FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D.C. 20429

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

FDIC Certificate No. 19690

NORTHEAST BANK

(Exact name of registrant as specified in its charter)

Maine	01-0029040
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
27 Pearl Street, Portland, Maine	04101
(Address of principal executive offices)	(Zip Code)

(207) 786-3245
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Voting Common Stock, $1.00 par value	NBN	The Nasdaq Stock Market LLC
(Title of each class)	(Trading Symbol)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller Reporting Company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting and non-voting common stock held by non-affiliates, computed by reference to the last reported sales price of the registrant's voting common stock on the Nasdaq Global Market on December 31, 2023 was approximately $365,693,466.

As of September 6, 2024, the registrant had outstanding 8,224,604 shares of voting common stock, $1.00 par value per share, and zero shares of non-voting common stock, $1.00 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2024 Annual Meeting of Shareholders to be held on November 19, 2024 (the "Proxy Statement") are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K. The registrant intends to file the Proxy Statement with the Federal Deposit Insurance Corporation no later than 120 days after the end of its fiscal year ended June 30, 2024.

Table of Contents

Part I

Item 1. Business ... 5

Item 1A. Risk Factors ... 17

Item 1B. Unresolved Staff Comments ... 27

Item 1C. Cybersecurity ... 27

Item 2. Properties ... 29

Item 3. Legal Proceedings ... 29

Item 4. Mine Safety Disclosures ... 29

Part II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities ... 30

Item 6. [Reserved] ... 31

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations ... 32

Item 7A. Quantitative and Qualitative Disclosures About Market Risk ... 52

Item 8. Financial Statements and Supplementary Data ... 53

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure ... 96

Item 9A. Controls and Procedures ... 96

Item 9B. Other Information ... 98

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections ... 98

Part III

Item 10. Directors, Executive Officers and Corporate Governance ... 98

Item 11. Executive Compensation ... 98

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters ... 98

Item 13. Certain Relationships and Related Transactions, and Director Independence ... 98

Item 14. Principal Accounting Fees and Services ... 98

Part IV

Item 15. Exhibits, Financial Statement Schedules ... 99

Item 16. Form 10-K Summary ... 101

A Note About Forward-Looking Statements

This report contains certain "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, such as statements relating to the financial condition, prospective results of operations, future performance or expectations, plans, objectives, prospects, credit loss allowance adequacy, simulation of changes in interest rates, capital spending, finance sources and revenue sources of Northeast Bank ("we," "our," "us," "Northeast" or the "Bank"). These statements relate to expectations concerning matters that are not historical facts. Accordingly, statements that are based on management's projections, estimates, assumptions, and judgments constitute forward-looking statements. These forward looking statements, which are based on various assumptions (some of which are beyond the Bank's control), may be identified by reference to a future period or periods, or by the use of forward-looking terminology such as "believe", "expect", "estimate", "anticipate", "continue", "plan", "approximately", "intend", "objective", "goal", "project", or other similar terms or variations on those terms, or the future or conditional verbs such as "will", "may", "should", "could", and "would".

Such forward-looking statements reflect the Bank’s current views and expectations based largely on information currently available to the Bank’s management, and on the Bank’s current expectations, assumptions, plans, estimates, judgments, and projections about the Bank’s business and industry, and they involve inherent risks and uncertainties. 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, contingencies, and other factors. Accordingly, the Bank cannot give you any assurance that its expectations will in fact occur or that its estimates or assumptions will be correct. The Bank cautions you that actual results could differ materially from those expressed or implied by such forward-looking statements as a result of, among other factors, the factors referenced in this report under Item 1A. "Risk Factors"; changes in employment levels, general business and economic conditions on a national basis and in the local markets in which the Bank operates; changes in customer behavior due to changing business and economic conditions (including inflation and concerns about liquidity) or legislative or regulatory initiatives; the possibility that future credits losses are higher than currently expected due to changes in economic assumptions, customer behavior or adverse economic developments; turbulence in the capital and debt markets; changes in interest rates and real estate values; competitive pressures from other financial institutions; changes in loan defaults and charge-off rates; changes in the value of securities and other assets, adequacy of credit 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, natural disasters, climate change 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; and changes in assumptions used in making such forward-looking statements. These forward-looking statements speak only as of the date of this report 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 report.

Non-GAAP Financial Measures and Reconciliation To GAAP

In addition to evaluating the Bank’s results of operations in accordance with GAAP, management supplements this evaluation with an analysis of certain non-GAAP financial measures, such as net operating earnings, net operating earnings per share, operating return on average assets, operating return on average equity, operating efficiency ratio, and operating common dividend payout ratio. These non-GAAP financial measures are utilized for the purposes of measuring performance against the Bank’s peer group and other financial institutions, as well as for analyzing its internal performance. The Bank also believes these non-GAAP financial measures help investors better understand the Bank’s operating performance and trends and allow for better performance comparisons to other banks. In addition, these non-GAAP financial measures remove the impact of unusual items that may obscure trends in the Bank’s underlying performance. These disclosures should not be viewed as a substitute for GAAP operating results, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other financial institutions.

PART I

Item 1. Business

Overview

Northeast Bank (the "Bank"), a Maine state-chartered bank organized in 1872, is a Maine-based financial institution.

As of June 30, 2024, the Bank had total assets of $3.13 billion, total deposits of $2.34 billion, and shareholders' equity of $376.6 million. We gather retail deposits through our seven branches in Maine and through our online deposit program, ableBanking; purchase and originate commercial loans, typically secured by real estate, on a nationwide basis through our National Lending Division; and originate loans through the Community Banking Division and Small Business Administration ("SBA") National Division.

Strategy

The Bank's goal is to prudently grow its franchise, while maintaining sound operations and risk management, by means of the following strategies:

Continuing to grow the National Lending Division's purchased and originated loan business. We primarily purchase commercial real estate loans nationally. We also originate loans nationally, taking advantage of our core expertise in underwriting and servicing national credits.

Growing our national SBA origination business. We originate loans on a national basis to small businesses, primarily through the SBA 7(a) program, which provides the partial guarantee of the SBA.

Continuing our community banking tradition. With a history that dates back to 1872, our Community Banking Division maintains its focus on sales and service, with the goal of attracting and retaining deposits.

Generating deposits to fund our business. We offer a full line of deposit products through our seven-branch network located in the Community Banking Division's market. ableBanking is a direct savings platform providing an additional channel to raise core deposits to fund our asset strategy.

Market Area and Competition

National Lending Division activities are nationwide. The National Lending Division competes primarily with community banks, regional banks and private equity funds operating nationwide in its bid to acquire primarily commercial real estate loans. We believe that we often have a competitive advantage in bidding against private equity funds on performing loans because those funds generally have higher funding costs and, therefore, higher expectations for return on investment than we do. Furthermore, private equity funds typically do not compete for small balance commercial loans and typically pursue larger, bulk transactions. We believe that the National Lending Division continues to have a competitive advantage in bidding against other banks because we have a specialized group with experience in purchasing commercial real estate loans. Additionally, most banks we compete against are community banks looking to acquire loans in their market; these banks usually have specific criteria for their acquisition activities and do not pursue pools with collateral or geographic diversity.

The Community Banking Division's market area is centered in the western and south-central regions of Maine. We encounter significant competition in the Community Banking Division market area in originating loans and attracting deposits. Our competitors include savings banks, commercial banks, credit unions, mutual funds, insurance companies, brokerage and investment banking companies, finance companies, financial technology companies and other financial intermediaries. Many of our primary competitors there have substantially greater resources, larger established customer bases, higher lending limits, extensive branch networks, numerous ATMs and greater advertising and marketing budgets. They may also offer services that we do not currently provide.

Lending Activities

General

We conduct our loan-related activities through three primary channels: the National Lending Division, the SBA National Division, and the Community Banking Division. The National Lending Division purchases primarily performing commercial real estate loans, on a nationwide basis, typically at a discount from their unpaid principal balances, producing yields comparable to those normally achieved on our originated loan portfolio. The National Lending Division also originates commercial real estate and commercial and industrial loans on a nationwide basis. The SBA National Division originates loans to small businesses to help provide funding opportunities nationally. Typically, the Bank sells the guaranteed portion of these loans which represents the majority of their exposure. The Community Banking Division originates loans directly to businesses located in its market area. At June 30, 2024, our total loan portfolio (excluding loans held for sale) was $2.76 billion, of which $2.69 billion, or 97.4%, was purchased or originated by the National Lending Division and $22.7 million, or 0.8%, was originated by the Community Banking Division. $48.4 million, or 1.8%, were originated SBA loans. The following table sets forth certain information concerning our portfolio loan purchases and originations for the periods indicated (including loans held for sale):

	Years Ended June 30,	
	2024	2023
	(Dollars in thousands)	
Loans, including loans held for sale, beginning of year	$ 2,520,360	$ 1,304,866
Additions:		
National Lending Division purchases and originations:		
Originations	399,149	556,991
Purchases	382,047	1,143,786
Subtotal	781,196	1,700,777
SBA Traditional funded originations	92,479	15,632
Community Bank originations:		
Commercial real estate	146	102
Commercial and industrial	198	89
Consumer	-	-
Subtotal	344	191
Total originations and purchases	874,019	1,716,600
Reductions:		
Sales of traditional SBA and other loans	(62,202)	(11,987)
Charge-offs	(6,117)	(27)
Pay-downs and amortization, net	(564,903)	(489,092)
Total reductions	(633,222)	(501,106)
Loans, including loans held for sale, end of year	$ 2,761,157	$ 2,520,360
Annual percentage increase in loans	9.55%	93.15%

We individually underwrite all loans that we originate and purchase. Our loan underwriting policies are reviewed and approved annually by our Board of Directors (the “Board”). Each loan, regardless of whether it is originated or purchased, must meet underwriting criteria set forth in our lending policies and the requirements of applicable federal and state regulations. All loans are subject to approval procedures and amount limitations, and the Board approves loan relationships exceeding certain prescribed dollar limits. We supplement our own supervision of the loan underwriting and approval process with periodic loan audits by internal personnel and outside professionals experienced in loan review. As of June 30, 2024, the Bank’s legal lending limit was $80.7 million.

We typically retain servicing rights for all loans that we originate or purchase.

National Lending Division Purchases and Originations

General. Loans originated or purchased by the National Lending Division were $2.69 billion as of June 30, 2024, which consisted of $2.01 billion of commercial real estate loans, $598.1 million of commercial and industrial loans, and $83.2 million of one- to four-family residential loans. The following table summarizes the National Lending Division loan portfolio as of June 30, 2024:

	Purchased	Originated	Total
		(In thousands)	
Non-owner occupied commercial real estate	$ 1,457,256	$ 312,399	$ 1,769,655
Owner-occupied commercial real estate	165,210	73,867	239,077
Commercial and industrial	17,383	580,700	598,083
1-4 family residential	68,702	14,531	83,233
Total	$ 1,708,551	$ 981,497	$ 2,690,048

Since the inception of the National Lending Division through June 30, 2024, we have purchased loans with an aggregate investment of $2.91 billion, of which $382.0 million was purchased during fiscal 2024. We have also originated National Lending Division loans

totaling $3.15 billion, of which $339.1 million was originated in fiscal 2024. As of June 30, 2024, the unpaid principal balance of loans purchased or originated by the National Lending Division ranged from $0 to $41.9 million and have an average balance of $881 thousand. The real estate loans were secured principally by multi-family, retail, office, industrial, mixed use, and hospitality properties in 44 states.

The following table shows the National Lending Division loan portfolio stratified by basis as of June 30, 2024:

Range	Amount	Percent of Total
(Dollars in thousands)		
$0 - $2,000	$ 817,905	30.41%
$2,000 - $6,000	752,996	27.99%
$6,000 - $10,000	443,313	16.48%
$10,000 - $15,000	159,602	5.93%
Greater than $15,000	516,232	19.19%
Total	$ 2,690,048	100.00%

The following tables show the National Lending Division loan portfolio by collateral type and location as of June 30, 2024:

Collateral Type	Amount	Percent of Total
	(Dollars in thousands)	
Multi-family	$ 566,410	21.06%
Lender Finance	530,491	19.72%
Retail	420,790	15.64%
Office	274,369	10.20%
Industrial	238,291	8.86%
Mixed Use	184,003	6.84%
Hospitality	167,330	6.22%
Other CRE	142,544	5.30%
All Other	165,820	6.16%
Total	$ 2,690,048	100.00%

State	Amount	Percent of Total
	(Dollars in thousands)	
NY	$ 905,350	33.65%
CA	831,695	30.92%
FL	143,263	5.33%
NJ	122,285	4.54%
WA	75,615	2.81%
TX	67,069	2.49%
OR	41,098	1.53%
Non-real estate	163,739	6.09%
All other states	339,934	12.64%
Total	$ 2,690,048	100.00%

Loan Purchase Strategies. The National Lending Division’s loan purchasing strategy involves the acquisition of commercial loans, typically secured by real estate or other business assets, located throughout the United States.

We acquire commercial loans typically at a discount to their unpaid principal balances. While we acquire loans on a nationwide basis, we seek to avoid excessive concentration in any single geographic region or in any one collateral type. We do, however, favor geographies with which we have significant experience. We do not seek acquisition opportunities for which the primary collateral is land, construction, or owner-occupied one- to four-family residential property, although in a very limited number of cases, loans secured by such collateral may be included in a pool of otherwise desirable loans. Purchased loans are sourced on a nationwide basis from banks, insurance companies, investment funds and government agencies, either directly or indirectly through advisors.

We focus on servicing released, whole loan or lead participation transactions so that we can control the management of the portfolio through our experienced asset management professionals. Purchased loans can be acquired as a single relationship or combined with other borrowers in a larger pool. Loans are bid to a minimal acceptable yield to maturity based on the overall risk of the loan, including expected repayment terms and the underlying collateral value. Updated loan-to-value ratios and loan terms both influence the amount of discount the Bank requires in determining whether a loan meets the Bank's guidelines. We often achieve actual results in excess of our minimal acceptable yield to maturity when a loan is prepaid.

At June 30, 2024, purchased loans had an unpaid principal balance of $1.89 billion and a basis of $1.71 billion, representing a total discount of 9.4%.

The following table shows the purchased loan portfolio as of June 30, 2024 by original purchase price percentage:

Initial Investment as a % of Unpaid Principal Balance	Amount	Percent of Total
	(Dollars in thousands)	
0% - 60%	$ 83,009	4.86%
60% - 70%	26,826	1.57%
70% - 80%	200,474	11.73%
80% - 90%	627,612	36.73%
> 90%	770,630	45.11%
Total	$ 1,708,551	100.00%

Secondary Market for Commercial Loans. Commercial whole loans are typically sold either directly by sellers or through loan sale advisors. Because a central database for commercial whole loan transactions does not exist, we attempt to compile our own statistics by both polling major loan sale advisors to obtain their aggregate trading volume and tracking the deal flow that we see directly via a proprietary database. This data reflects only a portion of the total market, as commercial whole loans that are sold in private direct sales or through other loan sale advisors are not included in our surveys. In recent years, the ratio of performing loans to total loans in the market has increased, in part, because sellers have worked through their most troubled, non-performing loans or are looking to minimize the discount they would receive in a secondary market transaction. While the 2008-2010 economic crisis led to a high level of trading volume, we also experienced an active market during times of economic prosperity, as sellers tend to have additional reserve capacity to sell their unwanted assets. Furthermore, we believe that the continued consolidation of the banking industry will create secondary market activity as acquirers often sell non-strategic borrowing relationships or assets that create excess loan concentrations.

Underwriting of Purchased Loans. We review many loan purchase opportunities and commence underwriting on a relatively small percentage of loans. As governed by our credit policy, purchased loans are underwritten by a team of in-house, seasoned analysts before being considered for approval. Prior to commencing underwriting, loans are analyzed for performance characteristics, loan terms, collateral quality, and price expectations. We also consider whether the loans would make our total purchased loan portfolio more or less diverse with respect to geography, loan type and collateral type. The opportunity is underwritten once it has been identified as fitting our investment parameters. While the extent of underwriting may vary based on investment size, procedures generally include the following:

- A loan analyst reviews and analyzes the seller credit file and our own internal and third-party research in order to assess credit risk;
- With the assistance of local counsel, where appropriate, an in-house attorney makes a determination regarding the quality of loan documentation and enforceability of loan terms;
- In-house real estate specialists perform real estate collateral evaluations, which includes conducting original market research for trends and sale and lease comparables, net operating income estimates and capitalization rates, and develops a valuation based on current data reflecting what we believe are recent trends;
- An environmental assessment is performed on real estate collateral where appropriate;
- A property inspection is generally performed on all real estate collateral securing a loan, focusing on several characteristics, including, among other things, the physical quality of the property, current occupancy, general quality and occupancy within the neighborhood, market position and nearby property listings; and
- An underwriting package containing the analysis and results is reviewed and submitted for approval by the National Lending Division Credit Committee.

Collateral Valuation. The estimated value of the real property collateralizing the loan is determined by the National Lending Division's in-house real estate group, which considers, among other factors, the type of property, its condition, location and its highest and best use in its marketplace. An inspection is conducted for the real property securing all loans bid upon. For loans that exceed a certain dollar threshold as prescribed in our credit policy, members of the National Lending Division typically conduct an in-person site inspection.

We generally view cash flow from operations as the primary source of repayment on purchased loans. The National Lending Division analyzes the current and likely future cash flows generated by the collateral to repay the loan. Also considered are minimum debt service coverage ratios, consisting of the ratio of net operating income to total scheduled principal and interest payments. Consideration of the debt service coverage ratio is critical to the pricing and rating of purchased and originated loans and is analyzed carefully. For purchased loans, care is taken to ensure that, unless significantly offset by other factors in the credit, the purchase price results in an adjusted debt service coverage ratio that is within the Bank's lending limits. Moreover, if the debt service coverage ratio based on the contractual payments, regardless of the Bank's exposure, is significantly below 1.0x, then steps are taken to document alternative sources of repayment or develop a realistic plan to ensure continued performance of the loan.

Loan Pricing. In determining whether we are willing to bid to acquire individual loans or loan pools, and if so, at what price, the National Lending Division considers the following:

- Collateral securing the loan;
- Geographic location;
- Financial resources of the borrower or guarantors, if any;
- Recourse nature of the loan;
- Age and performance of the loan;
- Length of time during which the loan has performed in accordance with its repayment term;
- Yield expected to be earned;
- Current market conditions including likely competitor bids; and
- Servicing restrictions, if any.

In addition to the factors listed above and despite the fact that purchased loans are typically performing loans, the National Lending Division also estimates the amount that we may realize through collection efforts or foreclosure and sale of the collateral, net of expenses, and the length of time and costs required to complete the collection or foreclosure process in the event a loan becomes non-performing or is non-performing at the time of purchase.

Loan Originations. In addition to purchasing loans, the National Lending Division also originates commercial loans on a nationwide basis. Capitalizing on our purchased loan infrastructure, the National Lending Division is in a position to review and act quickly on a variety of lending opportunities. Risk management, approvals, underwriting and other due diligence for these loans is similar to that for purchased loans, other than the appraisal and documentation process, which mirrors the Community Banking Division's practice of employing local attorneys and real estate appraisers to assist in the process. We believe that the National Lending Division has an advantage in originating commercial loans because of its ability to utilize in-house staff to quickly and accurately screen loan opportunities and accelerate the underwriting process.

Loan Servicing. We conduct all loan servicing for purchased and originated loans with an in-house team of experienced asset managers who actively manage the loan portfolio. Asset managers initiate and maintain regular borrower contact and ensure that the loan credit analysis is accurate. Collateral valuations, property inspections, and other collateral characteristics are updated periodically. All asset management activity and analysis is contained within a central database.

SBA National Division

General. The SBA National Division originates loans to small businesses nationwide, most often through the SBA's 7(a) program, which provides a partial government guarantee. Our loans are typically secured by liens on business assets and/or mortgages on commercial properties, and also benefit from SBA guarantees. We seek to build a loan portfolio that is diverse with respect to geography, loan type and collateral type. Significant assistance in the origination, closing and servicing of SBA loans is provided by Newity LLC ("Newity"), the Bank's Lender Services Provider.

Secondary Market for SBA Guarantees. We typically sell the SBA-guaranteed portion of our variable-rate originations (generally 75-85% of the principal balance) at a premium in the secondary market. We generally retain a 15-25% unguaranteed interest and the accompanying servicing rights to the entire loan.

Underwriting of SBA National Division Loans. Our loan policies and procedures establish guidelines governing our SBA lending program. Generally, these guidelines address the types of loans that we seek, target markets, underwriting and collateral requirements, terms, interest rate and yield considerations and compliance with laws and regulations. All loans or credit lines are subject to approval procedures and amount limitations. Our policies are reviewed and approved at least annually by our Board of Directors to ensure that we are following SBA underwriting guidelines.

Loan Servicing. We conduct loan servicing for SBA National Division loans with an in-house team of experienced asset managers who actively manage the loan portfolio. Certain small balance loans are serviced by Newity, who follows Bank guidelines and act at the direction of Bank personnel. Asset managers initiate and maintain regular borrower contact, and ensure that the loan credit

analysis is accurate. Collateral valuations, property inspections, and other collateral characteristics are updated periodically as a result of our ongoing in-house real estate analysis. All asset management activity and analysis is contained within a central database.

Community Banking Division Originations

Loan Portfolio

- *Residential Mortgage Loans.* During the fiscal year ended June 30, 2021, the Bank shuttered its residential mortgage lending division and the portfolio is thus in late stage runoff. At June 30, 2024, the Community Banking Division's portfolio residential and home equity loans totaled $16.0 million, or 0.6% of total loans. Of the residential loans we held for investment at June 30, 2024, approximately 33.5% were adjustable rate. Included in residential loans are home equity lines of credit and other second mortgage loans aggregating approximately $685 thousand.

- *Commercial Real Estate Loans.* We originate multi-family and other commercial real estate loans secured by property primarily in Maine. At June 30, 2024, the Community Banking Division's commercial real estate loans outstanding were $5.3 million, or 0.2% of total loans. Although the largest commercial real estate loan originated by the Community Banking Division had a principal balance of $697 thousand at June 30, 2024, the remainder of the commercial real estate loans originated by the Community Banking Division had principal balances less than $500 thousand.

- *Commercial and Industrial Loans.* We originate commercial and industrial loans, including term loans, lines of credit and equipment and receivables financing to businesses located primarily in Maine. At June 30, 2024, commercial and industrial loans outstanding were $1.1 million, or 0.0% of total loans. At June 30, 2024, there were 18 commercial and industrial loans outstanding with an average principal balance of $62 thousand. The largest of these commercial and industrial loans had a principal balance of $333 thousand at June 30, 2024.

- *Consumer Loans.* We hold a minimal number of mobile home and overdraft and deposit-secured loans. At June 30, 2024, consumer loans outstanding were $291 thousand, or 0.01% of total loans.

Underwriting of Loans. Our underwriting process for loans originated by the Community Banking Division is as follows:

- Most of our Community Banking Division originated loans are sourced through relationships between loan officers and third-party referral sources or current or previous customers.

- After a loan officer has taken basic information from the borrower, the request is submitted to the Community Banking Division's loan production department. The loan production department obtains comprehensive information from the borrower and third parties, and conducts verification and analysis of the borrower information, which is assembled into a single underwriting package that is submitted for final approval in accordance with the Bank's credit policy.

Investment Activities

Our securities portfolio and short-term investments provide and maintain liquidity, assist in managing the interest rate sensitivity of our balance sheet, and serve as collateral for certain of our obligations. Individual investment decisions are made based on the credit quality of the investment, liquidity requirements, potential returns, cash flow targets, and consistency with our asset/liability management objectives in accordance with the Bank's investment and asset/liability management policies.

Sources of Funds

Deposits have traditionally been the primary source of the Bank's funds for lending and other investment purposes. In addition to deposits, the Bank obtains funds from the amortization and prepayment of loans and mortgage-backed securities, the sale or maturity of securities, advances from the Federal Home Loan Bank of Boston (the "FHLBB"), other term borrowings and cash flows generated by operations.

Deposits

We offer a full line of deposit products to customers in western and south-central Maine through our seven-branch network. Our deposit products consist of demand deposit, NOW, money market, savings, and certificate of deposit accounts. Our customers access

their funds through ATMs, MasterCard® Debit Cards, Automated Clearing House funds (electronic transfers) and checks. We also offer telephone banking, online banking and bill payment, mobile banking and remote deposit capture services. Interest rates on our deposits are based upon factors that include prevailing loan demand, deposit maturities, alternative costs of funds, interest rates offered by competing financial institutions and other financial service firms, and general economic conditions.

Our online deposit program, ableBanking, provides an additional channel through which to obtain core deposits to support our growth. AbleBanking, a division of Northeast Bank, had $18.7 million in money market and time deposits as of June 30, 2024. We also use deposit listing services or brokers to gather deposits in support of our liquidity and asset/liability management objectives from time to time. At June 30, 2024, listing service deposits and brokered deposits totaled $0 and $870.7 million, respectively.

Borrowings

While we currently consider core deposits (defined as non-maturity deposits and non-brokered insured time deposits) and brokered deposits as our primary source of funding to support asset growth, advances from the FHLBB and other sources of wholesale funding remain an important part of our liquidity position and liquidity contingency planning. Northeast Bank may borrow up to 50% of its total assets from the FHLBB, and borrowings are typically collateralized by mortgage loans, including commercial real estate, and securities pledged to the FHLBB. At June 30, 2024, we had $448.0 million of available borrowing capacity based on pledged collateral from the FHLBB.

The Bank can also borrow from the Federal Reserve Bank of Boston (the "Federal Reserve"), with any such borrowing collateralized by commercial real estate loans pledged to the Federal Reserve. At June 30, 2024, we had $201.9 million of available borrowing capacity based on pledged collateral from the Federal Reserve.

Employees

As of June 30, 2024, the Bank employed 194 full-time and 18 part-time employees. The Bank's employees are not represented by any collective bargaining unit. The Bank believes that its relations with its employees are good.

Other Subsidiaries

As of June 30, 2024, the Bank had seven wholly owned non-bank subsidiaries, all of which were established to hold commercial real estate acquired as a result of loan workouts:

- 200 Elm Realty, LLC
- 500 Pine Realty, LLC
- 17 Dogwood Realty, LLC
- 1795 Little Diamond Realty, LLC
- 1872 Peaks Realty, LLC
- 1630 Spectacle Realty, LLC
- 1786 Cliff Realty, LLC

Supervision and Regulation

General

The following discussion addresses elements of the regulatory framework applicable to a bank. This regulatory framework is intended primarily to protect the safety and soundness of depository institutions, the federal deposit insurance fund, and depositors, rather than the shareholders of a bank such as the Bank. This summary is not a comprehensive analysis of all applicable laws and is qualified by reference to the applicable statutes and regulations.

Regulation of the Bank

As a Maine state-chartered bank, the Bank is subject to supervision, regulation and examination by the Maine Bureau of Financial Institutions (the "Bureau") and the Federal Deposit Insurance Corporation (the "FDIC"). The enforcement powers available to federal and state banking regulators include, among other things, the ability to issue cease and desist or removal orders, to terminate insurance of deposits, to assess civil money penalties, to issue directives to increase capital, to place banks into receivership, and to initiate injunctive actions against banking organizations and institution-affiliated parties.

Limitations on Acquisitions of Bank Common Stock. The Change in Bank Control Act prohibits a person or group of persons acting in concert from acquiring "control" of an insured depository institution unless the FDIC has been notified and has not objected to the transaction. For this purpose, a person includes an individual and various types of legal persons. In addition, Maine law requires that any "person or company " obtain the approval of the Maine Superintendent of Financial Institutions before acquiring control of a Maine financial institution. For purposes of Maine law, a "person" means an individual or individuals acting in concert, and a company may be deemed to control a Maine financial institution, among other circumstances, if it would be presumed to control the financial institution under the Change in Bank Control Act, including through acting in concert with other persons or entities. Under the Bank Holding Company Act of 1956, as amended, a company may not acquire control of a bank without first having obtained the approval of the Board of Governors of the Federal Reserve System (the "FRB").

Deposit Insurance. Deposit obligations of the Bank are insured by the FDIC's Deposit Insurance Fund ("DIF") up to $250,000 per depositor for deposits held in the same right and capacity.

