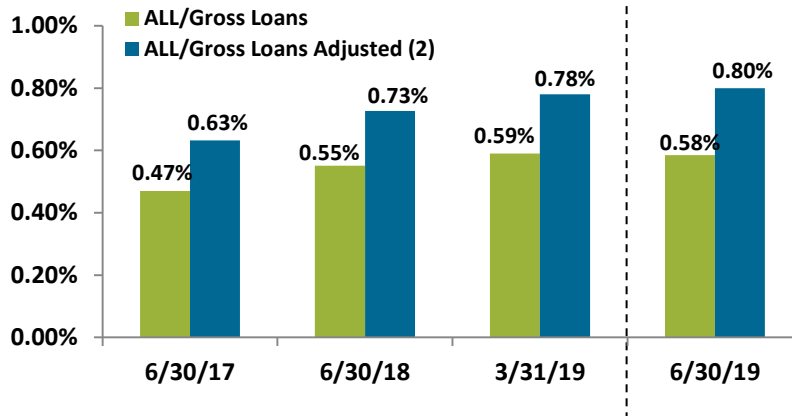
## NPAs / Total Assets & NPLs / Total Loans



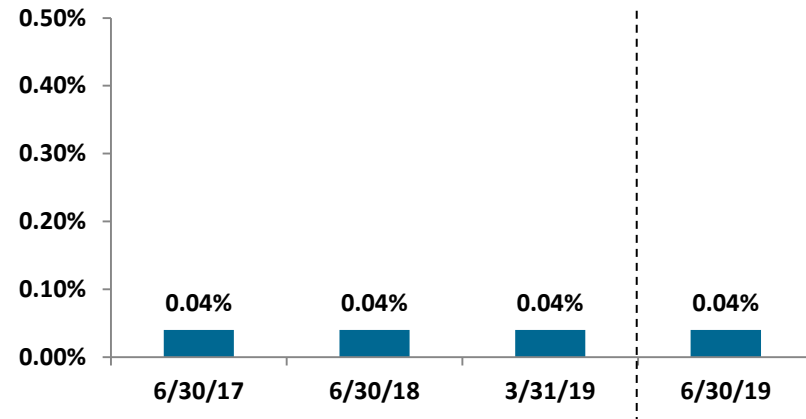
## Classified Commercial Loans<sup>(1)</sup>



## Allowance for Loan Losses / Gross Loans



## NCOs / Average Loans<sup>(3)</sup>



(1) Classified loans includes commercial real estate, commercial business, and construction loans risk rated under the Bank's internal loan rating system

(2) ALL/Gross Loans Adjusted represents total allowance for loan losses less allowance on purchased loans, divided by total loans less purchased loans

(3) Trailing twelve months of net charge-offs divided by average loans for the same period