Deposit insurance premiums are based on assets. For established small banks, which are generally those banks with less than $10 billion of assets that have been insured for at least five years, each of seven financial ratios and a weighted average of CAMELS composite ratings are multiplied by a corresponding pricing multiplier. The sum of these products is added to a uniform amount, with the resulting sum being an institution's initial base assessment rate (subject to minimum or maximum assessment rates based on a bank's CAMELS composite rating). For the years ended June 30, 2024 and 2023, the FDIC insurance assessment expense for the Bank was $1.3 million and $1.2 million, respectively.

The FDIC has the authority to adjust deposit insurance assessment rates at any time. In addition, under the Federal Deposit Insurance Act (the "FDIA"), the FDIC may terminate deposit insurance, among other circumstances, upon a finding that the institution has engaged in unsafe and unsound practices; is in an unsafe or unsound condition to continue operations; or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

Acquisitions and Branching. Prior approval from the Bureau and the FDIC is required for the Bank to acquire another bank or establish a new branch office. Well-capitalized and well-managed banks may acquire other banks in any state, subject to certain deposit concentration limits and other conditions, pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, as amended by the Dodd-Frank Act. In addition, the Dodd-Frank Act authorizes a state-chartered bank, such as the Bank, to establish new branches on an interstate basis to the same extent a bank chartered by the host state may establish branches.

Activities and Investments of Insured State-Chartered Banks. The FDIA generally limits the types of equity investment an FDIC-insured state-chartered bank, such as the Bank, may make and the kinds of activities in which such a bank may engage, as a principal, to those that are permissible for national banks. Further, the Gramm-Leach-Bliley Act of 1999 ("GLBA") permits national and state banks, to the extent permitted under state law, to engage—via financial subsidiaries—in certain activities that are permissible for subsidiaries of a financial holding company. In order to form a financial subsidiary, a state-chartered bank must be well capitalized and well managed, and such banks would be subject to certain capital deduction, risk management and affiliate transaction rules, among other things.

Lending Restrictions. Federal and state laws limit a bank's authority to extend credit to its directors, executive officers and persons or companies that own, control or have power to vote more than 10% of any class of securities of a bank or an affiliate of a bank, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. The terms of such extensions of credit may not involve more than the normal risk of repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital and surplus. The Dodd-Frank Act explicitly provides that an extension of credit to an insider includes credit exposure arising from a derivatives transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction or securities borrowing transaction. Additionally, the Dodd-Frank Act requires that asset purchase or sale transactions with insiders must be on market terms, and if the transaction represents more than 10% of the capital and surplus of the bank, approved by a majority of the disinterested directors of the bank.

Brokered Deposits. The FDIA and FDIC regulations generally limit the ability of an insured depository institution to accept, renew or roll over any brokered deposit unless the institution's capital category is "well capitalized" or, with the FDIC's approval, "adequately capitalized." Depository institutions that have brokered deposits in excess of 10% of total assets may be subject to increased FDIC deposit insurance premium assessments; however, for institutions that are "well capitalized" and have a CAMELS composite rating of 1 or 2, reciprocal deposits are deducted from brokered deposits. Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Economic Growth Act"), which was enacted in 2018, amended the FDIA to exempt a capped amount of reciprocal deposits from treatment as brokered deposits for certain insured depository institutions.

Community Reinvestment Act. The Community Reinvestment Act ("CRA") requires the FDIC to evaluate the Bank's performance in helping to meet the credit needs of the entire communities it serves, including low- and moderate-income neighborhoods, consistent with its safe and sound banking operations, and to take this record into consideration when evaluating certain applications. The Bank's most recent performance evaluation from the FDIC was a "satisfactory" rating. In October 2023, the federal banking agencies, including the FDIC, issued a joint final rule to modernize the CRA regulatory framework. The final rule is intended, among other things, to adapt to changes in the banking industry, including the expanded role of mobile and online banking, and to tailor performance standards to account for differences in bank size and business models. The final rule introduces new tests under which the performance of banks with over $2 billion in assets, including the Bank, will be assessed. The new rule also includes data collection and reporting requirements, some of which would not apply to the Bank, because they are applicable only to banks with over $10 billion in assets. Most provisions of the final rule will become effective on January 1, 2026, and the data reporting requirements will become effective on January 1, 2027; however, ongoing litigation challenging the final rule may delay the effective date of the rule or result in other changes.

Capital Adequacy and Safety and Soundness

Regulatory Capital Requirements. The FDIC has issued risk-based and leverage capital rules applicable to an insured depository institution, such as the Bank. These rules are intended to reflect the relationship between the institution's capital and the degree of risk associated with its operations based on transactions recorded on-balance sheet, as well as off-balance sheet. The FDIC may from time to time require that an institution maintain capital above the minimum levels discussed below, due to its financial condition or actual or anticipated growth.

The capital adequacy rules define qualifying capital instruments and specify minimum amounts of capital as a percentage of assets that depository institutions are required to maintain. Common equity Tier 1 capital for banks consists of common shareholders' equity and related surplus. Tier 1 capital for banks generally consists of the sum of common shareholders' equity, non-cumulative perpetual preferred stock, and related surplus and, in certain cases and subject to limitations, minority interest in consolidated subsidiaries, less goodwill, other non-qualifying intangible assets and certain other deductions. Tier 2 capital generally consists of hybrid capital instruments, perpetual debt and mandatory convertible debt securities, cumulative perpetual preferred stock, term subordinated debt and intermediate-term preferred stock, and, subject to limitations, allowances for credit losses. The sum of Tier 1 and Tier 2 capital, less certain required deductions, represents qualifying total capital. Accumulated other comprehensive income ("AOCI") (positive or negative) must be reflected in Tier 1 capital; however, the Bank made a one-time permanent election to continue to exclude AOCI from capital.

Under the FDIC's capital rules, the Bank is required to maintain a minimum common equity Tier 1 capital to risk-weighted assets ratio of 4.5%, a minimum total Tier 1 capital to risk-weighted assets ratio of 6.0%, a minimum total capital to risk-weighted assets ratio of 8.0% and a minimum leverage ratio of 4.0%. Additionally, these rules require an institution to establish a capital conservation buffer of common equity Tier 1 capital above the minimum risk-based capital requirements for "adequately capitalized" institutions that is greater than 2.5% of total risk weighted assets, or face restrictions on the ability to pay dividends, pay discretionary bonuses, and to engage in share repurchases.

An FDIC supervised institution, such as the Bank, is considered "well capitalized" if it (i) has a total capital ratio of 10.0% or greater; (ii) a Tier 1 capital ratio of 8.0% or greater; (iii) a common equity Tier 1 capital ratio of at least 6.5% or greater, (iv) a leverage capital ratio of 5.0% or greater; and (iv) is not subject to any written agreement, order, capital directive, or prompt corrective action directive to meet and maintain a specific capital level for any capital measure.

Generally, a bank, upon being notified that it is not adequately capitalized (i.e., that it is "undercapitalized"), becomes subject to the prompt corrective action provisions of Section 38 of the FDIA that, for example, (i) restrict payment of capital distributions and management fees, (ii) require that its federal bank regulatory agency, which is the FDIC in the case of the Bank, monitor the condition of the institution and its efforts to restore its capital, (iii) require submission of a capital restoration plan, (iv) restrict the growth of the institution's assets and (v) require prior regulatory approval of certain expansion proposals. A bank that is required to submit a capital restoration plan must concurrently submit a performance guarantee by each company that controls the bank. A bank that is "critically undercapitalized" (i.e., has a ratio of tangible equity to total assets that is equal to or less than 2.0%) will be subject to further restrictions, and generally will be placed in conservatorship or receivership within 90 days.

Section 201 of the Economic Growth Act directs the federal bank regulatory agencies to establish a community bank leverage ratio ("CBLR") of tangible capital to average total consolidated assets of not less than 8% or more than 10%. Under the final rule issued by federal banking agencies, effective January 1, 2020, depository institutions and depository institution holding companies that have less than $10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio (equal to Tier 1 capital divided by average total consolidated assets) of greater than 9%, will be eligible to opt into the community bank leverage ratio

framework. A community banking organization that elects to use the community bank leverage ratio framework and that maintains a leverage ratio of greater than 9% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the banking agencies' generally applicable capital rules and, if applicable, will be considered to have met the well-capitalized ratio requirements for purposes of Section 38 of the FDIA. The final rule includes a two-quarter grace period during which a qualifying banking organization that temporarily fails to meet any of the qualifying criteria, including the greater than 9% leverage ratio requirement, generally would still be deemed well-capitalized so long as the banking organization maintains a leverage ratio greater than 8%. At the end of the grace period, the banking organization must meet all qualifying criteria to remain in the community bank leverage ratio framework or otherwise must comply with and report under the generally applicable rule. The Bank has not elected to use the community bank leverage framework.

The Bank is currently considered "well capitalized" under all regulatory definitions.

Safety and Soundness Standards. Guidelines adopted by the federal bank regulatory agencies pursuant to the FDIA establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings, and compensation and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the federal banking agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order restricting asset growth, requiring an institution to increase its ratio of tangible equity to assets or directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the "prompt corrective action" provisions of the FDIA. See *"—Regulatory Capital Requirements"* above. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Dividend Restrictions

The FDIC has the authority to use its enforcement powers to prohibit a bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. Federal law also prohibits the payment of dividends by a bank that will result in the bank failing to meet its applicable capital requirements on a pro forma basis. Maine law requires the approval of the Bureau for any dividend that would reduce a bank's capital below prescribed limits. In addition, the ability of shareholders to participate in any distribution of the assets or earnings of the Bank through the payment of such dividends or otherwise is necessarily subject to the prior claims of creditors of the Bank (including depositors).

Consumer Protection Regulation

The Bank is subject to a number of federal and state laws designed to protect consumers and prohibit unfair or deceptive business practices. These laws include the Equal Credit Opportunity Act, the Fair Housing Act, Home Ownership Protection Act, the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act of 2003 ("FACT Act"), GLBA, the Truth in Lending Act ("TILA"), CRA, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the National Flood Insurance Act, the Electronic Fund Transfer Act, the Truth-in-Savings Act, the Secure and Fair Enforcement Act, the Expedited Funds Availability Act, and various state law counterparts. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must interact with customers when taking deposits, making loans, collecting loans and providing other services. Further, the Consumer Financial Protection Bureau ("CFPB") also has a broad mandate to prohibit unfair, deceptive or abusive acts and practices and is specifically empowered to require certain disclosures to consumers and draft model disclosure forms. Failure to comply with consumer protection laws and regulations can subject financial institutions to enforcement actions, fines and other penalties. The FDIC examines the Bank for compliance with CFPB rules and enforces CFPB rules with respect to the Bank.

Mortgage Reform. The Dodd-Frank Act prescribes certain standards that mortgage lenders must consider before making a residential mortgage loan, including verifying a borrower's ability to repay such mortgage loan. The Dodd-Frank Act also allows borrowers to assert violations of certain provisions of the TILA as a defense to foreclosure proceedings. Under the Dodd-Frank Act, prepayment penalties are prohibited for certain mortgage transactions and creditors are prohibited from financing insurance policies in connection with a residential mortgage loan or home equity line of credit. The Dodd-Frank Act requires mortgage lenders to make additional disclosures prior to the extension of credit, and in each billing statement and for negative amortization loans and hybrid adjustable-rate mortgages. Additionally, the Dodd-Frank Act prohibits mortgage originators from receiving compensation based on the terms of

residential mortgage loans and generally limits the ability of a mortgage originator to be compensated by others if compensation is received from a consumer. The Economic Growth Act included provisions that ease certain requirements related to mortgage transactions for small institutions with less than $10 billion in consolidated assets.

Privacy and Customer Information Security. GLBA requires financial institutions to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to nonaffiliated third parties. In general, the Bank must provide its customers with an initial and annual disclosure that explains its policies and procedures regarding the disclosure of such nonpublic personal information and, except as otherwise required or permitted by law, the Bank is prohibited from disclosing such information, except as provided in such policies and procedures. However, an annual disclosure is not required to be provided by a financial institution if the financial institution only discloses information under exceptions from GLBA that do not require an opt-out to be provided and if there has been no change in its privacy policies and procedures since its most recent disclosure provided to consumers. GLBA also requires that the Bank develop, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information (as defined under GLBA), to protect against anticipated threats or hazards to the security or integrity of such information; and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. The Bank is also required to send a notice to customers whose "sensitive information" has been compromised if unauthorized use of the information is "reasonably possible." All fifty states, as well as the District of Columbia, Puerto Rico, Guam and the U.S. Virgin Islands, have enacted legislation concerning breaches of data security and the duties of the Bank in response to a data breach. Congress continues to consider federal legislation that would require consumer notice of data security breaches. Pursuant to the FACT Act, the Bank has developed and implemented a written identity theft prevention program to detect, prevent, and mitigate identity theft in connection with the opening of certain accounts or certain existing accounts. Additionally, the FACT Act amended the Fair Credit Reporting Act to generally prohibit a person from using information received from an affiliate to make a solicitation for marketing purposes to a consumer, unless the consumer is given notice and a reasonable opportunity and a reasonable method to opt out of the making of such solicitations.

Anti-Money Laundering

The Bank Secrecy Act. Under the Bank Secrecy Act ("BSA"), a financial institution is required to have systems in place to detect certain transactions, based on the size and nature of the transaction. Financial institutions are generally required to report to the United States Treasury any cash transactions involving more than $10,000. In addition, among other circumstances, financial institutions are required to file suspicious activity reports for any transactions or series of transactions that involve at least $5,000 and which the financial institution knows, suspects or has reason to suspect involves illegal funds, is designed to evade the requirements of the BSA or has no lawful purpose. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"), which amended the BSA, is designed to deny terrorists and others the ability to obtain anonymous access to the U.S. financial system. The USA PATRIOT Act has significant implications for financial institutions and businesses of other types involved in the transfer of money. The USA PATRIOT Act, together with the implementing regulations of various federal regulatory agencies, has caused financial institutions, such as the Bank, to adopt and implement additional policies or amend existing policies and procedures with respect to, among other things, anti-money laundering compliance, suspicious activity, currency transaction reporting, customer identity verification and customer risk analysis. In evaluating an application to acquire a bank or merge banks or effect a purchase of assets and assumption of deposits and other liabilities, the applicable federal banking regulator must consider the anti-money laundering compliance record of both the applicant and the target.

In January 2021, the Anti-Money Laundering Act of 2020 ("AMLA"), which amends the BSA, was enacted. Among other things, the AMLA codifies a risk-based approach to anti-money laundering compliance for financial institutions; requires the development of standards by the U.S. Department of the Treasury for evaluating technology and internal processes for BSA compliance; and expands enforcement- and investigation-related authority, including a significant expansion in the available sanctions for certain BSA violations. Many of the statutory provisions in the AMLA will require additional rule-makings, reports and other measures, and the impact of the AMLA will depend on, among other things, rule-making and implementation guidance. In June 2021, the Financial Crimes Enforcement Network ("FinCEN"), a bureau of the U.S. Department of the Treasury, issued the priorities for anti-money laundering and countering the financing of terrorism policy required under the AMLA. The priorities include: corruption, cybercrime, terrorist financing, fraud, transnational crime, drug trafficking, human trafficking and proliferation financing. In July 2024, FinCEN issued proposed regulations pursuant to AMLA that, if adopted, would require financial institutions to establish, implement, and maintain effective, risk-based, and reasonably designed anti-money laundering and counter terrorist financing ("AML/CTF") programs with certain minimum components, including a mandatory risk assessment process. The proposed rule also would require financial institutions to review government-wide AML/CFT priorities and incorporate them, as appropriate, into risk-based programs, and would provide for certain technical changes to program requirements.

OFAC. The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These sanctions, which are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on "U.S. persons" engaging in financial or other transactions relating to a sanctioned country, or with certain designated persons and entities; (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons); and (iii) restrictions on certain transactions with or involving certain persons or entities. Blocked assets (for example, property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences for the Bank.

Available Information

The Bank's Investor Relations information can be obtained through our Internet address, *investor.northeastbank.com/investor-relations*. The Bank makes available on or through its Investor Relations page, without charge, its annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K and amendments to those reports filed with, or furnished to, the FDIC as soon as reasonably practicable after such reports have been filed or furnished to the FDIC. The Bank's reports filed with, or furnished to, the FDIC are also available at the FDIC's website at *www.FDIC.gov*. In addition, the Bank makes available, free of charge, its press releases and Code of Ethics through the Bank's Investor Relations page. Information on our website is not incorporated by reference into this document and should not be considered part of this report.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following risks and uncertainties, together with all other information in this report, including our financial statements and related notes, before investing in our common stock. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occur, our business, financial condition and results of operations could be impaired. In that event, the market price for our common stock could decline and you may lose your investment. Certain statements below are forward-looking statements. See "A Note About Forward-Looking Statements."

Risks Associated With Our Business

A return to recessionary economic conditions or further turmoil or volatility in the financial markets would likely have an adverse effect on our business, financial position, and results of operations.

The economy in the United States and globally has experienced volatility in recent years and may continue to experience such volatility for the foreseeable future. There can be no assurance that economic conditions will not worsen. Unfavorable or uncertain economic conditions can be caused by declines in economic growth, business activity, or investor or business confidence, limitations on the availability or increases in the cost of credit and capital, increases in inflation or interest rates, the timing and impact of changing governmental policies, natural disasters, climate change, epidemics, pandemics, terrorist attacks, acts of war, or a combination of these or other factors. A worsening of business and economic conditions could have adverse effects on our business, including but not limited to the following:

- investors may have less confidence in the equity markets in general and in financial services industry stocks in particular, which could place downward pressure on our stock price and resulting market valuation;
- economic and market developments may further affect consumer and business confidence levels and may cause declines in credit usage and adverse changes in payment patterns, causing increases in delinquencies and default rates;
- our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite loans become less predictive of future behaviors;
- we could suffer decreases in demand for loans or other financial products and services or decreased deposits or other investments in accounts with us;
- competition in the financial services industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions or otherwise; and
- the value of loans and other assets or collateral securing loans may decrease.

Changes in interest rates have hurt and may continue to hurt our net interest income and profitability.

The majority of our assets and liabilities are monetary in nature. As a result, our earnings and growth are significantly affected by interest rates, which are subject to the influence of economic conditions generally, both domestic and foreign, to events in the capital markets and also to the monetary and fiscal policies of the United States and its agencies, particularly the FRB. The nature and timing of any changes in such policies or general economic conditions and their effect on us cannot be controlled and are extremely difficult to predict. Changes in interest rates can affect our net interest income as well as the value of our assets and liabilities. Net interest income is the difference between (i) interest income on interest-earning assets, such as loans and securities, and (ii) interest expense on interest-bearing liabilities, such as deposits and borrowings. Changes in market interest rates, changes in the relationships between short-term and long-term market interest rates, or the yield curve, or changes in the relationships between different interest rate indices can affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income, and therefore reduce our net interest income. Further, declines in market interest rates may trigger loan prepayments, which in many cases are within our customers' discretion, and which in turn may serve to reduce our net interest income if we are unable to lend those funds to other borrowers or invest the funds at the same or higher interest rates.

Inflationary pressures and rising prices may affect our results of operations and financial condition.

Inflation continued at elevated levels in fiscal 2024. Inflationary pressures may remain elevated for the remainder of the calendar year. Small to medium-sized businesses may be impacted more during periods of high inflation, as they are not able to leverage economies of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations

and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to increase, which could adversely affect our results of operations and financial condition.

A significant portion of loans held in our loan portfolio were originated by third parties, and such loans may not have been subject to the same level of due diligence that the Bank would have conducted had it originated the loans.

At June 30, 2024, 61.9% of the loans held in our loan portfolio were originated by third parties, and therefore may not have been subject to the same level of due diligence that the Bank would have conducted had it originated the loans. Although the National Lending Division conducts a comprehensive review of all loans that it purchases, loans originated by third parties may lack current financial information and may have incomplete legal documentation and outdated appraisals. As a result, the National Lending Division may not have information with respect to an acquired loan which, if known at the time of acquisition, would have caused it to reduce its bid price or not bid for the loan at all. This may adversely affect our yield on loans or cause us to increase our allowance for credit losses.

Our experience with loans held in our loan portfolio that were originated by third parties is limited.

At June 30, 2024, the loans held in our loan portfolio that were originated by third parties had been held by us for approximately 1.9 years, calculated on a weighted average basis. Consequently, we have had only a relatively short period of time to evaluate the performance of those loans and the price at which we purchased them. Further experience with these loans may provide us with information that could cause us to increase our allowance for credit losses.

Our loan portfolio includes commercial real estate and commercial and industrial loans, which in general might be riskier than certain other types of loans.

At June 30, 2024, our commercial real estate mortgage and commercial and industrial loan portfolios comprised 96.4% of total loans. Commercial loans generally carry larger loan balances and involve a higher risk of nonpayment or late payment than residential mortgage loans. These loans, and purchased loans in particular, may lack standardized terms and may include a balloon payment feature. The ability of a borrower to make or refinance a balloon payment may be affected by numerous factors, including the financial condition of the borrower, prevailing economic conditions and prevailing interest rates. Repayment of these loans is generally more dependent on the economy and the successful operation of a business. Because of the risks associated with commercial loans, we may experience higher rates of default than if the portfolio were more heavily weighted toward residential mortgage loans. Higher rates of default could have an adverse effect on our financial condition and results of operations.

SBA lending is an important part of our business. Our SBA lending program is dependent upon the U.S. federal government, and we face specific risks associated with originating SBA loans.

Our SBA lending program is dependent upon the U.S. federal government. We are designated by the SBA as a Preferred Lender. As an SBA Preferred Lender, we are able to offer SBA loans to our customers without the potentially lengthy SBA approval process for application, servicing or liquidation actions required for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including the potential loss of the SBA Preferred Lender designation. If we lose our status as an SBA Preferred Lender, we may lose some or all of our SBA loan customers to lenders who are SBA Preferred Lenders, and as a result we could experience a material adverse effect on our consolidated financial results.

Any changes to the SBA program, including but not limited to changes to the level of guarantee provided by the federal government on SBA loans, changes to program specific rules impacting volume eligibility under the guaranty program, as well as changes to the program amounts authorized by Congress or funding for the SBA program may also have a material adverse effect on our business. In addition, any default by the U.S. government on its obligations or any prolonged government shutdown could, among other things, impede our ability to originate SBA loans or sell such loans in the secondary market, which could materially and adversely affect our business, consolidated financial condition and consolidated results of operations. In addition, when we originate SBA 7(a) loans, we incur credit risk on the non-guaranteed portion of the loans, and if a customer defaults on a loan, we share any loss and recovery related to the loan pro-rata with the SBA.

Weakness or deterioration in economic conditions, both in our market area and more generally, could adversely affect our financial condition and results of operations.

Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, is highly dependent upon the business environment in the markets where we operate in the United States as a whole. In addition, our loan portfolio includes commercial loans acquired or originated by the National Lending Division that are secured by assets located nationwide. Deterioration in the economic conditions, including high unemployment levels, could result in the following consequences:

- Loan delinquencies may increase;
- Problem assets and foreclosures may increase;
- Demand for our products and services may decline;
- Collateral for our loans may decline in value, in turn reducing a customer's borrowing power and reducing the value of collateral securing a loan; and
- The net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

If our allowance for credit losses is not sufficient to absorb actual losses or if we are required to increase our allowance, our financial condition and results of operations could be adversely affected.

We maintain an allowance for credit losses based on available information, including, but not limited to, our historical loss experience, the quality of the loan portfolio, certain economic conditions, the value of the underlying collateral, expected cash flows from purchased loans, and the level of non-accruing and criticized loans. We rely on our loan quality reviews, our experience and our evaluation of economic conditions, among other factors, in determining the amount of provision required for the allowance for credit losses. Provisions to this allowance result in an expense for the period. If, as a result of general economic conditions, previously incorrect assumptions, or an increase in defaulted loans, we determine that additional increases in the allowance for credit losses are necessary, we will incur additional expenses.

State and federal regulators, in reviewing our loan portfolio as part of a regulatory examination, may request that we increase our allowance for credit losses. Any increases in our allowance for credit losses will result in a decrease in our net income and, possibly, our capital, and could have an adverse effect on our financial condition and results of operations.

Environmental liability associated with our lending activities could result in losses.

In the course of business, we may acquire, through foreclosure, properties securing loans we have originated or purchased that are in default. Particularly in commercial real estate lending, there is a risk that hazardous substances could be discovered on these properties. In this event, we might be required to remove these substances from the affected properties at our sole cost and expense or we may be held liable to a government entity or to third parties for property damage, personal injury, investigation and cleanup costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could substantially exceed the value of the affected properties. We may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. If we become subject to significant environmental liabilities, our business, financial condition and results of operations could be adversely affected.

The performance of our securities portfolio in difficult market conditions could have adverse effects on our results of operations.

We maintain a diversified securities portfolio, which includes obligations of U.S. government agencies and government-sponsored enterprises, including mortgage-backed securities. Under applicable accounting standards, we are required to review our securities portfolio periodically for the presence of other-than-temporary impairment, taking into consideration current market conditions, the extent and nature of changes in fair value, issuer rating changes and trends, volatility of earnings, current analysts' evaluations, our ability and intent to hold securities until a recovery of fair value, as well as other factors. Adverse developments with respect to one or more of the foregoing factors may require us to deem particular securities to be other-than-temporarily impaired, with the credit related portion of the reduction in the fair value recognized as a charge to the results of operations in the period in which the impairment occurs. Market volatility may make it difficult to value certain securities. Subsequent valuations, in light of factors

prevailing at that time, may result in significant changes in the values of these securities in future periods. Any of these factors could require us to recognize further impairments in the value of our securities portfolio, which may have an adverse effect on our results of operations in future periods.

The fair value of our investment securities can fluctuate due to factors outside of our control.

Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions with respect to individual securities, defaults by the issuer or with respect to the underlying securities, and changes in market interest rates and continued instability in the capital markets. For example, in fiscal 2024, inflation and increases in interest rates led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. Any of these factors, among others, could cause other-than-temporary impairments and realized and/or unrealized losses in future periods and declines in other comprehensive income, which could materially and adversely affect our business, results of operations, financial condition and prospects. The process for determining whether impairment of a security is other than-temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Significant negative changes to valuations could result in impairments in the value of the Bank's securities portfolio, which could have an adverse effect on the Bank's financial condition or results of operations.

Potential downgrades of U.S. government securities by one or more of the credit ratings agencies could have a material adverse effect on our operations, earnings and financial condition.

A possible future downgrade of the sovereign credit ratings of the U.S. government and a decline in the perceived creditworthiness of U.S. government-related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affect the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Such ratings actions could result in a significant adverse impact on us. Among other things, a downgrade in the U.S. government's credit rating could adversely impact the value of our securities portfolio and may trigger requirements that we post additional collateral for trades relative to these securities. A downgrade of the sovereign credit ratings of the U.S. government or the credit ratings of related institutions, agencies or instruments could significantly exacerbate the other risks to which we are subject and any related adverse effects on the business, financial condition and results of operations.

Loss of deposits or a change in deposit mix could increase our cost of funding.

Deposits are a low-cost and stable source of funding. We compete with banks and other financial institutions for deposits. Funding costs may increase if we lose deposits and are forced to replace them with more expensive sources of funding, if clients shift their deposits into higher-cost products or if we need to raise interest rates to avoid losing deposits. Higher funding costs reduce our net interest margin, net interest income and net income.

We are subject to liquidity risk.

Liquidity is the ability to meet cash-flow needs on a timely basis by converting assets into cash or cash equivalents and by increasing liabilities at a reasonable cost. Liquidity sources include the amount of unencumbered or "free" investment portfolio securities that we own, borrowings, cash flow from loan and investment principal payments and pre-payments and residential mortgage loan sales. Our liquidity is used principally to originate or purchase loans, to repay deposit liabilities and other liabilities when they come due, and to fund operating costs. We also require funds for dividends to shareholders, repurchases of shares, and for general corporate purposes. Customer demand for non-maturity deposits can be difficult to predict. Changes in market interest rates, increased competition within our markets, and other factors may make deposit gathering more difficult. Disruptions in the capital markets or interest rate changes may make the terms of wholesale funding sources, which include Federal Home Loan Bank advances, less favorable and may make it difficult to sell securities when needed to provide additional liquidity. Additionally, actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. As a result, there is a risk that the cost of funding will increase or that we will not have sufficient funds to meet our obligations when they come due.

We may not be able to attract and retain qualified key employees, which could adversely affect our business prospects, including our competitive position and results of operations.

Our success is dependent upon our ability to attract and retain highly-skilled individuals. There is significant competition for those individuals with the experience and skills required to conduct many of our business activities. We may not be able to hire or retain the key personnel that we depend upon for success. Frequently, we compete in the market for talent with entities that are not subject to comprehensive regulation, including with respect to incentive compensation. The unexpected loss of services of one or more of these or other key personnel could have a material adverse impact on our business because of their skills, knowledge of the markets in which we operate, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

We may incur significant losses as a result of ineffective risk management processes and strategies.

We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance, and legal reporting systems; internal controls; management review processes; and other mechanisms. In some cases, management of our risks depends upon the use of analytical and/or forecasting models, which, in turn, rely on assumptions and estimates. If the models used to mitigate these risks are inadequate, or the assumption or estimates are inaccurate or otherwise flawed, we may fail to adequately protect against risks and may incur losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated, which could lead to unexpected losses and our results of operations or financial condition could be materially adversely affected.

We face continuing and growing security risks to our information base, including the information we maintain relating to our customers.

In the ordinary course of business, we rely on electronic communications and information systems to conduct our business and to store sensitive data, including financial information regarding customers. Our electronic communications and information systems infrastructure could be susceptible to cyberattacks, hacking, identity theft or terrorist activity. We have implemented and regularly review and update extensive systems of internal controls and procedures as well as corporate governance policies and procedures intended to protect our business operations, including the security and privacy of all confidential customer information. In addition, we rely on the services of a variety of vendors to meet our data processing and communication needs. No matter how well designed or implemented our controls are, we cannot provide an absolute guarantee to protect our business operations from every type of problem in every situation. A failure or circumvention of these controls could have a material adverse effect on our business operations and financial condition.

We regularly assess and test our security systems and disaster preparedness, including back-up systems, but the risks are substantially escalating. As a result, cybersecurity and the continued enhancement of our controls and processes to protect our systems, data and networks from attacks, unauthorized access or significant damage remain a priority. Accordingly, we may be required to expend additional resources to enhance our protective measures or to investigate and remediate any information security vulnerabilities or exposures. Any breach of our system security could result in disruption of our operations, unauthorized access to confidential customer information, significant regulatory costs, litigation exposure and other possible damages, loss or liability and effectively deal with such a breach could negatively impact customer confidence, damaging our reputation and undermining our ability to attract and keep customers.

We may not be able to successfully implement future information technology system enhancements, which could adversely affect our business operations and profitability.

We invest significant resources in information technology system enhancements in order to provide functionality and security at an appropriate level. We may not be able to successfully implement and integrate future system enhancements, which could adversely impact the ability to provide timely and accurate financial information in compliance with legal and regulatory requirements, which could result in sanctions from regulatory authorities. Such sanctions could include fines and suspension of trading in our stock, among others. In addition, future system enhancements could have higher than expected costs and/or result in operating inefficiencies, which could increase the costs associated with the implementation as well as ongoing operations.

Failure to properly utilize system enhancements that are implemented in the future could result in impairment charges that adversely impact our financial condition and results of operations and could result in significant costs to remediate or replace the defective components. In addition, we may incur significant training, licensing, maintenance, consulting and amortization expenses during and after systems implementations, and any such costs may continue for an extended period of time.

We rely on other companies to provide key components of our business infrastructure.

Third party vendors provide key components of our business infrastructure such as internet connections, network access and core application processing. While we have selected these third-party vendors carefully, we do not control their actions. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers or otherwise conduct our business efficiently and effectively. Replacing these third-party vendors could also entail significant delay and expense.

Natural disasters, acts of terrorism and other external events could harm our business.

Natural disasters can disrupt our operations, result in damage to our properties, reduce or destroy the value of the collateral for our loans and negatively affect the economies in which we operate, which could have a material adverse effect on our results of operations and financial condition. A significant natural disaster, such as a tornado, hurricane, blizzard, flood, fire or earthquake, could have a material adverse impact on our ability to conduct business, and our insurance coverage may be insufficient to compensate for losses that may occur. Acts of terrorism, war, civil unrest, violence or human error could cause disruptions to our business or the economy as a whole. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition.

Climate change and related legislative and regulatory initiatives may result in operational changes and expenditures that could significantly impact our business.

The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment. As a result, political and social attention to the issue of climate change has increased. In recent years, governments across the world have entered into international agreements to attempt to reduce global temperatures, in part by limiting greenhouse gas emissions. The U.S. Congress, state legislatures and federal and state regulatory agencies have continued to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. These agreements and measures may result in the imposition of taxes and fees, the required purchase of emission credits, and the implementation of significant operational changes, each of which may require us to expend significant capital and incur compliance, operating, maintenance, and remediation costs. Consumers and businesses may also change their behavior on their own as a result of these concerns. The impact on our customers will likely vary depending on their specific attributes, including reliance on, or role in, carbon-intensive activities. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.

Damage to our reputation could significantly harm our business, including our competitive position and business prospects.

We are dependent on our reputation as a trusted and responsible financial company, for all aspects of our relationships with customers, employees, vendors, third party service providers, and others, with whom we conduct business or potential future business. Our ability to attract and retain customers and employees could be adversely affected if our reputation is damaged. Our actual or perceived failure to address various issues, including our ability to (a) identify and address potential conflicts of interest, ethical issues, money-laundering, or privacy issues; (b) meet legal and regulatory requirements; (c) maintain the privacy of customer and accompanying personal information; (d) maintain adequate record keeping; (e) engage in proper sales and trading practices; and (f) identify the legal, reputational, credit, liquidity and market risks inherent in our products, could give rise to reputational risk that could cause harm to us and our business prospects. Failure to appropriately address any of these issues could also give rise to additional regulatory restrictions and legal risks, which could, among other consequences, increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses.

The proliferation of social media websites utilized by us and other third parties, as well as the personal use of social media by our employees and others, including personal blogs and social network profiles, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation or have other negative consequences, including as a result of our employees interacting with our customers in an unauthorized manner in various social media outlets. Any damage to our reputation could affect our ability to retain and develop the business relationships necessary to conduct business, which in turn could negatively impact our financial condition, results of operations, and the market price of our common stock.

Internal controls may fail or be circumvented.

Effective controls over financial reporting are necessary to help ensure reliable financial reporting and prevent fraud. Management is responsible for maintaining an effective system of internal control and assessing system effectiveness. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the system of internal control could have an adverse effect on our business, profitability, financial condition and operations, and could further result in regulatory actions and loss of investor confidence.

Our future growth, if any, may require us to raise additional capital, but that capital may not be available when we need it.

We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to support our operations or our growth. Our ability to raise additional capital will depend, in part, on conditions in the capital markets at that time, which are outside of our control, and our financial performance. Accordingly, we may be unable to raise additional capital, if and when needed, on acceptable terms, or at all. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth and acquisitions could be materially impaired. In addition, if we decide to raise additional equity capital, investors' interests could be diluted. Our failure to meet any applicable regulatory guideline related to our lending activities or any capital requirement otherwise imposed upon us or to satisfy any other regulatory requirement could subject us to certain activity restrictions or to a variety of enforcement remedies available to the regulatory authorities, including limitations on our ability to pay dividends or pursue acquisitions, the issuance by regulatory authorities of a capital directive to increase capital and the termination of deposit insurance by the FDIC.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to many different counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, other commercial banks, investment banks, mutual and hedge funds, and other financial institutions. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market-wide liquidity problems and losses or defaults by us or by other institutions and organizations. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be liquidated or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us. There is no assurance that any such losses would not materially and adversely affect our results of operations.

We are subject to claims and litigation.

From time to time, customers, vendors or other parties may make claims and take legal action against us. We maintain reserves for certain claims when deemed appropriate based upon our assessment that a loss is probable, estimable, and consistent with applicable accounting guidance. At any given time, we have a variety of legal actions asserted against us in various stages of litigation. Resolution of a legal action can often take years. We are also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business, including, among other things, accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. The number and risk of these investigations and proceedings has increased in recent years with regard to many firms in the financial services industry due to legal changes to the consumer protection laws provided for by the Dodd-Frank Act. There have also been numerous highly publicized legal claims against financial institutions involving fraud or misconduct by employees, and we run the risk that employee misconduct could occur. It is not always possible to deter or prevent employee misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases.

Risks Associated With the Industry

Competition in the financial services industry is intense and could result in us losing business or experiencing reduced margins.

We compete with community, regional, national and global banks, non-bank licensed lenders and private equity funds in purchasing or originating loans, attracting deposits, and selling other customer products and services. Many of our primary competitors there have substantially greater resources, larger established customer bases, higher lending limits, extensive branch networks, numerous ATMs and greater advertising and marketing budgets. They may also offer services that we do not currently provide. Additionally,

due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services, as well as better pricing for those products and services than we can. Technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automated transfer and automatic payment systems. Our long-term success depends on the ability of the Bank to compete successfully with other financial institutions in the Bank's service areas.

Our business may be adversely affected if we fail to adapt our products and services to evolving industry standards and consumer preferences.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. The widespread adoption of new technologies, including payment systems, could require substantial expenditures to modify or adapt our existing products and services. We might not be successful in developing or introducing new or modified products and services, integrating new products or services into our existing offerings, responding or adapting to changes in consumer behavior, preferences, spending, investing and/or saving habits, achieving market acceptance of our products and services, reducing costs in response to pressures to deliver products and services at lower prices or sufficiently developing and maintaining loyal customers.

The FDIC's assessment rates could adversely affect our financial condition and results of operations.

The FDIC insures deposits at FDIC-insured depository institutions, such as the Bank, up to applicable limits. If the deposit insurance fund of the FDIC is unable to meet its funding requirements, there may need to be further special assessments or increases in deposit insurance premiums. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there is an increase in bank or financial institution failures, we may be required to pay even higher FDIC premiums than the recently increased levels. Any future additional assessments, increases or required prepayments in FDIC insurance premiums may materially adversely affect results of operations, including by reducing our profitability or limiting our ability to pursue certain business opportunities.

Changes in accounting standards can materially impact our financial statements.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the Financial Accounting Standards Board ("FASB") or regulatory authorities change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. For example, the introduction of Accounting Standard Update No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), as updated, commonly referred to as "CECL," substantially changed how we calculate our allowance for credit losses. Future changes in accounting standards could materially impact how we report our financial condition, may require costly technology changes, additional training and personnel, and other expense that will negatively impact our results. We cannot predict whether such standards will be adopted or their resultant impact.

Changes in tax laws and regulations and differences in interpretation of tax laws and regulations may adversely impact our financial statements.

Local, state or federal tax authorities may interpret tax laws and regulations differently than we do and challenge tax positions that we have taken on tax returns. This may result in differences in the treatment of revenues, deductions, credits and/or differences in the timing of these items. The differences in treatment may result in payment of additional taxes, interest or penalties that could have a material adverse effect on our results.

Risks Associated With Our Regulatory Environment

We operate in a highly regulated industry, and laws and regulations, or changes in them, could limit or restrict our activities and could have an adverse impact on our operations.

We are subject to extensive federal and state regulation. Federal and state laws and regulations govern numerous matters, including changes in the ownership or control of banks, maintenance of adequate capital and the financial condition of a financial institution, permissible types, amounts and terms of extensions of credit and investments, the level of reserves against deposits and restrictions on dividend payments. The FDIC and the Bureau have the power to issue cease and desist orders to prevent or remedy unsafe or unsound

practices or violations of law by banks subject to their regulation. These and other restrictions limit the manner in which we and the Bank may conduct business and obtain financing.

Because our business is highly regulated, the laws, rules, regulations, and supervisory guidance and policies applicable to us are subject to regular modification and change. Such changes may, among other things, subject us to additional costs, including costs of compliance; limit the types of financial services and products we may offer; and/or increase the ability of non-banks to offer competing financial services and products. Failure to comply with laws, regulations, or policies could result in enforcement and other legal actions by federal and state authorities, including criminal and civil penalties, the loss of FDIC insurance, revocation of a banking charter, other sanctions by regulatory agencies, civil money penalties, and/or reputation damage, which could have a material adverse effect on our business, financial condition, and results of operations. See "Supervision and Regulation" in Item 1, "Business."

Regulatory capital requirements force banks to maintain capital as a percentage of their assets, with an emphasis on common equity as opposed to other components of capital. The need to maintain capital and liquidity, and regulatory scrutiny with respect to capital levels, may limit our business activities, including lending, and our ability to expand. It could also result in our being required to take steps to increase our regulatory capital and may dilute shareholder value or limit our ability to pay dividends or otherwise return capital to our investors through stock repurchases.

We are subject to stringent capital requirements which may adversely impact return on equity, require additional capital raises, or limit the ability to pay dividends or repurchase shares.

Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk-based capital and leverage ratios, and define “capital” for calculating these ratios. The minimum capital requirements are: (i) a common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6%; (iii) a total capital ratio of 8%; and (iv) a Tier 1 leverage ratio of 4%. The regulations also establish a “capital conservation buffer” of 2.5%, which if complied will result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 to risk-based assets capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the capital conservation buffer amount. The application of these capital requirements could, among other things, require us to maintain higher capital resulting in lower returns on equity, and we may be required to obtain additional capital to comply or result in regulatory actions if we are unable to comply with such requirements.

We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose community investment and nondiscriminatory lending requirements on financial institutions. The CFPB, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution’s performance under the Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act or other fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions, restrictions on expansion and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution’s performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations.

We may become subject to enforcement actions even though noncompliance was inadvertent or unintentional.

The financial services industry is subject to intense scrutiny from bank supervisors in the examination process and aggressive enforcement of federal and state regulations, particularly with respect to mortgage-related practices and other consumer compliance matters, and compliance with anti-money laundering, BSA and OFAC regulations, and economic sanctions against certain foreign countries and nationals. Enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations, however, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there was in place at the time systems and procedures designed to ensure compliance. Failure to comply with these and other regulations, and supervisory expectations related thereto, may result in fines, penalties, lawsuits, regulatory sanctions, reputation damage, or restrictions on our business.

We face significant legal risks, both from regulatory investigations and proceedings and from private actions brought against us.

As a participant in the financial services industry, many aspects of our business involve substantial risk of legal liability. From time to time, customers and others make claims and take legal action pertaining to the performance of our responsibilities, such as the recent legal proceeding against the Bank for our overdraft fee practices. Whether customer claims and legal action related to the performance of our responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant expenses, diversion of Management’s time and attention and financial liability. Any financial liability or reputational damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations. There is no assurance that litigation with private parties will not increase in the future. Actions against us may result in judgments, settlements, fines, penalties or other results adverse to us, which could materially adversely affect our business, financial condition or results of operations, or cause serious reputational harm to us.

Risks Associated With Our Common Stock

Market volatility has affected and may continue to affect the value of our common stock.

The price of our common stock can fluctuate widely in response to a variety of factors. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly. Some of the factors that could cause fluctuations or declines in the price of our common stock include, but are not limited to, actual or anticipated variations in reported operating results, recommendations by securities analysts, the level of trading activity in our common stock, new services or delivery systems offered by competitors, business combinations involving our competitors, operating and stock price performance of companies that investors deem to be comparable to the Bank, news reports relating to trends or developments in the credit, mortgage and housing markets as well as the financial services industry, and changes in government regulations.

Our common stock trading volume may not provide adequate liquidity for investors.

Our voting common stock is listed on the Nasdaq Global Market. The average daily trading volume for Northeast voting common stock is less than the corresponding trading volume for larger financial institutions. Due to this relatively low trading volume, significant sales of Northeast voting common stock, or the expectation of these sales, may place significant downward pressure on the market price of Northeast common stock. No assurance can be given that a more active trading market in our common stock will develop in the foreseeable future or can be maintained.

We may not be able to pay dividends and, if we pay dividends, we cannot guarantee the amount and frequency of such dividends.

The continued payment of dividends on shares of our common stock will depend upon our debt and equity structure, earnings and financial condition, need for capital in connection with possible future acquisitions, growth and other factors, including economic conditions, regulatory restrictions, and tax considerations. We cannot guarantee that we will pay dividends or, if we pay dividends, the amount and frequency of these dividends.

We may issue additional shares of common or preferred stock in the future, which could dilute a shareholder's ownership of common stock.

Our articles of incorporation authorize our Board, generally without shareholder approval, to, among other things, issue additional shares of common or preferred stock. We also have an active at-the-market offering, whereby we are authorized to issue up to $50.0 million of common stock, of which $23.1 million remains available to issue at June 30, 2024. The issuance of any additional shares of common or preferred stock could be dilutive to a shareholder's ownership of our common stock. To the extent that we issue options or warrants to purchase common stock in the future and the options or warrants are exercised, our shareholders may experience further dilution. Holders of shares of our common stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series. Future offerings could reduce the value of shares of our common stock and dilute a shareholder's interest in the Bank.

Our common stock is not insured by any governmental entity.

Our common stock is not a deposit account or other obligation of any bank and is not insured by the FDIC or any other governmental entity.

Anti-takeover provisions could negatively impact our shareholders.

Federal law imposes restrictions, including regulatory approval requirements, on persons seeking to acquire control over Northeast. Provisions of Maine law and provisions of our articles of incorporation and by-laws could make it more difficult for a third party to acquire control of us or have the effect of discouraging a third party from attempting to acquire control of us. We have a classified Board, meaning that approximately one-third of our directors are elected annually. Additionally, our articles of organization authorize our Board to issue preferred stock without shareholder approval and such preferred stock could be issued as a defensive measure in response to a takeover proposal. Other provisions that could make it more difficult for a third party to acquire us even if an acquisition might be in the best interest of our shareholders include supermajority voting requirements to remove a director from office without cause; restrictions on shareholders calling a special meeting; a requirement that only directors may fill a Board vacancy; and provisions regarding the timing and content of shareholder proposals and nominations.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Northeast Bank uses, processes, and stores data for and about our customers, employees, partners and suppliers. We have implemented a cybersecurity risk management program that is designed to identify, assess, and mitigate risks from cybersecurity threats to this data and our systems.

Risk Management Oversight and Governance

Under the ultimate direction of our CEO and executive management team, our Information Security Committee has primary responsibility for overseeing the Bank's management of cybersecurity risks. It is chaired by our Chief Information Officer (CIO), who reports directly to our Chief Executive Officer. Our Information Security Officer (ISO) is an active participant of this committee. Others on the committee include key members of the Information Technology and Security and Enterprise Risk Management teams. Information discussed at this monthly meeting is reported to and reviewed with the Bank's Risk Management Committee of the Board of Directors.

Our CIO has primary responsibility for assessing and managing our cybersecurity threat management program. She has more than 20 years of experience in building and leading information technology teams which includes information security and has worked at multiple institutions to implement and manage cybersecurity programs. Her experience includes identifying third-party partners who develop and maintain technology, tools and processes to protect internal networks, customer payment systems and telecommunication networks used by the Bank and its customers to transmit data. Reporting to the CIO, the Bank's Director of Information Technology and Information Security Engineer are very experienced in and adept at managing the Bank's Information Security program, and they keep current with the ever-evolving cybersecurity threats. They regularly communicate with qualified third-party vendors that support the Bank and its technology operations infrastructure.

In addition to frequent electronic communication, the Information Security Committee meets periodically and as circumstances warrant to discuss and review prevention, detection, mitigation, and remediation of risks from cybersecurity threats. When appropriate, the CIO will consult with the Bank's external legal consultant specializing in cybersecurity to gain insight on a particular situation. When appropriate, meetings will also include members of the Bank's executive management team. On a regular basis, the Director of Information Technology also updates the executive management team on developments within the cybersecurity industry.

The Board of Directors has delegated oversight of the Bank's cybersecurity program to the Risk Management Committee of the Board of Directors. As provided in the Risk Management Committee Charter, this Committee is responsible for reviewing the cybersecurity risk management program and compliance with related policies. Related reporting to the Risk Management Committee includes security initiatives, significant existing and emerging cybersecurity risks, any cybersecurity incidents, and the impact if any on the Bank and its stakeholders of any significant cybersecurity incidents. Our CIO and ISO meet quarterly with the Risk Management Committee to discuss management's ongoing cybersecurity risk management program. They provide information about the sources and nature of risks the Bank faces, how management assesses such risks – including in terms of likelihood and severity of impact, progress on vulnerability remediation and current developments in the cybersecurity landscape. In turn, the Chair of the Risk Management Committee provides a quarterly update to the full Board of Directors that includes a summary of the presentation to enable discussion of cybersecurity risk management at the full Board level.

Processes for the Identification of Cybersecurity Threats

Under the guidance of the Information Security Committee and the CIO and ISO, we have adopted a cybersecurity risk management program that addresses four key areas:

- Identification of assets at risk from cybersecurity threats;
- Identification of potential sources of cybersecurity threats;
- Assessment of the status of protections in place to prevent or mitigate cybersecurity threats; and
- Given that landscape, how to manage the remaining cybersecurity risks.

Our risk assessment and mitigation program is centered on three key components:

- Identification of risks, which involve input from different third-party partners that specialize in threat management for the financial services industry;
- Consulting with third-party partners to evaluate the likelihood of the risks manifesting, the severity of the potential consequences and prioritization of different risk items based on, among other things, importance to the business and cost/benefit analysis to fully address such risks; and
- Execution – establishment of a program to address such risks.

Our Information Security team is responsible for monitoring our information systems for vulnerabilities and mitigating issues. The team works with other groups in the Bank and third-party partners to understand the severity of the potential consequences of a cybersecurity incident and to make decisions about how to prioritize mitigation and other initiatives based on, among other things, materiality to the business. The Information Security team has processes designed to keep the Bank apprised of the different threats in the cybersecurity landscape – this includes interacting with intelligence networks, working with researchers, discussions with peers at other companies, monitoring social media, reviewing government alerts and other news items and attending security conferences. The team also regularly monitors the Bank's internal network and customer-facing network to identify security risks.

We have an enterprise-wide employee education program designed to raise awareness of cybersecurity threats to reduce our vulnerability as well as to encourage consideration of cybersecurity risks across functions. The Bank's employees are required to complete the Information Security training on an annual basis. In addition, new hires are required to complete the new hire Information Security training program.

The Bank's Enterprise Risk Management function updates the Risk Management Committee of the Board of Directors on an annual basis on the Bank's enterprise risk management program. These reports are the culmination of a process that involves discussions with leaders across the Bank and incorporates a multitude of enterprise risk factors, including cybersecurity threats. The Risk Management Committee Chair, in turn, reports to the full Board of Directors a summary of the enterprise risk management presentation.

As part of the assessment of protections we have in place to mitigate risks from cybersecurity threats, we engage third parties to conduct risk assessments on our systems. To assess the effectiveness of our program, we also have engaged consultants to conduct penetration testing and other vulnerability analyses. The Bank's Internal Audit function, with the assistance of outside technical consultants, provides the Audit Committee with reporting on our risk management processes, including cybersecurity risk management.

Before purchasing third-party technology or other solutions that involve exposure to the Bank's assets and electronic information, our Information Technology group requires those companies to complete a security review before being approved to work with the Bank.

The Bank is not aware of any risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, which have materially affected or are reasonably likely to materially affect the Bank, including our business strategy, results of operations or financial condition.

Item 2. Properties

At June 30, 2024, the Bank conducted its business from its headquarters in Portland, Maine, an office in Boston, Massachusetts, and an office in Lewiston, Maine. The Bank also conducts business from its seven bank branches in Maine, including its headquarters. The Bank believes that all of its facilities are well maintained and suitable for the purpose for which they are used.

In addition to its Portland, Maine; Boston, Massachusetts; and Lewiston, Maine offices, the Bank leases three of its other locations. For information regarding the Bank's lease commitments, please refer to "Premises, Equipment and Leases" under Note 4 of the Notes to the Financial Statements in Item 8 of this Annual Report.

Item 3. Legal Proceedings

From time to time, the Bank is subject to certain legal proceedings and claims in the ordinary course of business. Management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not be material to the Bank or its financial position. The Bank establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable, and the loss is reasonably estimable. Legal proceedings are subject to inherent uncertainties, and unfavorable rulings could occur that could cause the Bank to establish litigation reserves or could have, individually or in the aggregate, a material adverse effect on its business, financial condition, or operating results.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

The Bank's voting common stock currently trades on the Nasdaq under the symbol "NBN". As of the close of business on September 6, 2024, there were approximately 314 registered shareholders of record of voting common stock.

The following table sets forth the high and low closing sale prices of the Bank's common stock, as reported on Nasdaq, and quarterly dividends paid on the Bank's common stock during the periods indicated:

Fiscal year ended June 30, 2024	High	Low	Dividend Paid
Jul 1 – Sep 30	$ 48.77	$ 39.52	$ 0.01
Oct 1 – Dec 31	57.36	42.67	0.01
Jan 1 – Mar 31	58.48	49.42	0.01
Apr 1 – Jun 30	61.18	50.28	0.01

Fiscal year ended June 30, 2023	High	Low	Dividend Paid
Jul 1 – Sep 30	$ 42.72	$ 36.67	$ 0.01
Oct 1 – Dec 31	47.55	37.70	0.01
Jan 1 – Mar 31	47.59	33.66	0.01
Apr 1 – Jun 30	43.03	33.64	0.01

Holders of the Bank's voting and non-voting common stock are entitled to receive dividends when and if declared by the Board out of funds legally available. The Bank currently pays a quarterly cash dividend in the amount of $0.01 per share of the Bank's common stock. While the Bank expects comparable cash dividends will be paid in the future, the amount and timing of future dividends will depend on, among other things, the financial condition of the Bank, regulatory considerations, and other factors. See "Item 1. Business—Supervision and Regulation."

The information required with respect to our equity compensation plans shall be included in the Proxy Statement and is incorporated herein by reference.

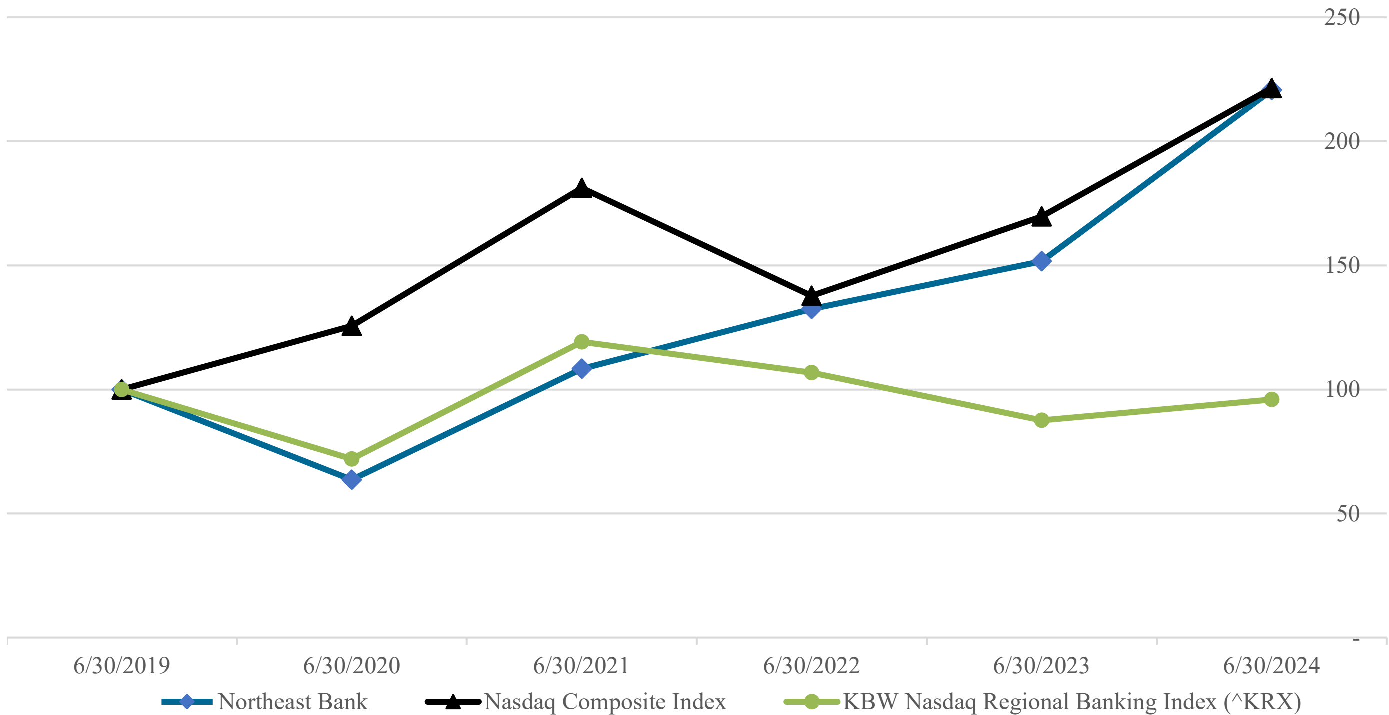
On April 20, 2022, the Board of Directors adopted a share repurchase program to purchase up to $40.0 million of common stock, or up to 1,000,000 shares, representing 13.1% of the Bank's outstanding common stock. This repurchase program may be suspended or terminated at any time without prior notice, and it expired April 13, 2023. The Bank repurchased 338,940 shares at a weighted average price per share of $36.85 through June 30, 2023. The Bank did not repurchase common shares during fiscal year 2024.

On December 12, 2022, the Board of Directors approved and initiated an at-the-market offering of up to $50.0 million of common stock. On November 6, 2023, the Bank received approval to extend the at-the-market offering through November 30, 2024. The Bank has issued 536,507 shares at a weighted average net proceeds per share of $48.76 through June 30, 2024. At June 30, 2024, the Bank has $23.1 million left available to issue under the approved at-the-market offering.

During the three months ended June 30, 2024, none of the Bank's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

Stock Performance Graph

Below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on the Bank's voting common stock, based on the market price of the Bank's voting common stock, with the total return on companies within the Nasdaq Composite Index and companies within the SNL $1B-$5B Bank Index. The calculation of cumulative return assumes a $100 investment in the Bank's common stock, the Nasdaq Composite Index, and the KBW Nasdaq Regional Banking Index on June 30, 2019. It also assumes that all dividends are reinvested during the relevant periods.



Index	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
Northeast Bank	$ 100.00	$ 63.63	$ 108.30	$ 132.45	$ 151.63	$ 220.67
Nasdaq Composite Index	100.00	125.64	181.16	137.75	169.76	221.48
KBW Nasdaq Regional Banking Index (^KRX)	100.00	72.00	119.19	106.85	87.53	95.99

Item 6. [Reserved]

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following table sets forth our selected financial and operating data on a historical basis. The data set forth below does not purport to be complete. It should be read in conjunction with, and is qualified in its entirety by, the more detailed information, including the Bank's Financial Statements and related notes, appearing elsewhere herein.

	As of and for the Years Ended June 30,				
	2024	2023	2022	2021	2020
	(Dollars in thousands, except per share data)				
Selected operating data:					
Interest and dividend income	$ 257,886	$ 177,171	$ 88,536	$ 78,125	$ 83,684
Interest expense	109,314	58,735	5,112	11,039	18,697
Net interest income	148,572	118,796	83,424	67,086	64,987
Provision (credit) for loan losses	1,768	2,303	(2,462)	(1,396)	4,500
Noninterest income	5,880	5,258	24,445	72,033	13,184
Other noninterest expense	64,568	56,536	48,783	39,426	40,393
Income before income taxes	88,116	65,215	61,548	101,089	33,278
Income tax expense	29,885	21,028	19,385	29,586	10,541
Net income	$ 58,231	$ 44,187	$ 42,163	$ 71,503	$ 22,737
Per share data:					
Earnings per common share:					
Basic	$ 7.69	$ 6.02	$ 5.40	$ 8.65	$ 2.57
Diluted	7.58	5.96	5.34	8.55	2.53
Cash dividends	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 0.04
Book value	46.34	38.69	33.37	28.51	20.09
Selected balance sheet data:					
Total assets	$ 3,132,203	$ 2,869,938	$ 1,582,759	$ 2,174,402	$ 1,257,635
Total Loans	2,746,651	2,520,360	1,304,866	1,040,624	971,602
Deposits	2,339,463	1,937,207	1,287,693	1,862,430	1,012,352
Borrowings and lease liability	365,442	584,533	19,451	36,111	46,876
Total shareholders' equity	376,634	296,663	248,321	232,391	164,739
Other ratios:					
Return on average assets	1.98%	1.88%	2.68%	4.53%	1.82%
Return on average equity	17.46%	16.48%	17.40%	37.44%	14.21%
Efficiency ratio (1)	41.80%	45.57%	45.22%	28.34%	51.67%
Average equity to average total assets	11.31%	11.42%	15.42%	12.10%	12.83%
Common dividend payout ratio	0.53%	0.67%	0.75%	0.47%	1.58%
Tier 1 leverage capital ratio	12.30%	10.38%	16.13%	13.63%	13.36%
Total capital ratio	14.82%	12.30%	19.47%	24.29%	19.61%

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

The Management's Discussion and Analysis of Financial Condition and Results of Operations, which follows, presents a review of the operating results of the Bank for the fiscal years ended June 30, 2024 ("fiscal 2024") and 2023 ("fiscal 2023"). This discussion and analysis is intended to assist you in understanding the results of our operations and financial condition. You should read this discussion together with your review of the Bank's Financial Statements and related notes and other statistical information included in this report.

Overview

The Bank's financial and strategic highlights for fiscal 2024 include the following:

- Net income for fiscal 2024 was $58.2 million, or $7.58 per diluted common share, compared to $44.2 million, or $5.96 per diluted common share, for fiscal 2023.

- Generated loans of $874.1 billion, primarily under the National Lending Division, which purchased loans totaling $382.0 million and originated loans totaling $399.1 million, earning average portfolio yields of 9.01% and 9.90%, respectively. The purchased loan yield of 9.01% includes regularly scheduled interest and accretion, and accelerated accretion and fees recognized on loan payoffs. The Bank also monitors the "total return" on its purchased loan portfolio, a measure that includes gains on asset sales, gains on real estate owned, release of allowance for credit losses, as well as interest, scheduled accretion and accelerated accretion and fees. On this basis, the purchased loan portfolio earned a total return of 9.11% for fiscal 2024.

- Recorded correspondent fee income of $222 thousand for fiscal 2024, compared to $2.5 million for fiscal 2023.

	Years Ended June 30,					
	2024			2023		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	$ 432,367	$ 339,149	$ 831,516	$ 1,314,783	$ 556,991	$ 1,871,774
Net investment basis	382,047	339,149	781,196	1,143,786	556,991	1,700,777
Loan returns during the period:						
Yield	9.01%	9.90%	9.34%	7.93%	8.84%	8.36%
Total Return on Purchased Loans (1)	9.11%	N/A	9.11%	7.93%	N/A	7.93%
Total loans as of period end:						
Unpaid principal balance	$ 1,886,383	$ 981,497	$ 2,867,880	$ 1,667,947	$ 987,832	$ 2,655,779
Net investment basis	1,708,551	981,497	2,690,048	1,480,119	987,832	2,467,951

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on asset sales, gains on real estate owned, release of allowance for credit losses on purchased loans, 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."

Paycheck Protection Program ("PPP"). Through June 30, 2022, the Bank had originated over 34,600 PPP loans totaling $3.33 billion in connection with the PPP, including $6.5 million during the year ended June 30, 2022. The Bank subsequently sold PPP loans with a total principal balance of $6.3 million and recorded a net gain of $86 thousand on the sales primarily resulting from the recognition of net deferred fees, offset by purchase price discounts, during the year ended June 30, 2022. The Bank did not originate nor sell any PPP loans during the years ended June 30, 2024 and 2023.

On June 12, 2020, the Bank entered into a correspondent agreement (the "Correspondent Agreement") with Loan Source and ACAP SME, LLC ("ACAP") to act as the correspondent for Loan Source in connection with Loan Source's pledge of PPP loans to the PPP Liquidity Facility ("PPPLF"). The PPP loans to be pledged by Loan Source are required to be PPP loans originated by depository institutions and purchased by Loan Source. ACAP has agreed to act as a loan service provider for Loan Source in connection with the purchased PPP loans. Under the Correspondent Agreement, and with certain exceptions, the Bank will be compensated by Loan Source for acting as correspondent on a per loan basis that varies based on, among other things, the amount of the fee Loan Source receives on the PPP loans it purchases and the terms of such PPP loans. The Bank does not assume any liability for any PPP loans pledged by Loan Source to the PPPLF pursuant to the Correspondent Agreement. Through June 30, 2023, Loan Source purchased $11.24 billion of PPP loans, including $3.33 billion of PPP loans from the Bank, and approximately $7.91 billion of PPP loans from lenders other than the Bank, which generated a correspondent fee for the Bank of $8.9 million, which continues to be recognized over the expected life of the loans. The Bank also receives one half of the net servicing income on the remaining $43.9 million PPP portfolio owned by Loan Source as of June 30, 2024.

Troubled Debt Restructuring ("TDR") Relief. From March 1, 2020 through January 1, 2022, a financial institution could have elected to suspend the requirements under accounting principles generally accepted in the U.S. for loan modifications related to the COVID–19 pandemic that would otherwise be categorized as a TDR. This TDR relief is applicable for the term of the loan modification that occurs during the applicable period for a loan that was not more than 30 days past due as of December 31, 2019. Financial institutions are required to maintain records of the volume of loans involved in modifications to which TDR relief is applicable. Through June 30, 2023, the Bank had granted 317 short-term deferments, none of which were still under deferral as of June 30, 2024. These short-term deferments were not classified as TDR loans and were not reported as past due provided that they were performing in accordance with the modified terms.

Results of Operations for the years ended June 30, 2024 and 2023

General

Net income for the year ended June 30, 2024 was $58.2 million, or $7.58 per diluted common share, compared to $44.2 million, or $5.96 per diluted common share, for the year ended June 30, 2023.

Items of significance affecting the Bank's earnings included:

- An increase in net interest and dividend income before provision for credit losses, which grew to $148.6 million for the year ended June 30, 2024, as compared to $118.8 million for the year ended June 30, 2023. The increase was due to increased loan interest income, primarily in the National Lending Division portfolio, partially offset by increased deposit and borrowings interest expense.

The following table summarizes interest income and related yields recognized on the Bank's loans:

	Interest Income and Yield on Loans					
	Years Ended June 30,					
	2024			2023		
	Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	$ 25,267	$ 1,622	6.42%	$ 30,271	$ 1,915	6.33%
SBA National	32,581	4,270	13.11%	28,138	2,896	10.29%
SBA PPP	-	-	0.00%	-	-	0.00%
National Lending:						
Originated	954,316	94,488	9.90%	922,438	81,534	8.84%
Purchased	1,580,485	142,342	9.01%	1,040,940	82,549	7.93%
Total National Lending	2,534,801	236,830	9.34%	1,963,378	164,083	8.36%
Total	$ 2,592,649	$ 242,722	9.36%	$ 2,021,787	$ 168,894	8.35%

The yield on purchased loans is affected by unscheduled loan payoffs, which result in the immediate recognition of the prepaid loans' discount into interest income. The following table details the "total return" on purchased loans, which includes total transactional income of $10.9 million for the year ended June 30, 2024, a decrease of $1.9 million from the year ended June 30, 2023. The following table summarizes the total return recognized on the purchased loan portfolio:

	Years Ended June 30,			
	2024		2023	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	$ 133,009	8.42%	$ 69,788	6.70%
Transactional income:				
Release of allowance for credit losses on purchased loans	1,558	0.10%	-	0.00%
Accelerated accretion and loan fees	9,333	0.59%	12,761	1.23%
Total transactional income	10,891	0.69%	12,761	1.23%
Total	$ 143,900	9.11%	$ 82,549	7.93%

(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 periods shown. Total return is considered a non-GAAP financial measure.

- A decrease of $535 thousand in the provision for credit losses, primarily due to lower loan growth during the year ended June 30, 2024, as compared to higher loan growth and increases in specific reserves during the year ended June 30, 2023. The provision for credit losses for fiscal year 2024 was reported using the Current Expected Credit Loss ("CECL") methodology, whereas the fiscal year 2023 provision for loan losses was reported using the incurred loss methodology.

- An increase of $622 thousand in noninterest income, principally due to the following:
  - An increase in gain on sale of SBA loans of $2.7 million, due to the sale of $62.5 million in SBA loans during the year ended June 30, 2024 as compared to the sale of $12.0 million during the year ended June 30, 2023; and
  - A decrease in unrealized loss on equity securities of $204 thousand; partially offset by,
  - A decrease in correspondent fee income of $2.3 million from the recognition of correspondent fees and net servicing income due to a decrease in average PPP loans held by Loan Source.

- An increase of $8.0 million in noninterest expense, primarily due to the following:
  - An increase in salaries and employee benefits of $5.9 million, primarily due to increases in regular and stock compensation expense and bonus expense;
  - An increase in other noninterest expense of $1.1 million, primarily due to increases in deposit expense, directors' fees, and postage expense;
  - An increase in loan expense of $741 thousand, primarily due to increased expenses in connection with the origination of SBA 7(a) loans; and
  - An increase in data processing fees of $329 thousand, primarily due to increased IT hardware expense.

Net Interest Income

The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated:

	Year Ended June 30,					
	2024			2023		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:						
Interest-earning assets:						
Investment securities	$ 59,983	$ 2,246	3.74%	$ 60,760	$ 1,122	1.85%
Loans (1) (2)	2,592,649	242,722	9.36%	2,021,787	168,894	8.35%
Federal Home Loan Bank stock	19,257	1,700	8.83%	10,600	397	3.75%
Short-term investments (3)	209,285	11,218	5.36%	171,949	6,758	3.93%
Total interest-earning assets	2,881,174	257,886	8.95%	2,265,096	177,171	7.82%
Cash and due from banks	2,493			2,525		
Other non-interest earning assets	64,570			78,986		
Total assets	$ 2,948,237			$ 2,346,607		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	$ 517,134	$ 22,652	4.38%	$ 539,022	$ 15,584	2.89%
Money market accounts	209,080	7,039	3.37%	250,152	4,368	1.75%
Savings accounts	129,455	3,999	3.09%	113,678	1,178	1.04%
Time deposits	1,112,548	54,701	4.92%	703,591	26,946	3.83%
Total interest-bearing deposits	1,968,217	88,391	4.49%	1,606,443	48,076	2.99%
Federal Home Loan Bank advances	434,388	20,032	4.61%	234,623	10,225	4.36%
Capital lease obligations	21,165	891	4.21%	15,859	74	0.47%
Total interest-bearing liabilities	2,423,770	109,314	4.51%	1,856,925	58,375	3.14%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	165,789			208,287		
Other liabilities	25,092			13,337		
Total liabilities	2,614,651			2,078,549		
Shareholders' equity	333,586			268,058		
Total liabilities and shareholders' equity	$ 2,948,237			$ 2,346,607		
Net interest income		$ 148,572			$ 118,796	
Interest rate spread			4.44%			4.68%
Net interest margin (4)			5.16%			5.24%
Cost of funds (5)			4.22%			2.83%

(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 FHLBB 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.

The following table presents the extent to which changes in volume and interest rates of interest earning assets and interest-bearing liabilities have affected the Bank's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior period rate), (ii) changes attributable to changes in rates (changes in rates multiplied by prior period volume) and (iii) changes attributable to a combination of changes in rate and volume (change in rates multiplied by the changes in volume). Changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Year Ended June 30, 2024 Compared to the Year Ended June 30, 2023		
	Change Due to Volume	Change Due to Rate	Total Change
		(In thousands)	
Interest earning assets:			
Investment securities	$ (14)	$ 1,138	$ 1,124
Loans	51,720	22,108	73,828
FHLBB stock	489	814	1,303
Short-term investments	1,667	2,793	4,460
Total increase in interest income	53,862	26,853	80,715
Interest-bearing liabilities:			
Interest-bearing deposits	15,971	24,344	40,315
Federal Home Loan Bank advances	9,180	627	9,807
Capital lease obligations	33	784	817
Total decrease in interest expense	25,184	25,755	50,939
Total increase in net interest and dividend income	$ 28,678	$ 1,098	$ 29,776

For the year ended June 30, 2024, the $28.7 million volume-related change in net interest income was mainly the result of the increase in average loans, which increased by $570.9 million, partially offset by the increase in average interest-bearing deposits, which increased by $361.8 million, and the increase in FHLBB borrowings, which increased by $199.8 million, compared to fiscal 2023. The rate-related increase in fiscal 2024 compared to fiscal 2023 was principally due to an increase in rates on loans and short-term investments, partially offset by an increase in rates offered on deposits. For fiscal 2024, the net interest margin earned of 5.16% was 8 basis points lower than that earned for fiscal 2023, primarily due to higher average balances in loans and deposits, with higher rates paid on deposits, partially offset by higher rates earned on loans and short-term investments.

The Bank's total cost of funds increased to 4.22% in fiscal 2024, from 2.83% in fiscal 2023, due to higher rates offered on the deposit portfolio and higher average balances of interest-bearing deposits.

Provision for Credit Losses

Quarterly, the Bank determines the amount of its allowance for credit losses adequate to provide for losses inherent in the Bank's loan portfolios, with the provision for credit losses determined by the net periodic change in the allowance for credit losses.

The provision for credit losses has been recorded based on estimates of inherent losses in originated loans and for incremental reserves required for purchased loans based on estimates of deteriorated credit quality post-purchase.

The provision for credit losses for the fiscal year ended June 30, 2024 was $1.8 million, a decrease of $535 thousand from 2.3 million for the year ended June 30, 2023. The decrease in the provision for credit losses reflects lower loan growth and specific reserves during the year ended June 30, 2024, as compared to loan growth and increases in specific reserves during the year ended June 30, 2023. At June 30, 2024 and 2023, the allowance for credit losses was $26.7 million and $7.3 million, respectively, and the ratio of allowance for credit losses to total loans was 0.97% and 0.29%, respectively.

Net charge-offs for fiscal 2024 totaled $6.2 million, representing approximately 0.24% of the Bank's average portfolio loan balance during fiscal 2024. This compares to net charge-offs of $27 thousand, or 0.00%, in fiscal 2023, representing an increase of $6.1 million in fiscal 2024.

For additional information on the allowance for credit losses, see "Asset Quality."

Noninterest Income

Noninterest income for fiscal 2024 totaled $5.9 million, an increase of $622 thousand, or 11.8%, from fiscal 2023. When compared to fiscal 2023, the increase was principally due to the following:

- An increase in gain on sale of SBA loans of $2.7 million, due to the sale of $62.5 million in SBA loans during the year ended June 30, 2024 as compared to the sale of $12.0 million in SBA loans during the year ended June 30, 2023.
- A decrease in unrealized loss on equity securities of $204 thousand; partially offset by,
- A decrease in correspondent fee income of $2.3 million from the recognition of correspondent fees and net servicing income due to a decrease in average PPP loans held by Loan Source.

Noninterest Expense

Noninterest expense for fiscal 2024 totaled $64.6 million, an increase of $8.0 million, or 14.2%, from fiscal 2023. When compared to fiscal 2023, the increase was principally due to the following:

- An increase in salaries and employee benefits of $5.9 million, primarily due to increases in regular and stock compensation expense and bonus expense;
- An increase in other noninterest expense of $1.1 million, primarily due to increases in deposit expense, directors' fees, and postage expense;
- An increase in loan expense of $741 thousand, primarily due to increased expenses in connection with the origination of SBA 7(a) loans; and
- An increase in data processing fees of $329 thousand, primarily due to increased IT hardware expense.

Income Taxes

Income tax expense for fiscal 2024 totaled $29.9 million, representing 32.8% of pre-tax income, as compared to $21.0 million, or 32.2% of pre-tax income, in fiscal 2023. The decrease in the Bank's effective tax rate was primarily due to changes in state tax apportionment.

Results of Operations for the years ended June 30, 2023 and 2022

General

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.

Items of significance affecting the Bank's earnings included:

- An increase in net interest and dividend income before provision for loan losses, which grew to $118.8 million for the year ended June 30, 2023, as compared to $83.4 million for the year ended June 30, 2022. The increase was due to increased loan interest income, primarily in the National Lending Division portfolio, partially offset by increased deposit and borrowings interest expense.

  The following table summarizes interest income and related yields recognized on the Bank's loans:

	Interest Income and Yield on Loans					
	Years 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 yield on purchased loans is affected by unscheduled loan payoffs, which result in the immediate recognition of the prepaid loans' discount into interest income. The following table details the "total return" on purchased loans, which includes total transactional income of $12.8 million for the year ended June 30, 2023, an increase of $721 thousand from the year ended June 30, 2022. The following table summarizes the total return recognized on the purchased loan portfolio:

	Years 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%

(2) 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 periods shown. Total return is considered a non-GAAP financial measure.

- An increase of $4.8 million in the provision for loan losses, primarily due to loan growth and increases in specific reserves during the year ended June 30, 2023, as compared to decreases in qualitative factors associated with the COVID-19 pandemic, primarily in the SBA portfolio, during the year ended June 30, 2022, as a result of continued improvements and stabilization in the economy, real estate valuations, and loan performance from the COVID-19 pandemic.

- A decrease of $19.2 million in noninterest income, principally due to the following:
  - A decrease in correspondent fee income of $20.0 million from the recognition of correspondent fees and net servicing income due to a decrease in average PPP loans held by Loan Source; partially offset by,

- A decrease in unrealized loss on equity securities of $303 thousand; and
- An increase in gain on sale of SBA loans of $576 thousand, due to the sale of $12.0 million in SBA loans during the year ended June 30, 2023 as compared to no sales during the year ended June 30, 2022.

- An increase of $7.8 million in noninterest expense, primarily due to the following:
  - An increase in salaries and employee benefits of $4.6 million, primarily due to increases in regular and stock compensation expense and bonus expense;
  - An increase in other noninterest expense of $1.1 million, primarily due to a $474 thousand increase in travel and meals and entertainment expense and a $346 thousand increase in excess deposit insurance expense;
  - An increase in deposit insurance expense of $829 thousand, due to higher average assets and a lower Tier 1 leverage ratio; and
  - An increase in professional fees of $663 thousand, primarily due to increases in legal expense.

Net Interest Income

The following table sets forth average balance sheets, average yields and costs, and certain other information for the periods indicated:

	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	2,265,096	177,171	7.82%	1,519,175	88,536	5.83%
Cash and due from banks	2,525			2,681		
Other non-interest earning assets	78,986			49,503		
Total assets	$ 2,346,607			$ 1,571,359		
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	1,856,925	58,375	3.14%	911,064	5,112	0.56%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	208,287			403,760		
Other liabilities	13,337			14,167		
Total liabilities	2,078,549			1,328,991		
Shareholders' equity	268,058			242,368		
Total liabilities and shareholders' equity	$ 2,346,607			$ 1,571,359		
Net interest income		$ 118,796			$ 83,424	
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 FHLBB 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.

The following table presents the extent to which changes in volume and interest rates of interest earning assets and interest-bearing liabilities have affected the Bank's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior period rate), (ii) changes attributable to changes in rates (changes in rates multiplied by prior period volume) and (iii) changes attributable to a combination of changes in rate and volume (change in rates multiplied by the changes in volume). Changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Year Ended June 30, 2023 Compared to the Year Ended June 30, 2022		
	Change Due to Volume	Change Due to Rate	Total Change
		(In thousands)	
Interest earning assets:			
Investment securities	$ (20)	$ 826	$ 806
Loans	70,818	10,484	81,302
FHLBB stock	330	41	371
Short-term investments	(343)	6,499	6,156
Total increase in interest income	70,785	17,850	88,635
Interest-bearing liabilities:			
Interest-bearing deposits	11,901	31,646	43,547
Federal Home Loan Bank advances	9,520	212	9,732
Capital lease obligations	85	(101)	(16)
Total decrease in interest expense	21,506	31,757	53,263
Total increase in net interest and dividend income	$ 49,279	$ (13,907)	$ 35,372

For the year ended June 30, 2023, the $49.3 million volume-related change in net interest income was mainly the result of the increase in average loans, which increased by $858.6 million, partially offset by the increase in average interest-bearing deposits, which increased by $715.6 million, and the increase in FHLBB borrowings, which increased by $219.6 million, compared to fiscal 2022. The rate-related increase in fiscal 2023 compared to fiscal 2022 was principally due to an increase in rates on loans and short-term investments, partially offset by an increase in rates offered on deposits. For fiscal 2023, the net interest margin earned of 5.24% was 25 basis points lower than that earned for fiscal 2022, primarily due to higher average balances in loans and deposits, with higher rates paid on deposits, partially offset by higher rates earned on loans and short-term investments.

The Bank's total cost of funds increased to 2.83% in fiscal 2023, from 0.39% in fiscal 2022, due to higher rates offered on the deposit portfolio and higher average balances of interest-bearing deposits.

Provision for Loan Losses

Quarterly, the Bank determines the amount of its allowance for loan losses adequate to provide for losses inherent in the Bank's loan portfolios, with the provision for loan losses determined by the net periodic change in the allowance for loan losses. For acquired loans accounted for under ASC 310-30, Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality ("ASC 310-30"), a provision for loan loss is recorded when estimates of future cash flows decrease due to credit deterioration.

The provision for loan losses has been recorded based on estimates of inherent losses in originated loans and for incremental reserves required for purchased loans based on estimates of deteriorated credit quality post-purchase.

The provision (credit) for loan losses for the fiscal year ended June 30, 2023 was a provision of $2.3 million, an increase of $4.8 million from the credit for loan losses of $2.5 million for the year ended June 30, 2022. The increase in the credit for loan losses reflects loan growth and increases in specific reserves during the year ended June 30, 2023, as compared to decreases in qualitative factors associated with the COVID-19 pandemic, primarily in the SBA portfolio, during the year ended June 30, 2022, as a result of continued improvements and stabilization in the economy, real estate valuations, and loan performance from the COVID-19 pandemic. At June 30, 2023 and 2022, the allowance for loan losses was $7.3 million and $5.0 million, respectively, and the ratio of allowance for loan losses to total loans was 0.29% and 0.39%, respectively.

Net charge-offs for fiscal 2023 totaled $27 thousand, representing approximately 0.00% of the Bank's average portfolio loan balance during fiscal 2023. This compares to net recoveries of $177 thousand, or (0.02%), in fiscal 2022, representing an increase of $204 thousand in fiscal 2023.

For additional information on the allowance for loan losses, see "Asset Quality."

Noninterest income for fiscal 2023 totaled $5.3 million, a decrease of $19.2 million, or 78.5%, from fiscal 2022. When compared to fiscal 2022, the decrease was principally due to the following:

- A decrease in correspondent fee income of $20.0 million from the recognition of correspondent fees and net servicing income as a result of the correspondent arrangement entered into with Loan Source during the quarter ended June 30, 2020. Under the correspondent arrangement, the Bank earns a correspondent fee when Loan Source purchases PPP loans and the Bank subsequently shares in net servicing income on such purchased PPP loans. Correspondent income for the year ended June 30, 2023 is comprised of the following components:

	Income Earned
	(In thousands)
Correspondent Fee	$ 312
Amortization of Purchased Accrued Interest	1,232
Earned Net Servicing Interest	990
Total	$ 2,534

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 $576 thousand, due to the sale of $12.0 million in SBA loans during the year ended June 30, 2023 as compared to no sales during fiscal 2022.

Noninterest Expense

Noninterest expense for fiscal 2023 totaled $56.5 million, an increase of $7.7 million, or 15.9%, from fiscal 2022. When compared to fiscal 2022, the decrease was principally due to the following:

- An increase in salaries and employee benefits of $4.6 million, primarily due to increases in regular and stock compensation expense and bonus expense;
- An increase in other noninterest expense of $1.1 million, primarily due to a $474 thousand increase in travel and meals and entertainment expense and a $346 thousand increase in excess deposit insurance expense;
- An increase in deposit insurance expense of $829 thousand, due to higher average assets and a lower Tier 1 leverage ratio; and
- An increase in professional fees of $663 thousand, primarily due to increases in legal expense.

Income Taxes

Income tax expense for fiscal 2023 totaled $21.0 million, representing 32.2% of pre-tax income, as compared to $19.4 million, or 31.5% of pre-tax income, in fiscal 2022. The increase in the Bank's effective tax rate was primarily due to changes in state tax apportionment and additional non-deductible expense amounts under Section 162(m) of the Internal Revenue Code.

Financial Condition

Overview

The Bank's total assets were $3.13 billion at June 30, 2024, representing an increase of $262.3 million or 9.1%, compared to $2.87 billion at June 30, 2023. Significant changes in the Bank's balance sheet components include:

- The loan portfolio increased by $240.8 million, or 9.6%, compared to June 30, 2023. The increase was principally due to growth in the National Lending Division purchased portfolio and the SBA National portfolio, partially offset by a decrease in the Community Banking Division. The National Lending Division purchased loans totaling $382.0 million and originated loans totaling $399.1 million during fiscal 2024.

- Deposits increased by $402.3 million, or 20.8%, from June 30, 2023. The increase was attributable to increases in time deposits of $387.0 million, or 42.1%, and savings and interest checking deposits of $135.7 million, or 22.8%, partially offset by a decrease in money market deposits of $123.4 million, or 44.4%. The significant drivers in the change in time deposits were the increase in brokered time deposits, which increased by $240.6 million, and Community Banking Division time deposits, which increased by $187.9 million compared to June 30, 2023.

- Shareholders' equity increased by $80.0 million, or 27.0%, from June 30, 2023, primarily due to net income of $58.2 million, the issuance of 342 thousand shares of voting common stock, which added $18.2 million to shareholders' equity, stock-based compensation of $5.3 million, and other miscellaneous items that resulted in a net decrease of $1.8 million to shareholders' equity.

Cash and Cash Equivalents

Cash and short-term investments increased by $44.3 million, or 22.4%, primarily due to net income of $58.2 million, along with a $402.3 million increase in deposits, partially offset by a $217.4 million decrease in borrowings and a $240.8 million increase in loans.

Securities

The securities portfolio totaled $56.0 million and $60.2 million at June 30, 2024 and 2023, respectively. The decrease of $4.2 million was primarily the result of the runoff of the agency mortgage-backed securities held by the Bank.

The Bank's securities portfolio was comprised primarily of U.S. Government-sponsored enterprise bonds and mortgage-backed securities guaranteed by government agencies. The composition of the Bank's securities portfolio at the dates indicated follows.

	June 30, 2024		June 30, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
U.S. Government agency securities	$ 46,965	$ 46,822	$ 51,024	$ 50,249
Agency mortgage-backed securities	2,263	2,156	3,364	3,155
Equity investments measured at net asset value	7,788	7,013	7,541	6,770
Total investment securities	$ 57,016	$ 55,991	$ 61,929	$ 60,174

The table below sets forth certain information regarding the contractual maturities and weighted average yields of the Bank's debt securities portfolio at June 30, 2024. Actual maturities of mortgage-backed securities will differ from contractual maturities due both to scheduled amortization and prepayments.

	Within One Year		After One Year Through Five Years		After Five Years Through Ten Years	
	Fair Value	Yield	Fair Value	Yield	Fair Value	Yield
	(Dollars in thousands)					
U.S. Government agency securities	$ 33,884	4.35%	$ 12,938	4.80%	$ -	0.00%
Agency mortgage-backed securities	-	0.00%	2,156	1.58%	-	0.00%
Total available-for-sale debt securities	$ 33,884	4.35%	$ 15,094	4.34%	$ -	0.00%

	After Ten Years		Total	
	Fair Value	Yield	Fair Value	Yield
	(Dollars in thousands)			
U.S. Government agency securities	$ -	0.00%	$ 46,822	4.48%
Agency mortgage-backed securities	-	0.00%	2,156	1.58%
Total available-for-sale debt securities	$ -	0.00%	$ 48,978	4.35%

The other securities measured at net asset value have no scheduled maturity date. However, the Bank's securities can be redeemed quarterly and daily at the closing net asset value.

Management reviews the portfolio of securities on an ongoing basis to determine if there have been any unrealized losses that must be recognized into income. The Bank measures expected credit losses on available-for-sale securities based upon the unrealized gain or loss position of the security. For available-for-sale debt securities in an unrealized loss position, the Bank evaluates qualitative criteria to determine any expected loss unless the Bank intends to sell, or it is not more likely than not that the Bank will be required to sell before recovery of the amortized cost. No unrealized losses have been recognized into income during fiscal 2024. No other-than-temporary impairment was recognized during fiscal 2023.

Loans

Total loans, including loans held for sale, totaled $2.76 billion at June 30, 2024, compared to $2.52 billion at June 30, 2023. The increase of $240.8 million, or 9.6%, for fiscal 2024 was principally due to increases in the National Lending Division purchased loan

portfolio and the SBA National Division portfolio, partially offset by a decrease in the Community Banking Division portfolio. The National Lending Division purchased loans totaling $382.0 million and originated loans totaling $399.1 million during fiscal 2024.

The composition of the Bank's loan portfolio (excluding loans held for sale) at the dates indicated is as follows:

	June 30, 2024		June 30, 2023	
	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)			
Commercial real estate	$ 2,028,280	73.85%	$ 1,940,563	77.00%
Commercial and industrial	618,846	22.53%	499,815	19.83%
Residential real estate	99,234	3.61%	79,497	3.15%
Consumer	291	0.01%	485	0.02%
Total loans	2,746,651	100.00%	2,520,360	100.00%
Less: Allowance for credit losses	26,709		7,304	
Loans, net	$ 2,719,942		$ 2,513,056	

The Bank's loan portfolio (excluding loans held for sale) by lending division follows:

	Community Banking	National Lending	SBA Division	Total	Percent of Total
	(Dollars in thousands)				
June 30, 2024					
Originated loans:					
Commercial real estate: NOO Pass	$ 2,375	$ 304,871	$ 3,573	$ 310,819	11.32%
Commercial real estate: NOO Criticized	299	7,528	923	8,750	0.32%
Commercial real estate: O/O Pass	2,587	73,867	9,651	86,105	3.13%
Commercial real estate: O/O Criticized	24	-	116	140	0.01%
Commercial and industrial Pass	1,127	574,329	19,144	594,600	21.65%
Commercial and industrial Criticized	-	6,371	492	6,863	0.25%
Residential real estate	16,001	14,531	-	30,532	1.11%
Consumer	291	-	-	291	0.01%
Subtotal	22,704	981,497	33,899	1,038,100	37.80%
Purchased loans:					
Commercial real estate: NOO Pass	-	1,446,771	-	1,446,771	52.67%
Commercial real estate: NOO Criticized		10,485		10,485	0.38%
Commercial real estate: O/O Pass	-	158,362	-	158,362	5.77%
Commercial real estate: O/O Criticized		6,848		6,848	0.25%
Commercial and industrial Pass	-	15,496	-	15,496	0.56%
Commercial and industrial Criticized		1,887		1,887	0.07%
Residential real estate	-	68,702	-	68,702	2.50%
Subtotal	-	1,708,551	-	1,708,551	62.20%
Total	$ 22,704	$ 2,690,048	$ 33,899	$ 2,746,651	100.00%
June 30, 2023					
Originated loans:					
Commercial real estate: non-owner occupied	$ 3,607	$ 365,906	$ 8,381	$ 377,894	14.99%
Commercial real estate: owner occupied	3,418	96,588	10,760	110,766	4.39%
Commercial and industrial	1,444	472,210	5,732	479,386	19.01%
Residential real estate	18,582	53,128	-	71,710	2.85%
Consumer	485	-	-	485	0.02%
Subtotal	27,536	987,832	24,873	1,040,241	41.27%
Purchased loans:					
Commercial real estate: non-owner occupied	-	1,274,632	-	1,274,632	50.57%
Commercial real estate: owner-occupied	-	177,271	-	177,271	7.03%
Commercial and industrial	-	20,429	-	20,429	0.81%
Residential real estate	-	7,787	-	7,787	0.31%
Subtotal	-	1,480,119	-	1,480,119	58.73%
Total	$ 27,536	$ 2,467,951	$ 24,873	$ 2,520,360	100.00%

The following table summarizes the scheduled maturity of the Bank's loan portfolio at June 30, 2024. Demand loans, loans having no stated repayment schedule, and overdraft loans are reported as being due in less than one year.

	Scheduled Loan Maturities				
	Within One Year	After One Year Through Five Years	After Five Years Through Fifteen Years	After Fifteen Years	Total
			(In thousands)		
Mortgages:					
Residential:					
Originated	$ 12,720	$ 3,733	$ 4,896	$ 9,199	$ 30,548
Purchased	238	35,819	30,349	2,396	68,702
Commercial:					
Originated	143,979	221,342	2,024	38,451	405,796
Purchased	125,213	528,708	478,819	489,727	1,622,467
Non-mortgage loans:					
Commercial:					
Originated	236,634	296,817	23,829	44,182	601,462
Purchased	80	14,331	2,955	16	17,382
Consumer	86	143	56	9	294
Total loans	$ 518,950	$ 1,100,893	$ 542,928	$ 583,880	$ 2,746,651

	Loans Due After One Year, by Interest Rate Type		
	Fixed rate	Floating or Adjustable	Total
		(In thousands)	
Mortgages:			
Residential:			
Originated	$ 10,589	$ 7,219	$ 17,808
Purchased	32,414	36,051	68,465
Commercial:			
Originated	2,392	259,444	261,836
Purchased	535,386	961,868	1,497,254
Non-mortgage loans:			
Commercial:			
Originated	294	364,534	364,828
Purchased	53	17,249	17,302
Consumer	208	-	208
Total	$ 581,336	$ 1,646,365	$ 2,227,701

Approximately 76.3% of total loans were variable rate products at June 30, 2024, compared to 77.2% at June 30, 2023.

Other Assets

Premises and equipment, net, decreased by $593 thousand, or 2.1%, compared to June 30, 2023. The decrease was primarily due to depreciation and disposals, partially offset by additions.

Real estate owned and other repossessed collateral, net, remained at zero at June 30, 2024 and 2023. The real estate and personal property collateral for commercial and consumer loans are recorded at fair value less estimated costs to sell upon transfer to acquired assets.

The cash surrender value of the Bank's bank-owned life insurance ("BOLI") assets increased $466 thousand, or 2.5%, and amounted to $18.8 million and $18.4 million at June 30, 2024 and 2023, respectively. BOLI assets are invested in the general account of three insurance companies and in separate accounts of a fourth insurance company. A general account policy's cash surrender value is supported by the general assets of the insurance company. A separate account policy's cash surrender value is supported by assets segregated from the general assets of the insurance company. Standard and Poor's rated these companies A+ or better at June 30, 2024. Interest earnings, net of mortality costs, increase the cash surrender value. These interest earnings are based on interest rates that reset each year and are subject to minimum guaranteed rates. These increases in cash surrender value are recognized in noninterest income and are not subject to income taxes. Management considers BOLI an illiquid asset. BOLI represented 4.7% of the Bank's total capital at June 30, 2024.

Loan servicing rights, net totaled $984 thousand and $1.5 million at June 30, 2024 and 2023, respectively. The $546 thousand decrease was primarily due to payoffs and amortization.

FHLBB stock totaled $15.8 million and $24.6 million at June 30, 2024 and 2023, respectively. The $8.9 million decrease was the result of the Bank holding less FHLBB stock during fiscal 2024 due to the decrease in FHLBB borrowings.

Deposits

Total deposits increased $402.3 million to $2.34 billion as of June 30, 2024 from $1.94 billion as of June 30, 2023. The increase was primarily due to an increase in time deposits and savings and interest checking deposits, partially offset by a decrease in money market accounts.

As of June 30, 2024, $119.7 million, or 5% of the Bank's total deposits, were uninsured. This balance included $39.9 million of interest reserves and restricted deposit accounts.

The following tables set forth certain information relative to the composition of the Bank's average deposit accounts and the weighted average interest rate on each category of deposits for the periods indicated:

	Average Balance	Weighted Average Rate	Percent of Total Average Deposits
Year Ended June 30, 2024	(Dollars in thousands)		
Non-interest bearing demand deposits and escrow accounts	$ 165,789	0.00%	7.77%
Regular savings	129,455	3.09%	6.07%
NOW accounts	517,134	4.38%	24.23%
Money market accounts	209,080	3.37%	9.80%
Time deposits	1,112,548	4.92%	52.13%
Total average deposits	$ 2,134,006	4.14%	100.00%
Year Ended June 30, 2023			
Non-interest bearing demand deposits and escrow accounts	$ 208,287	0.00%	11.48%
Regular savings	113,678	1.04%	6.26%
NOW accounts	539,022	2.89%	29.70%
Money market accounts	250,152	1.75%	13.78%
Time deposits	703,591	3.83%	38.78%
Total average deposits	$ 1,814,730	2.65%	100.00%

There were $107.1 million and $74.1 million of time deposits greater than $250 thousand as of June 30, 2024 and 2023, respectively.

The scheduled maturity of deposits greater than $250 thousand is set forth below:

	June 30, 2024
	(In thousands)
3 months or less	$ 162,747
Over 3 through 6 months	216,992
Over 6 through 12 months	562,578
Over 12 months	775,373
Total time certificates greater than $250 thousand	$ 1,717,690

Borrowings

FHLBB advances are the Bank's source of funding other than deposits. In fiscal 2024, total borrowings decreased by $217.4 million, or 38.7%, to $345.2 million, to fund loan growth during the year.

Advances from the FHLBB were $345.2 million and $562.6 million at June 30, 2024 and 2023, respectively. Pledges of residential real estate loans, certain commercial real estate loans, securities, and certain FHLBB deposits free of liens or pledges are required to secure outstanding advances and available additional borrowing capacity from the FHLBB. At June 30, 2024, $49.0 million in securities were pledged as collateral to secure potential FHLBB advances as needed, compared to $53.4 million at June 30, 2023.

The Bank can also borrow from the Federal Reserve Bank of Boston (the "FRBB"), with any such borrowing collateralized by commercial real estate loans pledged to the FRBB. At June 30, 2024, we had $448.0 million of available borrowing capacity based on pledged collateral from the FRBB, compared to $325.7 million at June 30, 2023.

Asset Quality

Allowance for Credit Losses

The allowance for credit losses is maintained at a level that management considers adequate to provide for probable credit losses based upon evaluation of known and inherent risks in the loan portfolio. The allowance is generally increased by providing for credit

losses through a charge to expense and by recoveries of portions or all of loans previously charged-off and is reduced by loans being charged-off.

At June 30, 2024, the allowance for credit losses totaled $26.7 million, or 0.97% of total loans, as compared to $7.3 million, or 0.29% of total loans, at June 30, 2023. The year-over-year increase in the Bank's allowance for credit losses was principally the result of the adoption of ASU 2016-13 during the year ended June 30, 2024, which resulted in an increase of $19.4 million, primarily related to the transfer from purchased loan discount to allowance for credit losses. The following table sets forth activity in the Bank's allowance for credit losses for the periods indicated.

	Years Ended June 30,		
	2024	2023	2022
		(Dollars in thousands)	
Allowance at beginning of period	$ 7,304	$ 5,028	$ 7,313
CECL Impact	20,115	-	-
Initial ACL on PCD Loans	3,680	-	-
Loans charged-off during the period:			
Residential real estate	82	1	52
Commercial real estate	2,016	113	123
Commercial and industrial	4,126	242	59
Consumer	55	14	10
Total loans charged-off	6,279	370	244
Recoveries on loans previously charged-off:			
Residential real estate	7	48	29
Commercial real estate	80	280	150
Commercial and industrial	34	15	238
Consumer	-	-	4
Total recoveries	121	343	421
Net loans charged off (recovered)	6,158	27	(177)
Provision (credit) for loan losses	1,768	2,303	(2,462)
Allowance at end of period	$ 26,709	$ 7,304	$ 5,028
Total loans at end of period [1]	$ 2,746,651	$ 2,520,360	$ 1,304,866
Average loans outstanding during the period [1]	2,592,649	2,021,787	1,163,142
Allowance as a percentage of total loans	0.07%	0.29%	0.39%
Ratio of net charge-offs to average loans outstanding	0.24%	0.00%	(0.02%)
Allowance as a percentage of non-performing loans	94.51%	46.57%	38.84%

The following table sets forth charge-offs and recoveries by loan category for the years indicated:

	For the Year Ended June 30,				
	Total Charge-offs	Total Recoveries	Net Charge-offs (Recoveries)	Average Loans	Ratio of Net Charge-offs to Average Loans
			(Dollars in thousands)		
2024:					
Commercial Real Estate	$ 2,016	$ 80	$ 1,936	$ 2,001,003	0.10 %
Commercial and Industrial	4,126	23	4,092	520,080	0.79 %
Residential Real Estate	82	7	75	71,022	0.11 %
Consumer	55	-	56	544	10.29 %
Total	$ 6,279	$ 121	$ 6,159	$ 2,592,649	0.24 %
2023:					
Commercial Real Estate	$ -	$ 66	$ (66)	$ 455,897	(0.01) %
Commercial and Industrial	3	-	3	426,114	0.00 %
SBA	57	2	55	28,138	0.20 %
Residential Real Estate	-	2	(2)	70,032	0.00 %
Consumer	15	-	15	666	2.25 %
Purchased	295	273	22	1,040,940	0.00 %
Total	$ 370	$ 343	$ 27	$ 2,021,787	0.00 %
2022:					
Commercial Real Estate	$ 61	$ 8	$ 53	$ 326,266	0.00 %
Commercial and Industrial	2	1	1	291,609	0.00 %
SBA	24	282	(258)	36,311	(0.71) %
Residential Real Estate	-	29	(29)	50,010	(0.06) %
Consumer	8	4	4	909	0.44 %
Purchased	149	97	52	458,036	0.01 %
Total	$ 244	$ 421	$ (177)	$ 1,163,141	(0.02) %

The following table allocates the allowance for credit losses by loan category and the percent of loans in each category to total loans at the dates indicated below.

	As of June 30,					
	2024		2023		2022	
	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans
			(Dollars in thousands)			
Residential real estate	$ 766	2.87%	$ 281	3.85%	$ 253	5.03%
Commercial real estate	20,121	75.33%	4,200	57.50%	3,201	63.66%
Commercial and industrial	5,822	21.80%	2,814	38.53%	1,564	31.11%
Consumer	-	0.00%	9	0.12%	10	0.20%
Unallocated	-	0.00%	-	0.00%	-	0.00%
Total	$ 26,709	100.00%	$ 7,304	100.00%	$ 5,028	100.00%

As of June 30, 2024, past due loans totaled $26.3 million, or 0.95% of total loans, compared to past due loans totaling $13.1 million, or 0.52% of total loans, as of June 30, 2023.

The following table reflects the annual trend of total loans 30 days or more past due, as a percentage of total loans:

	As of June 30,				
	2024	2023	2022	2021	2020
Past due loans to total loans	0.95%	0.52%	0.53%	1.08%	1.69%

Non-performing Assets

The table below sets forth the amounts and categories of the Bank’s non-performing assets at the dates indicated:

	As of June 30,		
	2024	2023	2022
		(Dollars in thousands)	
Nonperforming loans:			
Originated portfolio:			
Residential real estate	$ 2,502	$ 280	$ 550
Commercial real estate	1,407	3,548	5,031
Commercial and industrial	6,520	520	202
Consumer	-	-	11
Total originated portfolio	10,429	4,348	5,794
Purchased portfolio:			
Residential real estate	1,867	-	71
Commercial and industrial	1,806	778	28
Commercial real estate	14,159	10,557	7,053
Total purchased portfolio	17,832	11,335	7,152
Total nonperforming loans	28,261	15,683	12,946
Real estate owned and other repossessed collateral	-	-	-
Total nonperforming assets	$ 28,261	$ 15,683	$ 12,946
Nonperforming loans that are current	$ 5,843	$ 3,269	$ 6,561
Non-performing loans to total loans	1.02%	0.62%	0.99%
Non-performing assets to total assets	0.90%	0.55%	0.82%

As of June 30, 2024, nonperforming assets totaled $28.3 million, or 0.90% of total assets, compared to $15.7 million, or 0.55% of total assets, as of June 30, 2023.

TDRs represent loans for which concessions (such as extension of repayment terms or reductions of interest rates to below market rates) are granted due to a borrower's financial condition. Such concessions may include reductions of interest rates to below-market terms and/or extension of repayment terms. The balances and payment status of TDRs are as follows:

	June 30, 2023
	(In thousands)
Nonaccrual	$ 3,033
Accrual	21,273
Total TDRs	$ 24,306

At both June 30, 2024 and 2023, the Bank had no real estate owned and other repossessed collateral. The real estate and personal property collateral for commercial and consumer loans are recorded at fair value less estimated costs to sell upon transfer to acquired assets. Revenues and expenses are recognized in the period when received or incurred on other real estate and in substance foreclosures. Gains and losses on disposition are recognized in noninterest income.

The Bank continues to focus on asset quality and allocate significant resources to credit policy, loan review, asset management, collection, and workout functions. Despite this ongoing effort, there can be no assurance that adverse changes in the real estate markets and economic conditions will not result in higher non-performing assets levels in the future and negatively impact our results of operations through higher provision for credit losses, net loan charge-offs, decreased accrual of income and increased noninterest expenses.

Potential Problem Loans

Commercial real estate and commercial loans are periodically evaluated under a ten-point rating system. These ratings are guidelines in assessing the risk of a particular loan. The Bank had $28.1 million and $15.4 million of loans rated substandard or worse at June 30, 2024 and 2023, respectively. The following tables present the Bank's loans by risk rating:

June 30, 2024	Commercial Real Estate	Commercial and Industrial	SBA	Residential[1]	Purchased Portfolio	Total
			(In thousands)			
Loans rated 1- 6 [2]	$ 383,682	$ 560,950	$ 46,874	$ 13,279	$ 1,687,467	$ 2,706,758
Loans rated 7	6,646	-	1,205	-	3,153	11,004
Loans rated 8	1,206	6,371	326	2,306	17,931	28,140
Loans rated 9	-	-	-	-	-	-
Loans rated 10	-	-	-	-	-	-
Total	$ 391,534	$ 567,321	$ 48,405	$ 15,585	$ 1,708,551	$ 2,745,902

June 30, 2023	Commercial Real Estate	Commercial and Industrial	SBA	Residential[1]	Purchased Portfolio	Total
			(In thousands)			
Loans rated 1- 6 [2]	$ 462,249	$ 466,751	$ 23,500	$ 69,424	$ 1,465,933	$ 2,487,857
Loans rated 7	4,415	6,900	283	2,305	2,773	16,676
Loans rated 8	2,855	3	1,090	-	11,413	15,361
Loans rated 9	-	-	-	-	-	-
Loans rated 10	-	-	-	-	-	-
Total	$ 469,519	$ 473,654	$ 24,873	$ 71,729	$ 1,480,119	$ 2,519,894

(1) Certain of the Bank's loans made for commercial purposes, but secured by residential collateral, are rated under the Bank's risk-rating system.
(2) Includes loans rated 11 (P Portfolio)

From March 2020 through June 30, 2023, the Bank granted 317 short-term deferments, none of which remained under deferral as of June 30, 2024. These short-term deferments are not classified as troubled debt restructured loans and will not be reported as past due provided that they are performing in accordance with the modified terms.

Risk Management

Management and the Board of the Bank recognize that taking and managing risk is fundamental to the business of banking. Through the development, implementation, and monitoring of its policies with respect to risk management, the Bank strives to measure, evaluate and control the risks it faces. The Board and management understand that an effective risk management system is critical to the Bank's safety and soundness. Chief among the risks faced by us are credit risk, market risk (including interest rate risk), liquidity risk, and operational (transaction) risk.

Credit Risk

The Bank considers credit risk to be the most significant risk that it faces, in that it has the greatest potential to affect the financial condition and operating results of the Bank. Credit risk is managed through a combination of policies and limits established by the Board, the monitoring of compliance with these policies and limits, and the periodic evaluation of loans in the portfolio, including those with problem characteristics. The Bank also utilizes the services of independent third parties to provide loan review services, which consist of a variety of monitoring techniques after a loan is purchased or originated.

In general, the Bank's policies establish limits on the maximum amount of credit that may be granted to a single borrower (including affiliates), the aggregate amount of loans outstanding by type in relation to total assets and capital, and concentrations of loans by size, property type, and geography. Underwriting criteria, such as collateral and debt service coverage ratios and approval limits are also specified in loan policies. The Bank's policies also address the performance of periodic credit reviews, the risk rating of loans, when loans should be placed on non-performing status and factors that should be considered in establishing the Bank's allowance for credit losses. For additional information, refer to "Asset Quality" above and Item 1, "Business—Lending Activities."

Market Risk

Market risk is the risk of loss due to adverse changes in market prices and rates, and typically encompasses exposures such as sensitivity to changes in market interest rates, foreign currency exchange rates, and commodity prices. The Bank has no exposure to

foreign currency exchange or commodity price movements. Because net interest income is our primary source of revenue, interest rate risk is a significant market risk to which the Bank is exposed.

Interest rate risk can be defined as the exposure of future net interest income to adverse movements in interest rates. Net interest income is affected by changes in interest rates as well as by fluctuations in the level, mix and duration of the Bank's assets and liabilities. Over and above the influence that interest rates have on net interest income, changes in rates also affect the volume of lending activity, the ability of borrowers to repay loans, the volume of loan prepayments, the flow and mix of deposits, and the market value of the Bank's assets and liabilities.

The Bank's management has established an Asset Liability Management Committee ("ALCO"), which is responsible for managing the Bank's interest rate risk in accordance with policies and limits approved by the Board. With regard to the management of market risk, the ALCO is in charge of managing the Bank's mix of assets and funding sources to produce results that are consistent with the Bank's liquidity, capital adequacy, growth, and profitability goals.

Exposure to interest rate risk is managed by the Bank through periodic evaluations of the current interest rate risk inherent in its rate-sensitive assets and liabilities, coupled with determinations of the level of risk considered appropriate given the Bank's capital and liquidity requirements, business strategy, and performance objectives. Through such management, the Bank seeks to mitigate the potential volatility in its net interest income due to changes in interest rates in a manner consistent with the risk appetite established by the Board.

The ALCO's primary tool for measuring, evaluating, and managing interest rate risk is income simulation analysis. Income simulation analysis measures the interest rate risk inherent in the Bank's balance sheet at a given point in time by showing the effect of interest rate shifts on net interest income over defined time horizons. These simulations take into account the specific repricing, maturity, prepayment and call options of financial instruments that vary under different interest rate scenarios. The ALCO reviews simulation results to determine whether the exposure to a decline in net interest income remains within established tolerance levels over the simulation horizons and to develop appropriate strategies to manage this exposure. The Bank considers a variety of specified rate scenarios, including instantaneous rate shocks, against static (or flat) rates when measuring interest rate risk, and evaluates results over two consecutive twelve-month periods. All changes are measured in comparison to the projected net interest income that would result from an "unchanged" scenario, where interest rates remain stable over the measured time horizon(s). As of June 30, 2024, the income simulation analysis for the first twelve-month period indicated that exposure to changing interest rates fell within the Bank's policy levels of tolerance.

While the ALCO reviews simulation assumptions to ensure they are reasonable, and back-tests simulation results on a periodic basis as a monitoring tool, income simulation analysis may not always prove to be an accurate indicator of the Bank's interest rate risk or future earnings. There are inherent shortcomings in income simulation, given the number and variety of assumptions that must be made to perform it. For example, the projected level of future market interest rates and the shape of future interest rate yield curves have a major impact on income simulation results. Many assumptions concerning the repricing of financial instruments, the degree to which non-maturity deposits react to changes in market rates, and the expected prepayment rates on loans, mortgage-backed securities, and callable debt securities are also inherently uncertain. In addition, as income simulation analysis assumes that the Bank's balance sheet will remain static over the simulation horizon, the results do not reflect the Bank's expectations for future balance sheet growth, nor changes in business strategy that the Bank could implement in response to rate shifts to mitigate its loss exposures. As such, although the analysis described above provides an indication of the Bank's sensitivity to interest rate changes at a point in time, these estimates are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on the Bank's net interest income and will differ from actual results.

Assuming a 200 basis point increase and 100 basis point decrease in interest rates starting on June 30, 2024, we estimate that our net interest income in the following 12 months would decrease by 0.3% if rates increased by 200 basis points and increase by 0.7% if rates declined by 100 basis points. These results indicate a low level of liability sensitivity in our balance sheet. A liability-sensitive position indicates that there are more rate-sensitive liabilities than rate-sensitive assets repricing or maturing within specific time horizons, which would generally imply a favorable impact on net interest income in periods of falling interest rates and a negative impact in periods of rising rates. An asset-sensitive position would generally imply a positive impact on net interest income in periods of rising rates and a negative impact in periods of falling rates.

	Up 200 Basis Points	Down 100 Basis Points
June 30, 2024	(0.3%)	0.7%
June 30, 2023	2.0%	(0.4%)

Liquidity Risk

Liquidity risk is defined as the risk associated with an organization's ability to meet current and future financial obligations of a short-term nature. The Bank uses its liquidity on a regular basis to fund existing and future loan commitments, to pay interest on deposits and on borrowings, to fund maturing certificates of deposit and borrowings, to fund other deposit withdrawals, to invest in other interest-earning assets, to make dividend payments to shareholders, and to meet operating expenses. The Bank's primary sources of liquidity consist of deposit inflows, FHLBB advances, and the amortization, prepayment and maturities of loans and securities. While scheduled payments from the amortization and maturities of loans and securities are relatively predictable sources of funds, deposit flows and loan and investment prepayments can be greatly influenced by general interest rates, economic conditions and competition. In addition to these regular sources of funds, the Bank may choose to sell portfolio loans and securities to meet liquidity demands.

We monitor and forecast our liquidity position. There are several interdependent methods used by us for this purpose, including daily review of Federal Funds positions, monthly review of balance sheet changes, monthly review of liquidity ratios, quarterly review of liquidity forecasts and periodic review of contingent funding plans. Using these methods, the Bank actively manages its liquidity position under the direction of the ALCO.

The following is a summary of the unused borrowing capacity of the Bank at June 30, 2024 available to meet our short-term funding needs:

	As of June 30, 2024 (In thousands)	
Brokered time deposits	$ 695,450	Subject to policy limitation of 50% of total assets
Federal Home Loan Bank of Boston	447,953	Unused advance capacity subject to eligible and qualified collateral
Federal Reserve Borrower-in-Custody	201,937	Unused advance capacity subject to eligible and qualified collateral
Other available lines	7,500	
Total unused borrowing capacity	$ 1,352,840	

Retail deposits and other core deposit sources, including deposit listing services, are used by the Bank to manage its overall liquidity position. Additionally, the Bank uses wholesale funding, such as FHLBB advances and brokered deposits, as a source of liquidity, and also has the ability to raise additional amounts, which remains an important part of our liquidity contingency planning. While we closely monitor and forecast our liquidity position, it is affected by asset growth, deposit withdrawals and meeting other contractual obligations and commitments. The accuracy of our forecast assumptions may increase or decrease our overall available liquidity. To utilize the FHLBB advance capacity, the purchase of additional capital stock in the FHLBB may be required.

At June 30, 2024, the Bank had $1.35 billion of immediately accessible additional liquidity, defined as cash that the Bank reasonably believes could be raised within seven days in addition to what the Bank has through collateralized borrowings, brokered deposits or security sales. This position represented 43.2% of total assets. The Bank also had $242.2 million of cash and cash equivalents at June 30, 2024.

Management believes that there are adequate funding sources to meet its liquidity needs for the foreseeable future. Primary funding sources are the repayment of principal and interest on loans, the renewal of time deposits, brokered time deposits, the potential for growth in the deposit base, and the credit availability from the FHLBB and the FRBB. Management does not believe that the terms and conditions that will be present at the renewal of these funding sources will significantly impact the Bank’s operations, due to its management of the maturities of its assets and liabilities.

Operational Risk

Operational risk, which we define as the risk of loss from failed internal processes, people and systems, and external events, is inherent in all of our business activities. The principal ways in which we manage operational risk include the establishment of departmental and business-specific policies and procedures, internal controls and monitoring requirements. Some specific examples include our information security program, business continuity planning and testing, our vendor management program, reconciliation processes, our enterprise risk assessment process, and new product and/or system introduction processes. Periodic internal audits provide an important independent check on adherence to policies, procedures and controls designed to mitigate risk exposure.

To address these risks, management has a Senior Management Risk and Compliance Committee, whose responsibility is to proactively identify, accurately measure, and adequately monitor and control the risks assumed by the Bank in its various products and lines of business to ensure safe and sound operations and that the risks assumed by the Bank are consistent with the risk appetite established by the Board.

Off-Balance Sheet Risk

The Bank is a party to financial instruments some of which have off-balance sheet risk in the normal course of business. These financial instruments include commitments to extend credit, unused lines of credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amounts recognized on the balance sheet. The contract or notional amounts of these instruments reflect the extent of the Bank's involvement in particular classes of financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, unused lines of credit and standby letters of credit is represented by the contractual amount of those instruments. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements. To control the credit risk associated with entering into commitments and issuing letters of credit, the Bank uses the same credit quality, collateral policies, and monitoring controls in making commitments and letters of credit as it does with its lending activities.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

Unused lines of credit and commitments to extend credit typically result in loans with a market interest rate.

A summary of the amounts of the Bank's contractual obligations and other commitments with off-balance sheet risk as of June 30, 2024 follows:

	Payments Due – By Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
			(In thousands)		
Contractual obligations:					
Federal Home Loan Bank advances	$ 345,190	$ -	$ 83,801	$ 261,389	$ -
Lease liability	25,949	2,429	5,000	5,171	13,349
Total contractual obligations	$ 371,140	$ 2,429	$ 88,801	$ 266,560	$ 13,349

	Amount of Commitment Expiring – By Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
			(In thousands)		
Commitments with off-balance sheet risk:					
Commitments to extend credit	$ 24,399	$ 24,399	$ -	$ -	$ -
Unused lines of credit	21,560	6,635	14,079	-	846
Standby letters of credit	-	-	-	-	-
Total commitments	$ 45,959	$ 31,034	$ 14,079	$ -	$ 846

Capital

Shareholders' equity was $376.6 million at June 30, 2024, an increase of $80.0 million, or 27.0%, from June 30, 2023, primarily due to net income of $58.2 million, the issuance of 342 thousand shares of voting common stock, which added $18.2 million to shareholders' equity, stock-based compensation of $5.3 million, and other miscellaneous items that resulted in a net decrease of $1.8 million to shareholders' equity.

See Note 7 of the Notes to the Financial Statements for information on the Bank's capital ratios. Regulatory capital ratios for the Bank currently exceed all applicable requirements.

Impact of Inflation

The financial statements and related notes have been presented in terms of historic dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike industrial companies, nearly all of the assets and virtually all of the liabilities of the Bank are monetary in nature. As a result, interest rates have a more significant impact on the Bank's performance than the general level of inflation. Over short periods of time, interest rates may not necessarily move in the same direction or in the same magnitude as inflation.

Impact of New Accounting Standards

Note 1 of the Notes to the Financial Statement includes the FASB issued statements and interpretations affecting the Bank.

Critical Accounting Policies and Estimates

Critical accounting policies are those that involve significant judgments and assessments by management, and that could potentially result in materially different results under different assumptions and conditions. The Bank considers the following to be its critical accounting policies:

Allowance for Credit Losses

The allowance for credit losses represents management's estimate of expected losses over the life of the loan portfolio. The allowance for credit losses consists of the allowance for credit losses and reserve for unfunded commitments, which are classified as a contra-asset and liability within other liabilities, respectively, on the balance sheet. Additions to the allowance for credit losses are made by charges to the provision for credit losses. Losses on loans are added to the allowance when all or a portion of a loan is considered uncollectible. The determination of the loans on which full collectability is not reasonably assured, the estimates of the fair value of the underlying collateral, and the assessment of economic and other conditions are subject to assumptions and judgments by management. Valuation allowances could differ materially as a result of changes in, or different interpretations of, these assumptions and judgments.

Management evaluates the adequacy of the allowance on a quarterly basis. As a result of the adoption of ASU 2016-13 effective July 1, 2023, the Bank updated its accounting policy for the allowance for credit losses. The updates in this standard replace the incurred loss impairment GAAP methodology with the Current Expected Credit Losses ("CECL") methodology. The CECL methodology incorporates current conditions, and "reasonable and supportable" forecasts, as well as prepayments, to estimate credit losses over the life of the loan.

See Note 1, “Summary of Significant Accounting Policies,” and Note 4, "Loans, Allowance for Credit Losses and Credit Quality," to the financial statements for further discussion on the new policy and processes.

Purchased Loans

Loans that the Bank purchases are initially recorded at fair value with a related allowance for credit losses, as applicable. Determining the fair value of the purchased loans involves estimating the amount and timing of principal and interest cash flows initially expected to be collected on the loans and discounting those cash flows at an appropriate market rate of interest. The Bank continues to evaluate the reasonableness of expectations for the timing and the amount of cash to be collected. Subsequent decreases in expected cash flows may result in changes in the amortization or accretion of fair market value adjustments, and in some cases may result in additional allowance for credit losses recorded through the provision for credit losses.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management” for quantitative and qualitative disclosures about market risk.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Northeast Bank

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Northeast Bank (the Bank) as of June 30, 2024 and 2023, the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended June 30, 2024, and the related notes to the financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Bank's internal control over financial reporting as of June 30, 2024, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated September 18, 2024, expressed an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting.

Adoption of New Accounting Standard

As described in Note 1 and 3 to the financial statements, the Bank has changed its method of accounting for credit losses on financial instruments in the year ended June 30, 2024, due to the adoption of Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments*.

Basis for Opinion

These financial statements are the responsibility of the Bank’s management. Our responsibility is to express an opinion on the Bank’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Bank in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that is material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Credit Losses

As described in Note 1 and Note 3 of the financial statements, the Bank’s allowance for credit losses totaled $26.7 million as of June 30, 2024. On July 1, 2023, the Bank adopted Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changed the impairment model from an incurred loss model to an expected loss model. The allowance under the expected loss model is an estimate of life-of-loan losses for the Bank’s loans.

The allowance consists of two components: an asset-specific component for estimating credit losses for individual loans that do not share similar risk characteristics with other loans and a pooled component for estimating credit losses for pools of loans that share similar risk characteristics. The allowance for the pooled component includes a qualitative factor adjustment that is derived from an estimate of expected credit losses primarily using an expected loss methodology that incorporates risk parameters such as probability of default (“PD”) and loss given default (“LGD”) which are derived from internally developed model estimation approaches, and

which vary if the loan portfolio is originated or purchased. The PD represents the best estimate of the loans in the portfolio to enter a state of default, which is inherently forward-looking, and therefore incorporates both recent data as well as supportable estimates of the future delinquency of the portfolio and may be a function of forecasts, including economic forecasts. The LGD is derived from both the Bank's internally developed stress scenarios on the underlying real estate collateral securing loans, which vary by collateral type and loan risk characteristics, and from actual internal loss data on loan portfolios that have experienced losses.

We identified the determination and evaluation of the PD and LGD models of the qualitative factor adjustment as a critical audit matter because auditing the underlying assumptions in the allowance model involves a high degree of complexity and auditor judgment given the high degree of subjectivity exercised by management in developing the allowance for credit losses for loans. These assumptions in the models include the PD estimate of the loans in the portfolio to enter a state of default, which is inherently forward-looking, and the LGD estimate which is partially derived from internally developed stress scenarios on the underlying real estate collateral securing loans,

Our audit procedures related to management's evaluation and establishment of the PD and LGD models of the qualitative factor adjustment for the allowance for credit losses for collectively evaluated loans included the following, among others:

- We obtained an understanding of the relevant controls related to the PD and LGD models of the qualitative factor adjustment for the allowance for credit losses and tested such controls for design and operating effectiveness, including controls over management's establishment, review and approval of these models and factors.
- We tested management's process and significant judgments in the evaluation and establishment of the PD and LGD models of the qualitative factor adjustment for the allowance for credit losses for collectively evaluated loans, which included:
    - Validating the source information and data used by management in the PD and LGD models by comparing to the relevant internal or external information and data from which it was derived, as well as testing the completeness and accuracy of the source information and data used by management.
    - Evaluating the reasonableness of management's judgments related to the PD and LGD models, which include the internally developed stress scenarios performed, and the correlation to potential losses by evaluating the adjustments in terms of magnitude and directional consistency based on the inputs to the models that were derived from the underlying source information and data utilized in the determination of the qualitative factors.

/s/ RSM US LLP

We have served as the Bank's auditor since 2015.

Philadelphia, Pennsylvania
September 18, 2024

NORTHEAST BANK
BALANCE SHEETS
(In thousands, except share and per share data)

	June 30, 2024	June 30, 2023
Assets		
Cash and due from banks	$ 2,711	$ 2,515
Short-term investments	239,447	195,394
Total cash and cash equivalents	242,158	197,909
Available-for-sale debt securities, at fair value	48,978	53,404
Equity securities, at fair value	7,013	6,770
Total securities	55,991	60,174
SBA loans held for sale	14,506	-
Loans:		
Commercial real estate	2,028,280	1,940,563
Commercial and industrial	618,846	499,815
Residential real estate	99,234	79,497
Consumer	291	485
Total loans	2,746,651	2,520,360
Less: Allowance for credit losses	26,709	7,304
Loans, net	2,719,942	2,513,056
Premises and equipment, net	27,144	27,737
Federal Home Loan Bank stock, at cost	15,751	24,644
Loan servicing rights, net	984	1,530
Bank-owned life insurance	18,830	18,364
Accrued interest receivable	15,163	6,638
Other assets	21,734	19,886
Total assets	$ 3,132,203	$ 2,869,938
Liabilities and Shareholders' Equity		
Deposits:		
Demand	$ 146,727	$ 143,738
Savings and interest checking	732,029	596,347
Money market	154,504	277,939
Time	1,306,203	919,183
Total deposits	2,339,463	1,937,207
Short-term Federal Home Loan Bank advances	-	311,000
Long-term Federal Home Loan Bank advances	345,190	251,615
Lease liability	20,252	21,918
Other liabilities	50,664	51,535
Total liabilities	2,755,569	2,573,275
Commitments and contingencies (Note 12)		
Shareholders' equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at June 30, 2024 and 2023	-	-
Voting common stock, $1.00 par value, 25,000,000 shares authorized; 8,127,690 and 7,668,650 shares issued and outstanding at June 30, 2024 and 2023, respectively	8,128	7,669
Non-voting common stock, $1.00 par value, 3,000,000 shares authorized; No shares issued and outstanding at June 30, 2024 and 2023	-	-
Additional paid-in capital	64,762	42,840
Retained earnings	303,927	246,872
Accumulated other comprehensive loss	(183)	(718)
Total shareholders' equity	376,634	296,663
Total liabilities and shareholders' equity	$ 3,132,203	$ 2,869,938

The accompanying notes are an integral part of these financial statements.

NORTHEAST BANK
STATEMENTS OF INCOME
(Dollars in thousands, except share and per share data)

	Years Ended June 30,		
	2024	2023	2022
Interest and dividend income:			
Interest and fees on loans	$ 242,722	$ 168,894	$ 87,592
Interest on available-for-sale securities	2,246	1,122	316
Other interest and dividend income	12,918	7,155	628
Total interest and dividend income	257,886	177,171	88,536
Interest expense:			
Deposits	88,391	48,076	4,529
Federal Home Loan Bank advances	20,032	10,225	493
Obligation under lease agreements	891	74	90
Total interest expense	109,314	58,375	5,112
Net interest and dividend income before provision (credit) for loan losses	148,572	118,796	83,424
Provision (credit) for loan losses	1,768	2,303	(2,462)
Net interest and dividend income after provision (credit) for loan losses	146,804	116,493	85,886
Noninterest income:			
Fees for other services to customers	1,684	1,589	1,646
Gain on sales of PPP loans	-	-	86
Gain on sales of SBA loans	3,296	576	-
Net unrealized gain (loss) on equity securities	(4)	(208)	(511)
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	(29)	(73)	155
Correspondent fee income	222	2,534	22,528
Bank-owned life insurance income	466	443	424
Other noninterest income	245	301	117
Total noninterest income	5,880	5,258	24,445
Noninterest expense:			
Salaries and employee benefits	41,613	35,721	31,138
Occupancy and equipment expense	4,272	4,214	3,558
Professional fees	2,365	2,554	1,891
Data processing fees	5,324	4,995	4,544
Marketing expense	1,000	922	733
Loan acquisition and collection expense	3,255	2,514	3,202
FDIC insurance expense	1,262	1,224	395
Other noninterest expense	5,477	4,392	3,322
Total noninterest expense	64,568	56,536	48,783
Income before income tax expense	88,116	65,215	61,548
Income tax expense	29,885	21,028	19,385
Net income	$ 58,231	$ 44,187	$ 42,163
Weighted-average shares outstanding:			
Basic	7,573,217	7,345,253	7,806,626
Diluted	7,679,007	7,413,932	7,902,610
Earnings per common share:			
Basic	$ 7.69	$ 6.02	$ 5.40
Diluted	7.58	5.96	5.34
Cash dividends declared per common share	$ 0.04	$ 0.04	$ 0.04

The accompanying notes are an integral part of these financial statements.

NORTHEAST BANK
STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Years Ended June 30,		
	2024	2023	2022
Net income	$ 58,231	$ 44,187	$ 42,163
Other comprehensive income, before tax:			
Change in net unrealized gain or loss on available-for-sale securities	733	(40)	(1,183)
Change in accumulated loss on effective cash flow hedges	-	221	1,813
Total other comprehensive income, before tax	733	181	630
Income tax expense related to other comprehensive income	198	49	168
Other comprehensive income, net of tax	535	132	462
Comprehensive income	$ 58,766	$ 44,319	$ 42,625

The accompanying notes are an integral part of these financial statements.

NORTHEAST BANK
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands, except share and per share data)

	Preferred Stock		Voting Common Stock		Non-voting Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at June 30, 2021	-	$ -	8,150,480	$ 8,150	-	$ -	$ 64,420	$ 161,132	$ (1,312)	$ 232,391
Net income	-	-	-	-	-	-	-	42,163	-	42,163
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	462	462
Common stock repurchased	-	-	(820,696)	(821)	-	-	(27,159)	-	-	(27,980)
Dividends on common stock at $0.04 per share	-	-	-	-	-	-	-	(315)	-	(315)
Stock-based compensation	-	-	-	-	-	-	1,869	-	-	1,869
Issuance of restricted common stock	-	-	136,575	136	-	-	(136)	-	-	-
Cancellations and forfeiture of restricted common stock	-	-	(29,674)	(30)	-	-	(189)	-	-	(219)
Stock options exercised, net	-	-	5,420	6	-	-	(56)	-	-	(50)
Balance at June 30, 2022	-	-	7,442,103	7,442	-	-	38,749	202,980	(1,312)	248,321
Net income	-	-	-	-	-	-	-	44,187	-	44,187
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	132	132
Common stock issued, net of issuance costs	-	-	193,611	194	-	-	7,801	-	-	7,995
Common stock repurchased	-	-	(135,883)	(136)	-	-	(5,027)	-	-	(5,163)
Dividends on common stock at $0.04 per share	-	-	-	-	-	-	-	(295)	-	(295)
Stock-based compensation	-	-	-	-	-	-	3,426	-	-	3,426
Issuance of restricted common stock	-	-	132,715	133	-	-	(133)	-	-	-
Cancellations and forfeiture of restricted common stock	-	-	(13,436)	(13)	-	-	(438)	-	-	(451)
Stock options exercised, net	-	-	49,540	49	-	-	(1,538)	-	-	(1,489)
Balance at June 30, 2023	-	-	7,668,650	7,669	-	-	42,840	246,872	(718)	296,663
Cumulative effect adjustment due to adoption of CECL accounting standard under ASC 326, net of income taxes	-	-	-	-	-	-	-	(870)	-	(870)
Net income	-	-	-	-	-	-	-	58,231	-	58,231
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	535	535
Common stock issued, net of issuance costs	-	-	342,896	342	-	-	17,901	-	-	18,243
Dividends on common stock at $0.04 per share	-	-	-	-	-	-	-	(306)	-	(306)
Stock-based compensation	-	-	-	-	-	-	5,302	-	-	5,302
Issuance of restricted common stock	-	-	157,991	158	-	-	(158)	-	-	-
Cancellations and forfeiture of restricted common stock	-	-	(41,847)	(41)	-	-	(1,123)	-	-	(1,164)
Balance at June 30, 2024	-	$ -	8,127,690	$ 8,128	-	$ -	$ 64,762	$ 303,927	$ (183)	$ 376,634

The accompanying notes are an integral part of these financial statements.

NORTHEAST BANK
STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended June 30,		
	2024	2023	2022
Operating activities:			
Net income	$ 58,231	$ 44,187	$ 42,163
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision (credit) for loan losses	1,768	2,303	(2,462)
(Gain) loss recognized on real estate owned and other repossessed collateral and premises and equipment, net	(11)	73	(155)
Net unrealized loss on equity securities	4	208	511
Accretion of fair value adjustments on loans, net	(44,395)	(9,998)	(11,378)
Originations of loans held for sale	(75,666)	(11,987)	(6,333)
Net proceeds from sales of loans held for sale	68,879	13,202	6,232
Gain on sales of SBA and other loans held for sale, net	(3,296)	(576)	-
Gain on sales of PPP loans, net	-	-	(86)
Net change in loan servicing rights	546	(245)	776
Bank-owned life insurance income, net	(466)	(443)	(424)
Depreciation of premises and equipment	3,063	3,212	2,603
Deferred income tax expense (benefit)	(285)	(4,720)	819
Stock-based compensation	5,302	3,426	1,869
Amortization of investment securities, net	(316)	146	474
Changes in other assets and liabilities:			
Other assets	(9,926)	(3,142)	10,249
Other liabilities	871	24,462	(14,361)
Net cash provided by operating activities	2,561	60,108	30,497
Investing activities:			
Purchases of investment securities	(20,599)	(26,049)	(16,925)
Proceeds from maturities and principal payments on securities	25,827	27,190	20,015
Loan purchases	(382,047)	(1,143,786)	(187,914)
Loan originations, principal collections, and purchased loan paydowns, net	212,006	(62,736)	(64,639)
Purchases and disposals of premises and equipment, net	(2,450)	(2,464)	(1,056)
Proceeds from sales of real estate owned and other repossessed collateral	120	61	1,972
Purchases of Federal Home Loan Bank stock	(17,942)	(75,509)	(401)
Redemptions of Federal Home Loan Bank stock	26,835	52,475	-
Net cash used in investing activities	(158,250)	(1,230,458)	(248,948)
Financing activities:			
Net change in deposits	402,256	649,514	(574,737)
Proceeds from short-term Federal Home Loan Bank advances, net	(311,000)	296,000	-
Proceeds from long-term Federal Home Loan Bank advances	115,999	260,000	-
Paydowns on long-term Federal Home Loan Bank advances	(22,424)	(8,385)	-
Dividends paid on common stock	(306)	(295)	(315)
Issuances of common stock	18,243	7,995	-
Repurchases of common stock	-	(5,163)	(27,980)
Repayment of subordinated debt	-	-	(15,050)
Repayment of lease liability	(1,666)	(1,546)	(1,610)
Cancellations for tax withholdings on restricted common stock	(1,164)	(451)	(219)
Stock options exercised, net	-	(1,489)	(50)
Net cash provided by (used in) financing activities	199,938	1,196,180	(619,961)
Net change in cash and cash equivalents	44,249	25,830	(838,412)
Cash and cash equivalents, beginning of year	197,909	172,079	1,010,491
Cash and cash equivalents, end of year	$ 242,158	$ 197,909	$ 172,079
Supplemental schedule of cash flow information:			
Interest paid	$ 108,413	$ 46,459	$ 5,726
Income taxes paid, net	35,517	28,252	17,993
Supplemental schedule of noncash investing and financing activities:			
Transfers from loans to allowance for credit losses	18,885	-	-
Transfers from retained earnings and deferred tax asset to allowance for credit losses	1,230	-	-
Transfers from loans to real estate owned and other repossessed collateral, net	$ 129	$ -	$ 53
Transfers from fixed assets to real estate owned and other repossessed collateral, net	-	90	118
Capitalization of lease liability	-	19,013	-

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Northeast Bank (the "Bank") conform to accounting principles generally accepted in the United States of America ("US GAAP") and conform to practices within the financial services industry.

Business

The Bank is a Maine state-chartered bank. The Bank is subject to supervision and regulation by Maine Bureau of Financial Institutions (the "Bureau") and the FDIC. The Bank faces competition from banks and other financial institutions. The Bank provides a range of banking services to individual and corporate customers throughout south-central and western Maine and conducts loan purchasing and origination activities nationwide.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the current year's presentation. These reclassifications did not impact previously reported net income or shareholders' equity.

Use of Estimates

The financial statements have been prepared in conformity with US GAAP. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and reported amounts of revenue and expenses during the reporting periods. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, the determination of fair values in conjunction with the application of loan acquisition accounting, fair value of securities, and the ongoing evaluation of assets for potential impairment.

Concentrations of Credit Risk

Most of the Community Banking Division's business activity is with customers located within the State of Maine. However, the business activities of the Bank's National Lending Division are diversified across the country. In all regions, the Bank's focus is to originate and purchase commercial real estate and commercial and industrial loans. Repayment of loans is expected from cash flows of the borrower. Losses on secured loans are limited by the value of the collateral upon default of the borrowers. The Bank does not have any significant concentrations to any one industry or customer.

Cash and Cash Equivalents

For purposes of presentation in the statements of cash flows, cash and cash equivalents consist of cash and due from banks and short-term investments. The Bank is required to maintain a certain reserve balance in the form of cash or deposits with other financial institutions. At both June 30, 2024 and 2023, such reserve balances totaled $100 thousand.

Securities

Securities for which the Bank has the positive intent and ability to hold to maturity are classified as held to maturity and carried at amortized cost. Those securities held for indefinite periods of time, but not necessarily to maturity are classified as available-for-sale. Securities held for indefinite periods of time include securities that management

intends to use as part of its asset/liability, liquidity, or capital management strategies and may be sold in response to changes in interest rates, maturities, asset/liability mix, liquidity needs, regulatory capital needs or other business factors. Debt securities available-for-sale are carried at estimated fair value with unrealized gains and losses reported on an after-tax basis in shareholders' equity as accumulated other comprehensive income or loss. Equity investments measured at net asset value are carried at estimated fair value with changes in unrealized gains and losses recorded in noninterest income in the statements of income.

Interest and dividends on securities are recorded on the accrual method. Premiums and discounts on securities are amortized or accreted into interest income by the level-yield method over the remaining period to contractual maturity, adjusted for the effect of actual prepayments in the case of mortgage-backed securities. These estimates of prepayment assumptions are made based upon the actual performance of the underlying security, current interest rates, the general market consensus regarding changes in mortgage interest rates, the contractual repayment terms of the underlying loans, the priority rights of the investors to the cash flows from the mortgage securities and other economic conditions. When differences arise between anticipated prepayments and actual prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments. Unamortized premium or discount is adjusted to the amount that would have existed had the new effective yield been applied since purchase, with a corresponding charge or credit to interest income.

Security transactions are recorded on the trade date. Realized gains and losses are determined using the specific identification method and are recorded in noninterest income.

In accordance with ASC "Financial Instruments—Credit Losses (Topic 326), the Bank's expected credit losses on available-for-sale debt securities are presented as an allowance rather than as a write-down. The Bank measures expected credit losses on available-for-sale securities based upon the unrealized gain or loss position of the security. For available-for-sale debt securities in an unrealized loss position, the Bank evaluates qualitative criteria to determine any expected loss unless the Bank intends to sell, or it is not more likely than not that the Bank will be required to sell before recovery of the amortized cost. In the latter two circumstances, the Bank recognizes the entire difference between the security’s amortized cost basis and its fair value as a write-down of the investment balance with a charge to earnings. Otherwise, management’s analysis considers various factors, which include among other considerations (1) the present value of the cash flows expected to be collected compared to the amortized cost of the security, (2) duration and magnitude of the decline in value, (3) the financial condition of the issuer or issuers, and (4) structure of the security. If the Bank does not expect to recover the entire amortized cost basis of the security, an allowance for credit losses for available-for-sale securities would be recorded, with a related charge to earnings, limited by the difference of the amortized cost of the security to its fair value. Subsequent measurements of the ACL for available-for-sale securities may result in a reversal the allowance for credit losses, not to exceed the amount initially recognized. In addition, the Bank has elected to exclude accrued interest from the measurement of the allowance for credit losses for available-for-sale debt securities and to continue to write-off uncollectible accrued interest receivable by reversing interest income.

Federal Home Loan Bank Stock

During the periods presented, the Bank has owned an investment in the stock of the Federal Home Loan Bank of Boston ("FHLBB"). No readily-available market exists for this stock, and it has no quoted market value. The Bank, as a member of the FHLBB, is required to maintain investments in the capital stock of the FHLBB equal to their membership base investments plus an activity-based investment determined according to the Bank's level of outstanding FHLBB advances. The Bank reviews its investments in FHLBB stock periodically to determine whether an ACL is required. The Bank reviews recent public filings, rating agency analysis and other factors, when making the determination. As of June 30, 2024, no ACL has been recognized.

Loans Held for Sale and Loan Servicing

Loans originated and held for sale in the secondary market are carried at the lower of cost or fair value with any losses recognized in non-interest income. U.S. Small Business Administration (“SBA”) loans are designated as held for sale based on intent to sell, which is determined on a quarterly basis. The guaranteed portions of the loans are

transferred to held for sale and are carried at the lower of cost or fair value. Realized gains and losses on sales of residential loans are determined using the specific identification method and realized gains and losses on sales of SBA loans are determined using the allocation of participating interests sold and retained. Direct loan origination costs and fees related to loans held for sale are deferred upon origination and are recognized as an adjustment to the gain or loss on the date of sale.

The Bank recognizes the SBA servicing rights as separate assets, which is classified as servicing rights, net, on the balance sheet. The Bank capitalizes SBA servicing rights at the net present value of the fee income and servicing cost spread upon the sale of the related loans. The Bank uses the amortization method to subsequently measure servicing assets. The SBA servicing rights are amortized over the estimated weighted average life of the loans. The Bank's assumptions with respect to prepayments, which affect the estimated average life of the loans, are adjusted quarterly and as necessary to reflect current circumstances. The Bank evaluates the estimated life and fair value of its servicing portfolio based on data that is disaggregated to reflect note rate, type, and term on the underlying loans. The Bank performs an assessment of capitalized SBA servicing rights for impairment based on the current fair value of those rights. Fair value of the servicing rights is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, prepayment speeds and default rates and losses. Impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount. If the Bank later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income.

<u>*Loans*</u>

Loans are carried at the principal amounts outstanding or amortized acquired fair value, in the case of acquired loans, adjusted by partial charge-offs and net of deferred loan costs or fees and purchase discounts or premiums. Loan fees, certain direct origination costs, and purchase discounts are deferred and amortized into interest income over the expected term of the loan using the level-yield method. When a loan is paid off, the unamortized portion is recognized in interest income. Interest income is accrued based upon the daily principal amount outstanding except for loans on nonaccrual status.

Prior to the adoption of ASU 2016-13, loans purchased by the Bank were accounted for under ASC 310-30, *Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30"). At acquisition, the effective interest rate was determined based on the discount rate that equates the present value of the Bank's estimate of cash flows with the purchase price of the loan. The application of ASC 310-30 limits the yield that may be accreted on the purchased loan, or the "accretable yield," to the excess of the Bank's estimate, at acquisition, of the expected undiscounted principal, interest, and other cash flows over the Bank's initial investment in the loan. The excess of contractually required payments receivable over the cash flows expected to be collected on the loan represents the purchased loan's "nonaccretable difference." Subsequent improvements in expected cash flows of loans with nonaccretable differences result in a prospective increase to the loan's effective yield through a reclassification of some, or all, of the nonaccretable difference to accretable yield. The effect of subsequent credit-related declines in expected cash flows of purchased loans are recorded through a specific allocation in the allowance for loan losses.

Upon adoption of ASU 2016-13, the Bank did not reassess whether previously recognized purchased credit impaired loans accounted for under prior accounting guidance met the criteria of a purchased credit deteriorated ("PCD") loan as of the date of adoption. PCD loans are initially recorded at fair value along with an allowance for credit losses ("ACL") determined using the same methodology as applicable to originated loans. The sum of the loan's purchase price and ACL becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the ACL are recorded through provision for credit losses. On July 1, 2023, the amortized cost basis of the PCD assets were adjusted to reflect the addition of $18.1 million of the allowance for credit losses.

Loans are generally placed on nonaccrual status when they are past due 90 days as to either principal or interest, or when, in management's judgment, the collectability of interest or principal of the loan has been significantly impaired. When a loan has been placed on nonaccrual status, previously accrued and uncollected interest is reversed against interest income on loans. Interest on nonaccrual loans is accounted for on a cash-basis or using the cost-recovery method when collectability is doubtful. A loan is returned to accrual status when collectability of principal is reasonably assured and the loan has performed for a reasonable period of time.

Prior to the adoption of ASU 2022-02 (as defined in Note 1 below), in cases where a borrower experiences financial difficulties and the Bank makes certain concessionary modifications to contractual terms, the loan was classified as a troubled debt restructuring ("TDR"), and therefore, by definition, is an impaired loan. Concessionary modifications may include adjustments to interest rates, extensions of maturity, and other actions intended to minimize economic loss and avoid foreclosure or repossession of collateral. For loans accounted for under ASC 310-30, the Bank evaluated whether it had granted a concession by comparing the restructured debt terms to the expected cash flows at acquisition plus any additional cash flows expected to be collected arising from changes in estimate after acquisition. As a result, if an ASC 310-30 loan is modified to be consistent with, or better than, the Bank's expectations at acquisition, the modified loan would generally not qualify as a TDR. Nonaccrual loans that are restructured generally remain on nonaccrual status for a minimum period of six months to demonstrate that the borrower can meet the restructured terms. If the restructured loan is on accrual status prior to being modified, it is reviewed to determine if the modified loan should remain on accrual status. If the borrower's ability to meet the revised payment schedule is not reasonably assured, the loan is classified as a nonaccrual loan. With limited exceptions, loans classified as TDRs remain classified as such until the loan is paid off.

Allowance for Credit Losses

The ACL is comprised of the allowance for credit losses and the allowance for unfunded commitments which is accounted for as a separate liability in other liabilities on the balance sheet. The level of the ACL represents management's estimate of expected credit losses over the expected life of the loans at the balance sheet date.

Upon adoption of CECL on July 1, 2023, the Bank replaced the incurred loss impairment model that recognizes losses when it becomes probable that a credit loss will be incurred, with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. The ACL is a valuation account that is deducted from the amortized cost basis of loans to present the net present value of the amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the allowance when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off. The ACL is comprised of reserves measured on a collective (pool) basis based on a lifetime loss-rate model when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis.

The Bank manages its loan portfolio proactively to effectively identify problem credits and assess trends early, implement effective work-out strategies, and take charge-offs as promptly as deemed necessary and practical. In addition, the Bank continuously reassesses its underwriting standards in response to credit risk posed by changes in economic conditions. The Bank monitors and manages the ACL through the following governance structure:

- The adequacy of the ACL is overseen by the Allowance for Credit Losses Committee, which is an internal management committee comprised of various executives and managers across business lines, including Accounting and Finance and Credit Risk Management. The ACL Committee supports the oversight efforts of the Loan and Investment Committee (the "L&I") and the Audit Committee of the Board of Directors.
- The L&I of the Board of Directors is responsible for reviewing and approving the ACL calculation on a quarterly basis. The L&I will ensure that all ACL methodology is appropriate for the Bank and will periodically validate and, if appropriate, recommend revising the methodology used.
- The Audit Committee of the Board of Directors is responsible for oversight and monitoring of internal controls in place over the ACL process.

Segmentation

For the purpose of determining the ACL on loans, the Bank disaggregates its loans into portfolio segments. Each portfolio segment possesses unique risk characteristics that are considered when determining the appropriate level of allowance. Adverse developments in national or regional economic conditions, and a corresponding weakness in consumer or business spending, will have an adverse effect on credit quality for all segments. As of June 30, 2024, the Bank's loan portfolio segments, as determined based on the unique risk characteristics of each, include the following:

- *Commercial Real Estate – Non-Owner-Occupied:* Non-owner-occupied commercial real estate loans are, in substance, all commercial real estate loans that are not categorized by the Bank as owner-occupied commercial real estate loans. Non-owner-occupied commercial estate loans are investment properties for which the primary source for repayment of the loan by the borrower is derived from rental income associated with the property or the proceeds of the sale, refinancing, or permanent refinancing of the property. Non-owner-occupied commercial real estate loans consist of mortgage loans to finance investments in real property that may include, but are not limited to, multi-family residential, commercial/retail office space, industrial/warehouse space, hotels, assisted living facilities and other specific use properties. For purposes of the ACL, this segment also includes construction loans. Collateral values are determined based upon appraisals and evaluations in accordance with established policy guidelines. Maximum loan-to-value ratios at origination are governed by established policy and regulatory guidelines. This segment is further broken out as follows:
  - Pass: This sub-segment includes all pass-rated loans.
  - Criticized: This sub-segment includes all criticized loans (special mention, substandard and lower).

- *Commercial Real Estate – Owner-Occupied:* Generally, owner-occupied commercial real estate loans are properties that are owned and operated by the borrower, and the primary source for repayment is the cash flow from the ongoing operations and activities conducted by the borrower's business. Owner-occupied commercial real estate loans consist of mortgage loans to finance investments in real property that may include, but are not limited to, commercial/retail office space, restaurants, and other specific use properties. Collateral values are determined based upon appraisals and evaluations in accordance with established policy guidelines. Maximum loan-to-value ratios at origination are governed by established policy and regulatory guidelines. This segment is further broken out as follows:
  - Pass: This sub-segment includes all pass-rated loans.
  - Criticized: This sub-segment includes all criticized loans (special mention, substandard and lower).

- *Commercial and Industrial:* Loans in this segment are made to businesses and are generally secured by the assets of the business. Repayment is expected from the cash flows of the business. This segment also includes loans to non-bank lenders, which are generally secured by a collateral assignment of the notes and mortgages on loans originated by the non-bank lenders. This segment includes all pass-rated loans. This segment is further broken out as follows:
  - Pass: This sub-segment includes all pass-rated loans.
  - Criticized: This sub-segment includes all criticized loans (special mention, substandard and lower).

- *Residential Real Estate:* All loans in this segment are collateralized by residential real estate and repayment is primarily dependent on the credit quality, loan-to-value ratio, and income of the individual borrower. The overall health of the economy, particularly unemployment rates and housing prices, has a significant effect on the credit quality in this segment. For purposes of the Bank's ACL calculation, home equity loans and lines of credit are included in residential real estate.

- *Consumer:* Loans in this segment are generally secured, and repayment is dependent on the credit quality of the individual borrower. Repayment of consumer loans is generally based on the earnings of individual borrowers, which may be adversely impacted by regional labor market conditions.

For residential and consumer loans, a charge-off is recorded no later than the point at which a loan is 180 days past due if the loan balance exceeds the fair value of the collateral, less estimated costs to sell. For commercial loans, a charge-off is recorded on a case-by-case basis when all or a portion of the loan is deemed to be uncollectible. Subsequent recoveries, if any, are credited to the allowance.

The collective component of the allowance for credit losses is based on historical loss experience adjusted for qualitative factors stratified by loan segment. This historical loss factor is adjusted for qualitative factors including:

- Levels and trends in delinquencies and non-performing loans;
- Trends in the volume and nature of loans;
- Trends in credit terms and policies, including underwriting standards, procedures and practices, and the experience and ability of lending management and staff;
- Trends in portfolio concentration;
- National and local economic trends and conditions;
- Effects of changes or trends in internal risk ratings; and
- Other effects resulting from trends in the valuation of underlying collateral.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the assets or the respective lease terms. Right of use assets are included in premises and equipment and amortized over the lease term or estimated useful life, whichever is shorter. Maintenance and repairs are charged to expense as incurred and the cost of major renewals and betterments are capitalized.

Real Estate Owned and Other Repossessed Collateral

Assets in control of the Bank or acquired through foreclosure or repossession are held for sale and are initially recorded at fair value less estimated costs to sell at the date control is established, resulting in a new cost basis. The amount by which the recorded investment in the loan exceeds the fair value (net of estimated cost to sell) of the foreclosed asset is charged to the allowance for credit losses. Subsequent declines in the fair value of the foreclosed asset below the new cost basis are recorded through the use of a valuation allowance or through a direct write-off. Subsequent increases in the fair value may only be recorded to the extent of any previously recognized valuation allowance. Rental revenue received and gains and losses recognized on foreclosed assets is included in other noninterest income, whereas operating expenses and changes in the valuation allowance relating to foreclosed assets are included in other noninterest expense.

Impairment of Long-Lived Assets

The Bank reviews long-lived assets, including premises and equipment, for impairment whenever events or changes in business circumstances indicate that the remaining useful life may warrant revision or that the carrying amount of the long-lived asset may not be fully recoverable. The Bank performs undiscounted cash flow analyses to determine if impairment exists. If impairment is determined to exist, any related impairment loss is calculated based on fair value. Impairment losses on assets to be disposed of, if any, are based on the estimated proceeds to be received, less costs of disposal.

Bank-Owned Life Insurance

Increases in the cash surrender value of bank-owned life insurance policies, as well as death benefits received net of any cash surrender value, are recorded in noninterest income, and are not subject to income taxes. The cash surrender values of the policies not previously endorsed to participants are recorded as assets of the Bank. Any amounts owed to participants relating to these policies are recorded as liabilities of the Bank. The Bank reviews the financial strength of the insurance carriers prior to the purchase of life insurance policies and no less than annually thereafter.

Correspondent Fee Income

The Bank receives correspondent fee income from a third party in connection with a loan correspondent agreement entered into in June 2020. As a result of this agreement, when the third party purchases PPP loans at a discount, the Bank shares in the resulting discount from those purchases in exchange for access to the Bank's correspondent relationship with the Board of Governors of the Federal Reserve System. The Bank did not receive any correspondent fees during the years ended June 30, 2024, 2023 and 2022. These fees received in prior periods are deferred and are included in other liabilities on the balance sheet and the recognition of the income is included in correspondent fee income in the income statement. The Bank recognizes the correspondent fees in income over the expected lives of the related loans. For the years ended June 30, 2024, 2023, and 2022, the Bank recognized $34 thousand, $312 thousand, and $4.3 million, respectively, in correspondent fee income.

In addition to the correspondent fee described above, the Bank also shares in the net servicing income on purchased PPP loans, comprised of the amortization of purchased accrued interest and the earned net servicing interest on the portfolio over time. As of June 30, 2024, the Bank estimated the net servicing income earned based on the existing PPP portfolio and information provided by the third party. The Bank recorded a receivable of $1.6 million, included in other assets on the balance sheet, and the recognition of the income is included in correspondent fee income in the income statement. The Bank will continue to recognize the net servicing income over the expected lives of the related loans (primarily five years). During the years ended June 30, 2024, 2023, and 2022, the Bank recognized $188 thousand, $2.2 million, and $18.2 million, respectively, in net servicing income. The timing and amount of this net servicing income is subject to change, depending on several factors, primarily the balance and amount of time that the loans are outstanding, including when and if the SBA approves the forgiveness of individual loans. Until the loans are forgiven or repaid, the loans will continue to accrue interest, and the Bank will continue to update its estimated net servicing income in future quarters.

Revenue Recognition

While the majority of the Bank's revenue is generated from contracts with customers, the Bank's primary sources of revenue, interest and dividend income (primarily loan interest income), are outside of the scope of ASC 606, "Revenue from Contracts with Customers," and are accounted for under other ASC topics. The core principles of this standard require an entity to recognize revenue to depict the transfer of goods and services to customers as performance obligations are satisfied.

The primary areas of income within the scope of ASC 606, deposit and interchange fees and correspondent fee income, are components of noninterest income in the Bank's Statements of Income and are discussed below.

Deposit and interchange fees are comprised of deposit account related charges and income generated from electronic payment interchanges. Deposit account charges consist of certain transactional analysis fees net of earning balance credits, monthly account service fees, and transactional fees such as overdraft fees. Analysis and monthly account services fees are recognized over the period the service is performed. For transactional fees, the performance obligation and the revenue are recognized at a point of time and payment is typically received as the service is rendered. Interchange income is generated primarily from retail debit card transactions processed through the card payment network. The performance obligation and the revenue are recognized when the service is performed.

Correspondent fee income is comprised of the recognition of correspondent fees received, the recognition of purchased accrued interest, and net servicing income, based on the average balance of remaining loans being

serviced, as discussed above. The performance obligation and the revenue are recognized over time as the service is performed.

The following noninterest income components are not subject to ASC 606: income on BOLI, net gains/losses on equity securities, and net gains on sales of loans, and are covered under other ASC topics. The remaining revenue items in noninterest income are not material.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The Bank's policy is to recognize interest and penalties assessed on uncertain tax positions in income tax expense (See Note 9). The Bank exercises significant judgment in evaluating the amount and timing of recognition of the resulting tax assets and liabilities. Additionally, see Note 9 for detail regarding reserves for uncertain tax positions as of June 30, 2024 and 2023.

Excess tax benefits or deficiencies in relation to stock-based compensation are recorded in the income statement as part of the income tax expense on a prospective basis. For interim reporting purposes, the excess tax benefits or deficiencies are recorded as discrete items in the period in which they arise. Excess tax benefits are presented as an operating activity in the statement of cash flows. In addition, when calculating incremental shares for earnings per share, entities exclude from assumed proceeds excess tax benefits that previously would have been recorded in additional paid-in capital. The total income tax benefit recorded in income tax expense relating to excess tax benefits on stock-based compensation for the years ended June 30, 2024, 2023, and 2022 was $165 thousand, $1.2 million, and $221 thousand, respectively.

Stock-Based Compensation

The Bank's stock-based compensation plans provide for awards of stock options, restricted stock and other stock-based compensation to directors, officers and employees. The cost of employee services received in exchange for awards of equity instruments is based on the grant-date fair value of those awards. Compensation cost is recognized over the requisite service period as a component of compensation expense. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Bank uses the market price of the Bank's common stock at the date of grant for restricted stock awards.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale, unrealized losses related to factors other than credit on debt securities, unrealized gains and losses on cash flow hedges and deferred gains on hedge accounting transactions.

Earnings Per Share

Basic earnings per share is calculated using the two-class method. The two-class method is an earnings allocation formula under which earnings per share is calculated from common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings distributed and undistributed, are allocated to participating securities and common shares based on their respective rights to receive dividends. Unvested share-based payment awards that contain non-forfeitable rights to dividends are considered participating securities (i.e., unvested restricted stock), not subject to performance-based measures. Basic earnings per share is calculated by dividing net income available to common shareholders by the weighted-average number of common shares outstanding (inclusive of participating securities). Diluted earnings per share have been calculated in

a manner similar to that of basic earnings per share, except that the weighted-average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares (such as those resulting from the exercise of stock options or the attainment of performance measures) were issued during the period, computed using the treasury stock method.

Derivatives

Derivative instruments are carried at fair value in the Bank's financial statements. The accounting for changes in the fair value of a derivative instrument is determined by whether it has been designated and qualifies as part of a hedging relationship, and further, by the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Bank designates the hedging instrument, based upon the exposure being hedged, as either a fair value hedge or a cash flow hedge. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income, net of related tax, and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item (i.e., the ineffective portion), if any, is recognized in current earnings during the period. For derivative instruments designated and qualifying as a fair value hedge (i.e., hedging the exposure to changes in the fair value of an asset or liability or an identified portion thereof that is attributable to the hedged risk), the gain or loss on the derivative instrument, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in current earnings during the period of the change in fair values. At the inception of a hedge, the Bank documents certain items, including but not limited to the following: the relationship between hedging instruments and hedged items, Bank risk management objectives, hedging strategies, and the evaluation of hedge transaction effectiveness. Documentation includes linking all derivatives designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific forecasted transactions.

Hedge accounting is discontinued prospectively when (1) a derivative is no longer highly effective in offsetting changes in the fair value or cash flow of a hedged item, (2) a derivative expires or is sold, (3) a derivative is de-designated as a hedge, because it is unlikely that a forecasted transaction will occur, or (4) it is determined that designation of a derivative as a hedge is no longer appropriate. For derivative instruments not designated as hedging instruments, the gain or loss on the derivative is recognized in current earnings during the period of change.

Transfer of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets. We have no repurchase agreements in place with respect to financial assets.

Transfers of a portion of a loan must meet the criteria of a participating interest. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing. In order to meet the criteria for a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, and the loan holders must have no recourse to the transferor other than standard representations and warranties and no loan holder has the right to pledge or exchange the entire loan.

The Bank sells financial assets in the normal course of business, the majority of which are related to the SBA-guaranteed portion of loans, as well as residential mortgage loan sales through established programs, commercial loan sales through participation agreements, and other individual or portfolio loan and securities sales. In accordance with accounting guidance for asset transfers, the Bank considers any ongoing involvement with transferred assets in determining whether the assets can be derecognized from the balance sheet. With the exception of servicing and certain performance-based guarantees, the Bank's continuing involvement with financial assets sold is minimal and generally limited to market customary representation and warranty clauses.

When the Bank sells financial assets, it may retain servicing rights and/or other interests in the financial assets. The gain or loss on sale depends on the previous carrying amount of the transferred financial assets, the servicing right recognized, and the consideration received, and any liabilities incurred in exchange for the transferred assets. Upon transfer, any servicing assets and other interests held by the Bank are carried at the lower of cost or fair value.

Advertising Costs

Advertising costs are expensed as incurred.

Segment Reporting

All of the Bank's operations are considered by management to be one operating segment.

Adoption of New Accounting Standards

On July 1, 2023, the Bank adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended ("ASC 326"), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities, management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Bank adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning July 1, 2023 are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable generally accepted accounting principles. The Bank recorded a net decrease to retained earnings of $870 thousand as of July 1, 2023 for the cumulative effect of adopting ASC 326. The transition adjustment includes a $1.2 million impact primarily due to the qualitative adjustment established related to the collateral values of loans within the loan portfolio given the uncertain market around commercial real estate values.

The Bank adopted ASC 326 using the prospective transition approach for financial assets purchased with credit deterioration that were previously classified as purchased credit impaired ("PCI") and accounted for under ASC 310-30, *Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30"). In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On July 1, 2023, the amortized cost basis of the PCD assets were adjusted to reflect the addition of $18.1 million of the ACL. The remaining noncredit discount (based on the adjusted amortized cost basis) will be accreted into interest income at the effective interest rate as of July 1, 2023.

The following table illustrates the impact of ASC 326 as of July 1, 2023:

	As Reported under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
		(In thousands)	
Assets			
Loans			
Commercial real estate	$ 1,952,721	$ 1,940,563	$ 12,158
Commercial	505,634	499,815	5,819
Residential real estate	79,663	79,497	166
Consumer	485	485	-
Allowance for credit losses on loans	(26,678)	(7,304)	(19,374)
Loans, net	$ 2,511,825	$ 2,513,056	$ (1,231)
Liabilities			
Allowance for credit losses on off-balance sheet credit exposures	$ 135	$ 76	$ 59
Shareholders' Equity			
Retained earnings	$ 246,002	$ 246,872	$ (870)

Recent Accounting Pronouncements

In March 2022, the Financial Accounting Standards Board ("FASB") issued ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326)* ("ASU 2022-02"). This guidance provides updates on Troubled Debt Restructurings ("TDRs") by Creditors and Vintage Disclosures. The amendments in this Update eliminate the accounting guidance for TDRs, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The Bank adopted ASU 2022-02, effective July 1, 2023, on a prospective basis, and upon adoption there was no impact to the financial statements. The adoption of ASU 2022-02 eliminates the accounting and disclosure requirements for TDRs, including the requirement to measure the allowance using a discounted cash flow methodology. Beginning July 1, 2023, the Bank no longer establishes a specific reserve for newly modified loans to borrowers experiencing financial difficulty. Instead, these modifications are included in their respective segments, and the ACL is calculated utilizing models that consider the borrowers' probability of default, loss given default, and loan balance. ASU 2022-02 also requires disclosure of modifications of loans to borrowers experiencing financial difficulty if the modification involves principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, a term extension, or a combination of any of these types of modifications. Additionally, ASU 2022-02 requires the disclosure of current period gross charge-offs by year of loss origination (vintage) which are required to be applied prospectively as of July 1, 2023, the Bank's date of adoption. Refer to Note 4 of the financial statements for further details.

In March 2020, the FASB issued ASU 2020-03, *Codification Improvements to Financial Instruments* ("ASU 2020-03"). This guidance provides updates on a wide variety of Topics in the Codification, including updates to the interaction of Topic 842 and Topic 326, and the interaction of Topic 326 and Subtopic 860-20. The Bank adopted ASU 2020-03, effective July 1, 2023, in connection with its adoption of ASU 2016-13, and upon adoption there was no impact to the financial statements.

Subsequent Events

The Bank has evaluated the impact of events that have occurred subsequent to June 30, 2024 through the date the financial statements were available to be filed with the FDIC. Based on this evaluation, the Bank has determined none of these events were required to be recognized in the financial statements and related notes.

2. Securities

The following presents a summary of the amortized cost, gross unrealized holding gains and losses, and fair value of securities.

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2024		(In thousands)		
U.S. Government agency securities	$ 46,965	$ 7	$ (150)	$ 46,822
Agency mortgage-backed securities	2,263	-	(108)	2,156
Equity investments measured at net asset value	7,788	-	(775)	7,013
Total securities	$ 57,016	$ 7	$ (1,033)	$ 55,991
June 30, 2023				
U.S. Government agency securities	$ 51,024	$ -	$ (775)	$ 50,249
Agency mortgage-backed securities	3,364	-	(209)	3,155
Equity investments measured at net asset value	7,541	-	(771)	6,770
Total securities	$ 61,929	$ -	$ (1,755)	$ 60,174

At June 30, 2024, the Bank held no securities of any single issuer (excluding the U.S. Government and federal agencies) with a book value that exceeded 10% of shareholders' equity.

When securities are sold, the adjusted cost of the specific security sold is used to compute the gain or loss on sale. There were no securities sold during the years ended June 30, 2024, 2023, or 2022. At June 30, 2024, securities with a fair value of $49.0 million were pledged as collateral to secure potential FHLBB advances, compared to $53.4 million at June 30, 2023.

The following summarizes the Bank's gross unrealized losses and fair values aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2024			(In thousands)			
U.S. Government agency securities	$ 13,917	$ (54)	$ 22,918	$ (96)	$ 36,835	$ (150)
Agency mortgage-backed securities	-	-	2,156	(108)	2,156	(108)
Equity investments measured at net asset value	-	-	5,178	(775)	5,178	(775)
Total investment securities	$ 13,917	$ (54)	$ 30,252	$ (979)	$ 44,169	$ (1,033)
June 30, 2023						
U.S. Government agency securities	$ 25,646	$ (402)	$ 24,603	$ (373)	$ 50,249	$ (775)
Agency mortgage-backed securities	-	-	3,155	(209)	3,155	(209)
Equity investments measured at net asset value	-	-	5,041	(771)	5,041	(771)
Total investment securities	$ 25,646	$ (402)	$ 32,799	$ (1,353)	$ 58,445	$ (1,755)

In addition to considering current trends and economic conditions that may affect the quality of individual securities within the Bank's securities portfolio, management of the Bank considers the Bank's ability and intent to hold such securities to maturity or recovery of cost. For the years ended June 30, 2024, 2023, and 2022, the unrealized losses on the Bank's available-for-sale ("AFS") securities have not been recognized into income because management does not intend to sell, and it is not more-likely-than-not will be required to sell any of the AFS securities before recovery of its amortized cost basis.

At June 30, 2024, all of the Bank's securities were issued or guaranteed by either government agencies or government-sponsored enterprises. The change in fair value of the Bank's securities at June 30, 2024 is attributable to changes in interest rates.

The securities measured at net asset value include a fund that seeks to invest in securities either issued or guaranteed by the U.S. government or its agencies, as well as a fund that primarily invests in the federally guaranteed portion of SBA 7(a) loans that adjust quarterly or monthly and are indexed to the Prime Rate. The underlying composition of these funds is primarily government agencies, other investment-grade securities, or the guaranteed portion of SBA 7(a) loans, as applicable. As of June 30, 2024, the effective duration of the fund that seeks to invest in securities either issued or guaranteed by the U.S. government or its agencies is 4.62 years.

The amortized cost and fair values of available-for-sale debt securities by contractual maturity are shown below as of June 30, 2024. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
	(In thousands)	
Due within one year	$ 36,954	$ 36,845
Due after one year through five years	10,011	9,977
Due after five years through ten years	-	-
Due after ten years	-	-
Total U.S. Government agency securities	46,965	46,822
Agency mortgage-backed securities	2,263	2,156
Total available-for-sale debt securities	$ 49,228	$ 48,978

3. Loans, Allowance for Credit Losses and Credit Quality

The composition of the Bank's loan portfolio is as follows on the dates indicated.

	June 30, 2024
	(In thousands)
Commercial real estate: NOO Pass	$ 1,916,619
Commercial real estate: NOO Criticized	20,907
Commercial real estate: O/O Pass	252,434
Commercial real estate: O/O Criticized	9,725
Commercial and industrial Pass	610,946
Commercial and industrial Criticized	8,794
Residential real estate	105,768
Consumer	297
	2,925,490
Net deferred loan fees and costs	(1,007)
Net discount on purchased loans	(177,832)
Allowance for credit losses	(26,709)
Loans, net	$ 2,719,942

	June 30, 2023
	(In thousands)
Commercial real estate: NOO	$ 1,653,070
Commercial real estate: O/O	288,037
Commercial and industrial	499,699
Residential real estate	79,431
Consumer	492
	2,520,729
Net deferred loan fees and costs	(369)
Net discount on purchased loans	-
Allowance for credit losses	(7,304)
Loans, net	$ 2,513,056

Loans pledged as collateral with the FHLBB for outstanding borrowings totaled $1.09 billion and $1.27 billion and provided additional borrowing capacity which totaled $448.0 million and $318.4 million, at June 30, 2024 and 2023, respectively.

The Bank sold no National Lending Division purchased loans during the years ended June 30, 2024, 2023, and 2022.

During the years ended June 30, 2024 and 2023, the Bank purchased loans with a total investment basis of $382.0 million and $1.14 billion, respectively.

PPP loans

The Bank did not originate or sell any PPP loans during the year ended June 30, 2024 and 2023. During the year ended June 30, 2022, the Bank participated in the PPP and originated $6.5 million of loans in connection with the PPP. The Bank subsequently sold PPP loans with a total principal balance of $6.3 million, recording a net gain of $86 thousand on the sales primarily resulting from the recognition of net deferred fees, offset by purchase price discounts, during the year ended June 30, 2022. The Bank had no PPP loans held for sale at June 30, 2024 or 2023.

Related Party Loans

Certain of the Bank's related parties are credit customers of the Bank in the ordinary course of business. All loans and commitments included in such transactions are on such terms, including interest rates, repayment terms and collateral, as those prevailing at the time for comparable transactions with persons who are not affiliated with the Bank and do not involve more than a normal risk of collectability or present other features unfavorable to the Bank.

There were no loans outstanding to directors, officers, principal shareholders and their associates as of June 30, 2024 and 2023.

Allowance for Credit Losses

The ACL is comprised of the allowance for credit losses and the allowance for unfunded commitments which is accounted for as a separate liability in other liabilities on the balance sheet. The level of the ACL represents management’s estimate of expected credit losses over the expected life of the loans at the balance sheet date.

Upon adoption of CECL on July 1, 2023, the Bank replaced the incurred loss impairment model that recognizes losses when it becomes probable that a credit loss will be incurred, with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. The ACL is a valuation account that is deducted from the amortized cost basis of loans to present the net present value of the amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the allowance when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off. The ACL is comprised of reserves measured on a collective (pool) basis based on a lifetime loss-rate model when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis.

See Note 1 for further information on the Bank’s methodology for its ACL.

The following table presents the Bank's activity in the ACL by portfolio segment for the period ended:

Year Ended June 30, 2024	Beginning Balance	CECL Impact	Initial Allowance on Loans Purchased with Credit Deterioration	Credit Loss Expense	Charge-Offs	Recoveries	Total
			(In thousands)				
CRE NOO Pass	$ 2,919	$ 11,922	$ 2,725	$ (307)	$ -	$ -	$ 17,259
CRE NOO Criticized	491	1,177	-	1,101	(1,348)	-	1,421
CRE O/O Pass	510	325	71	(249)	-	-	657
CRE O/O Criticized	401	561	-	411	(668)	80	785
C&I Pass	1,829	3,379	884	(1,264)	(171)	-	4,657
C&I Criticized	864	2,463	-	1,759	(3,955)	34	1,165
Residential Real Estate	281	298	-	262	(82)	7	766
Consumer	9	(9)	-	55	(55)	-	-
Total	$ 7,304	$ 20,115	$ 3,680	$ 1,768	$ (6,279)	$ 121	$ 26,709

The following table sets forth activity in the Bank's allowance for loan losses under the incurred loss methodology:

	Commercial Real Estate	Commercial and Industrial	SBA	Residential Real Estate	Consumer	Purchased	Total
				(In thousands)			
Provision	226	279	(2,927)	(10)	(18)	(12)	(2,462)
Recoveries	8	1	282	29	4	97	421
Charge-offs	(61)	(2)	(24)	-	(8)	(149)	(244)
Balance as of June 30, 2022	2,495	1,473	449	253	10	348	5,028
Provision	849	434	(100)	26	14	1,080	2,303
Recoveries	66	-	2	2	-	273	343
Charge-offs	-	(3)	(57)	-	(15)	(295)	(370)
Balance as of June 30, 2023	$ 3,410	$ 1,904	$ 294	$ 281	$ 9	$ 1,406	$ 7,304

The following table sets forth information regarding the allowance for loan losses by portfolio segment and impairment methodology under the incurred loss methodology:

June 30, 2023	Commercial Real Estate	Commercial and Industrial	SBA	Residential Real Estate	Consumer	Purchased	Total
				(Dollars in thousands)			
Allowance for loan losses:							
Individually evaluated	$ 195	$ 152	$ 2	$ 34	$ -	$ -	$ 383
Collectively evaluated	3,215	1,752	292	247	9	-	5,515
ASC 310-30	-	-	-	-	-	1,406	1,406
Total	$ 3,410	$ 1,904	$ 294	$ 281	$ 9	$ 1,406	$ 7,304
Loans:							
Individually evaluated	$ 10,079	$ 6,903	$ 1,379	$ 1,320	$ 13	$ 17,262	$ 36,956
Collectively evaluated	459,440	466,751	23,494	70,390	472	-	1,020,547
ASC 310-30	-	-	-	-	-	1,462,857	1,462,857
Total	$ 469,519	$ 473,654	$ 24,873	$ 71,710	$ 485	$ 1,480,119	$ 2,520,360

Methodology

The ACL consists of two components: a loan-specific component for estimating credit losses for individual loans that do not share similar risk characteristics with other loans; and a pooled component for estimating credit losses for pools of loans that share similar risk characteristics.

Loans Individually Evaluated

Loans that do not share risk characteristics with existing pools are evaluated on an individual basis. For all loans on nonaccrual status and/or risk-rated substandard or worse, the specific credit loss reserve is calculated as the amount by which the amortized cost basis of the financial asset exceeds the fair value of the underlying collateral less estimated cost to sell. The allowance may be zero if the fair value of the collateral at the measurement date exceeds the amortized cost basis of the financial asset. For all individually significant PCD loans, the specific credit loss reserve is calculated under the discounted cash flow approach.

Loans Collectively Evaluated

Management segments loans of similar risk characteristics using the open pool method by first calculating each segment's loss rate as net charge-offs over the expected average life of each segment, divided by the average loan balance over that same period. The historic loss factor is an average of the loss rate over a 3-year look-back period. These historic loss factors are then adjusted up or down based on management's assessment of quantitative and qualitative factors.

During the quarter ended June 30, 2024, the Bank updated its ACL for loans methodology to include most purchased loans in loans collectively evaluated, with the exception of loans on nonaccrual status and/or risk-rated substandard or worse and individually significant PCD loans. Previously, the Bank separately evaluated all purchased loans individually, based on the fair value of the underlying collateral less estimated costs to sell as compared to the amortized cost basis. The change did not have a material impact on the ACL for loans at June 30, 2024.

Assumptions and Inputs in Quantitative and Qualitative ACL

Assumptions and model inputs are reviewed in accordance with model monitoring practices and as information becomes available. As of June 30, 2024, the significant model inputs and assumptions used within the model for purposes of estimating the ACL on loans were:

Macroeconomic (loss) drivers: The following macroeconomic variables were used to calculate the expected probability of default over the forecast and reversion period:

- Real GDP growth
- Unemployment rate
- House price index

The forecasts utilized at June 30, 2024 reflect the immediate and longer-term effects of a rising interest rate environment and inflationary conditions.

Reasonable and supportable forecast period: The ACL on loans estimate used a reasonable and supportable forecast period of various macro-economic variables noted above over the remaining life of loans. The development of the reasonable and supportable forecast assumes each macro-economic variable will revert to long-term expectations, with reversion characteristics unique to specific economic indicators and forecasts. The reasonable and supportable forecast period is two years for all segments. Management will continue to assess the appropriate period on an ongoing basis.

Reversion period: The ACL on loans estimate used a reversion period of one year, on a straight-line basis. Management will continue to assess the appropriate period on an ongoing basis.

Prepayment speeds: The estimate of prepayment speed for each loan segment was derived using internally sourced prepayment data, which is updated on a periodic basis.

Selling and liquidation costs: Management calculates estimated selling and liquidation costs based on review of recent internal data, which is updated on a periodic basis.

Qualitative factors: The ACL on loans estimate incorporates various qualitative factors into the calculation. The qualitative adjustment for the pooled component is derived from an estimate of expected credit losses primarily using an expected loss methodology that incorporates risk parameters such as PD and LGD which are derived from internally developed model estimation approaches and which vary by loan portfolio. The PD represents the best estimate as of the reporting date of the loans in the portfolio to enter a state of default. This is inherently forward-looking, and therefore incorporates both recent data as well as supportable estimates of the future delinquency of the portfolio. This, in turn, may be a function of forecasts, including economic forecasts. LGD is derived from both the Bank's internally developed stress scenarios on the underlying real estate collateral securing loans, which vary by collateral type and loan risk characteristics, and from actual internal loss data on loan portfolios that have experienced losses.

As of June 30, 2024, management believes that the methodology for calculating the allowance is sound and that the allowance provides a reasonable basis for determining and reporting on expected losses over the lifetime of the Bank's loan portfolios.

Credit Quality

The Bank utilizes an eleven-point internal loan rating system for commercial real estate, construction, commercial and industrial, and certain residential loans as follows:

Loans rated 1-6, and 11: Loans in these categories are considered "pass" rated loans. Loans in categories 1-5 are considered to have low to average risk. Loans rated 6 are considered marginally acceptable business credits and have more than average risk. Loans rated 11, or the P Portfolio, are loans that are managed by exception. These are typically higher-quality loans with relatively low exposures and deemed to require minimal management.

Loans rated 7: Loans in this category are considered "special mention." These loans show signs of potential weakness and are being closely monitored by management.

Loans rated 8: Loans in this category are considered "substandard." Loans classified as substandard are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified have a well-defined weakness or weaknesses that jeopardize the orderly repayment of the debt.

Loans rated 9: Loans in this category are considered "doubtful." Loans classified as doubtful have all the weaknesses inherent in one graded 8 with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

Loans rated 10: Loans in this category are considered "loss" and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Bank formally reviews the credit quality and ratings of all loans subject to risk ratings. Annually, the Bank engages an independent third party to review a significant portion of loans within these segments. Management uses the results of these reviews as part of its annual review process. Risk ratings on purchased loans, with and without evidence of credit deterioration at acquisition, are determined relative to the Bank's recorded investment in that loan, which may be significantly lower than the loan's unpaid principal balance.

Based on the most recent analysis performed, the risk category of loans by portfolio segment by vintage was as follows as of and for the dates indicated (origination year is on a calendar year basis). Balances include net deferred loan fees of $1.0 million and net discount on purchased loans of $177.8 million:

As of and for the Year Ended June 30, 2024	2024	2023	2022	2021 (In thousands)	2020	Prior	Revolving	Total
Commercial real estate – non-owner-occupied								
Pass	$ 39,838	$ 78,382	$ 269,694	$ 198,070	$ 135,405	$ 1,019,400	$ 16,798	$ 1,757,587
Special Mention	-	-	2,400	-	-	6,147	-	8,547
Substandard or lower	-	-	-	-	4,159	6,530	-	10,689
Total commercial real estate – non owner-occupied	$ 39,838	$ 78,382	$ 272,094	$ 198,070	$ 139,564	$ 1,032,077	$ 16,798	$ 1,776,823
Current period gross charge-offs	$ -	$ 200	$ -	$ -	$ -	$ 1,148	$ -	$ 1,348
Commercial real estate – owner-occupied								
Pass	$ 1,534	$ 11,003	$ 48,745	$ 10,633	$ 9,592	$ 163,961	$ -	$ 244,468
Special Mention	-	-	-	-	-	2,094		2,094
Substandard or lower	-	-	37	-	-	4,858		4,895
Total commercial real estate – owner-occupied	$ 1,534	$ 11,003	$ 48,782	$ 10,633	$ 9,592	$ 169,913	$ -	$ 251,457
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 668	$ -	$ 668
Commercial and industrial								
Pass	$ 211,307	$ 143,971	$ 164,071	$ 20,705	$ 46,403	$ 23,270	$ 369	$ 610,096
Special Mention	-	172	26	-	-	164	-	362
Substandard or lower	-	117	13	-	-	8,258	-	8,388
Total commercial and Industrial	$ 211,307	$ 144,260	$ 164,110	$ 20,705	$ 46,403	$ 31,692	$ 369	$ 618,846
Current period gross charge-offs	$ -	$ 69	$ 21	$ -	$ -	$ 4,036	$ -	$ 4,126
Residential real estate								
Pass	$ 371	$ 10,826	$ 25,297	$ 10,493	$ 8,027	$ 39,795	$ 256	$ 95,065
Special Mention	-	-	-	-	-	-	-	-
Substandard or lower	-	-	2,274	-	1,018	877	-	4,169
Total Residential real estate	$ 371	$ 10,826	$ 27,571	$ 10,493	$ 9,045	$ 40,672	$ 256	$ 99,234
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 82	$ -	$ 82
Consumer	$ -	$ -	$ 8	$ 1	$ -	$ 282	$ -	$ 291
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 56	$ -	$ 56

The following table summarizes credit risk exposure indicators by portfolio segment, under the incurred loss methodology, as of the period indicated:

June 30, 2023	Commercial Real Estate	Commercial and Industrial	SBA	Residential[(1)] (In thousands)	Purchased Portfolio	Total
Loans rated 1- 6	$ 462,249	$ 466,751	$ 23,500	$ 69,424	$ 1,465,933	$ 2,487,857
Loans rated 7	4,415	6,900	283	2,305	2,773	16,676
Loans rated 8	2,855	3	1,090	-	11,413	15,361
Loans rated 9	-	-	-	-	-	-
Loans rated 10	-	-	-	-	-	-
Total	$ 469,519	$ 473,654	$ 24,873	$ 71,729	$ 1,480,119	$ 2,519,894

(1) Certain of the Bank's loans made for commercial purposes, but secured by residential collateral, are rated under the Bank's risk-rating system.

Past Due and Nonaccrual Loans

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of the following dates:

	June 30, 2024			June 30, 2023		
	Nonaccrual with No ACL	Total Nonaccrual	Past due Over 89 Days Still Accruing	Nonaccrual with No ACL	Total Nonaccrual	Past due Over 89 Days Still Accruing
	(Dollars in thousands)					
CRE NOO Pass	$ -	$ -	$ -	$ -	$ -	$ -
CRE NOO Criticized	6,532	10,491	-	5,120	6,067	
CRE O/O Pass	-	-	-	-	-	
CRE O/O Criticized	2,382	5,020	-	5,714	8,038	
C&I Pass	-	-	-	-	-	-
C&I Criticized	6,601	8,382	-	87	1,298	
Residential real estate	3,350	4,368	-	280	280	-
Consumer	-	-	-	-	-	-
Total	$ 18,864	$ 28,261	$ -	$ 11,201	$ 15,683	$ -

The following is a loan aging analysis by portfolio segment (including loans past due over 90 days and nonaccrual loans) and loans past due over 90 days and accruing as of the following dates:

	30-59 Days	60-89 Days	Past Due 90 Days or More-Still Accruing	Past Due 90 Days or More-Nonaccrual	Total Past Due	Total Current	Total Loans	Non-Accrual Loans
	(In thousands)							
June 30, 2024								
CRE NOO Pass	$ 194	$ 7	$ -	$ -	$ 201	$ 1,757,386	$ 1,757,587	$ -
CRE NOO Criticized	2,400	581	-	9,403	12,384	6,852	19,236	10,491
CRE O/O Pass	-	-	-	-	-	244,468	244,468	-
CRE O/O Criticized	351	-	-	1,429	1,780	5,208	6,988	5,020
C&I Pass	12	315	-	-	327	609,768	610,095	-
C&I Criticized	13	188	-	7,062	7,263	1,488	8,751	8,382
Residential real estate	40	946	-	3,403	4,389	94,844	99,233	4,368
Consumer	-	-	-	-	-	293	293	-
Total loans	$ 3,010	$ 2,037	$ -	$ 21,297	$ 26,344	$ 2,720,307	$ 2,746,651	$ 28,261
June 30, 2023								
CRE NOO	$ -	$ 1,003	$ -	$ 4,245	$ 5,248	$ 1,647,278	$ 1,652,526	$ 6,067
CRE O/O	3,198	314		3,130	6,642	281,395	288,037	8,038
Commercial and industrial	22	151	-	789	962	498,853	499,815	1,298
Residential real estate	54	4		150	208	79,289	79,497	280
Consumer	-	-	-	-	-	485	485	-
Total loans	$ 3,274	$ 1,472	$ -	$ 8,314	$ 13,060	$ 2,507,300	$ 2,520,360	$ 15,683

Interest income that would have been recognized if loans on nonaccrual status had been current in accordance with their original terms is estimated to have been $3.1 million for the year ended June 30, 2024.

The Bank's policy is to reverse previously recorded interest income when a loan is placed on nonaccrual. As a result, the Bank did not record any interest income on its nonaccrual loans for the year ended June 30, 2024 and 2023. At June 30, 2024 and 2023, total accrued interest receivable on loans, which has been excluded from reported amortized cost basis on loans, was $15.2 million and $6.3 million, respectively, and reported within Accrued Interest Receivable on the balance sheets. An allowance was not carried on the accrued interest receivable at either date.

Collateral-Dependent Loans

The following table presents the amortized cost basis of collateral-dependent loans by class of loans as of the following date:

	June 30, 2024
	(In thousands)
Commercial real estate: NOO Pass	$ -
Commercial real estate: NOO Criticized	16,271
Commercial real estate: O/O Pass	-
Commercial real estate: O/O Criticized	7,258
Commercial and industrial Pass	-
Commercial and industrial Criticized	8,293
Residential real estate	4,479
Consumer	-
Total	36,301

Collateral-dependent loans are loans for which the repayment is expected to be provided substantially by the underlying collateral and there are no other available and reliable sources of repayment. Substantially all collateral supporting collateral-dependent financial assets consists of various types of real estate, including commercial properties such as retail centers, multifamily properties, industrial buildings, mixed use properties, office buildings, and lodging, and residential properties.

Pre-Adoption of ASC 326 – Impaired Loans

For periods prior to the adoption of CECL, loans were considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the original contractual terms of the loan agreement. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. For the purchased loan segment, a loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to realize cash flows as expected at acquisition. For loans accounted for under ASC 310-30 for which cash flows can reasonably be estimated, loan impairment is measured based on the decrease in expected cash flows from those estimated at acquisition, excluding changes due to changes in interest rate indices and other non-credit related factors, discounted at the loan's effective rate assumed at acquisition. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting the scheduled principal and interest payments when due.

The tables reflect the activity associated with impaired loans as of the following date and for the following period prior to the adoption of CECL.

	June 30, 2023		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(In thousands)	
Impaired loans without a valuation allowance:			
Originated:			
Commercial real estate	$ 6,127	$ 6,127	$ -
Commercial and industrial	3	3	-
SBA	947	947	-
Residential real estate	887	887	-
Consumer	13	13	-
Purchased:			
Commercial real estate	9,459	12,440	-
Commercial and industrial	-	169	-
Residential real estate	827	848	-
Total	18,263	21,434	-
Impaired loans with a valuation allowance:			
Originated:			
Commercial real estate	3,952	3,952	195
Commercial and industrial	6,900	6,900	152
SBA	432	432	2
Residential real estate	433	433	34
Consumer	-	-	-
Purchased:			
Commercial real estate	6,198	7,107	697
Commercial and industrial	778	1,071	709
Residential real estate	-	-	-
Total	18,693	19,895	1,789
Total impaired loans	$ 36,956	$ 41,329	$ 1,789

	Years Ended June 30,			
	2023		2022	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial real estate	$ 7,518	$ 386	$ 9,601	$ 251
Commercial and industrial	8	-	12	-
SBA	822	11	1,028	23
Residential Real Estate	1,039	32	1,204	15
Consumer	24	3	36	1
Purchased:				
Commercial real estate	11,269	206	13,145	224
Commercial and industrial	54	-	5	-
Residential real estate	869	-	1,354	-
Total	21,603	638	26,385	514
Impaired loans with a valuation allowance:				
Originated:				
Commercial real estate	3,010	234	3,768	205
Commercial and industrial	6,900	173	7,294	154
SBA	319	-	189	9
Residential Real Estate	502	39	694	47
Consumer	-	-	12	-
Purchased:				
Commercial real estate	4,052	157	2,611	77
Commercial and industrial	341	15	49	-
Residential real estate	-	-	-	-
Total	15,124	618	14,617	492
Total impaired loans	$ 36,727	$ 1,256	$ 41,002	$ 1,006

Loan Modifications for Borrowers Experiencing Financial Difficulty

Effective July 1, 2023, the Bank adopted prospectively ASU 2022-02. ASU 2022-02 provided guidance that eliminated the recognition and measurement of TDRs. Following the adoption of this guidance, the Bank evaluates all loan modifications made to borrowers experiencing financial difficulty according to the accounting guidance for loan refinancing and restructuring to determine whether such loan modification should be accounted for as a new loan or a continuation of the existing loan. The Bank's loan modifications for borrowers experiencing financial difficulty are generally accounted for as a continuation of the existing loan.

The Bank offers several types of loans and receivables modification programs to borrowers experiencing financial difficulty, primarily interest rate reductions, term extensions, principal forgiveness, and other-than-insignificant payment deferrals. In such instances, the Bank may modify loans and receivables with the intention to minimize future losses and improve collectability, while providing customers with temporary or permanent financial relief.

In some cases, the Bank provides multiple types of concessions on one loan. For the loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period. The combination is at least two of the following: a term extension, principal forgiveness, an other-than-insignificant payment delay, and/or an interest rate reduction.

The following table presents the amortized cost basis of loans at June 30, 2024 that were both experiencing financial difficulty and modified during the year ended June 30, 2024, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

	Payment Deferral	Total Class of Financing Receivable	Financial Effect
	(Dollars in thousands)		
CRE NOO Pass	$ 5,256	0.30%	1 loan was granted a five-month forbearance. The financial effect was deemed "de minimis."
CRE NOO Criticized	4,725	24.56%	2 loans were given two to three-month payment deferrals. The financial effect was deemed "de minimis."
CRE O/O Pass	-	0.00%	
CRE O/O Criticized	2,871	41.09%	3 loans were granted twelve-month forbearances. The financial effect was deemed "de minimis."
C&I Criticized	928	10.61%	All 38 commercial and industrial loans were given 6-month payment deferrals to assist the borrowers. The financial effect was deemed "de minimis" given the balance of the loans.
C&I Pass	-	0.00%	
Residential real estate	-	0.00%	
Consumer	-	0.00%	
Total	$ 13,780	0.50%	

The Bank has not committed to lend any additional amounts to the borrowers included in the previous tables.

The Bank closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months as of June 30, 2024:

June 30, 2024	30-59 Days Past Due	60-89 Days Past Due	Greater than 89 Days Past Due	Total Past Due
			(In thousands)	
CRE NOO Pass	$ -	$ -	$ -	$ -
CRE NOO Criticized	-	-	-	-
CRE O/O Pass	-	-	-	-
CRE O/O Criticized	-	-	-	-
C&I Pass	-	-	-	-
C&I Criticized	33	13	-	46
Residential real estate	-	-	-	-
Consumer	-	-	-	-
Total loans	$ 33	$ 13	$ -	$ 46

The Bank considers loans past due 90 days or more to be in payment default. The Bank had no loans that had a payment default during the year ended June 30, 2024 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

Upon the Bank's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis and the corresponding allowance for credit losses of the loan is adjusted accordingly.

Troubled Debt Restructuring Disclosures Prior to Adoption of ASU 2022-02

The following table shows the Bank's post-modification balance of TDRs by type of modification.

	Years Ended June 30,			
	2023		2022	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
		(Dollars in thousands)		
Extended maturity	-	$ -	3	$ 1,472
Rate and maturity	4	244	7	4,674
Principal deferment	28	5,456	6	1,353
Total	32	$ 5,700	16	$ 7,499

The following table shows loans modified in a TDR and the change in the recorded investment subsequent to the modifications.

	Years Ended June 30,					
	2023			2022		
	Number of Contracts	Recorded Investment Pre-Modification	Recorded Investment Post-Modification	Number of Contracts	Recorded Investment Pre-Modification	Recorded Investment Post-Modification
			(Dollars in thousands)			
Originated portfolio:						
Commercial real estate	3	$ 5,117	$ 5,117	1	$ 1,349	$ 1,486
Commercial and industrial	0	-	-	1	407	407
Residential real estate	2	72	72	2	68	71
Consumer	-	-	-	-	-	-
Total originated portfolio	5	5,189	5,189	4	1,824	1,964
Purchased portfolio:						
Commercial real estate	5	224	260	12	5,468	5,535
Commercial and industrial	22	251	251	-	-	-
Total purchased portfolio	27	475	511	12	5,468	5,535
Total	32	$ 5,664	$ 5,700	16	$ 7,292	$ 7,499

As of June 30, 2023, there were no further commitments to lend to borrowers associated with loans modified in a TDR.

The Bank considers TDRs past due 90 days or more to be in payment default. No loans modified in a TDR in the last twelve months defaulted during the years ended June 30, 2023 and 2022.

Purchased Credit Deteriorated Loans

The Bank has purchased loans, some of which have experienced more than insignificant credit deterioration since origination. The initial ACL is determined on an individual basis and allocated to the individual loans. The sum of the loan's purchase price and ACL becomes its initial amortized cost. The difference between the initial amortized cost and the par value of the loan is a discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the ACL are recorded through the provision for credit loss expense. The carrying amount of such loans purchased during the year ended June 30, 2024 is as follows:

	(Dollars in thousands)	
Purchase price of loans at acquisition	$	152,127
Allowance for credit losses at acquisition		3,643
Noncredit discount (premium) at acquisition		13,332
Par value of acquired loans at acquisition	$	135,152

ASC 310-30 Loans Disclosures Prior to Adoption of ASC 326

During the years ended June 30, 2023 and 2022, the Bank purchased loans with an unpaid principal balance of $1.31 billion and $199.5 million for a discount of $171.0 million and $11.6 million, resulting in a fair value of loans acquired of $1.14 billion and $187.9 million, respectively. The following tables present a summary of loans accounted for under ASC 310-30 that were acquired by the Bank during the period indicated.

	Years Ended June 30,			
	2023		2022	
	(In thousands)			
Contractually required payments receivable	$	1,973,970	$	238,827
Nonaccretable difference		(21,819)		(6,305)
Cash flows expected to be collected		1,952,151		232,522
Accretable yield		(808,365)		(44,608)
Fair value of loans acquired	$	1,143,786	$	187,914

Certain of the loans accounted for under ASC 310-30 that were acquired by the Bank are not accounted for using the income recognition model because the Bank cannot reasonably estimate cash flows expected to be collected. When acquired these loans are placed on nonaccrual. The carrying amounts of such loans are as follows.

	As of and for the Years Ended June 30,			
	2023		2022	
	(In thousands)			
Loans acquired during the period	$	1,359	$	1,065
Loans at end of period		10,511		6,435

The following tables summarize the activity in the accretable yield for loans accounted for under ASC 310-30.

	Years Ended June 30,			
	2023		2022	
	(In thousands)			
Beginning balance	$	132,700	$	137,987
Acquisitions		808,365		44,608
Accretion		(68,530)		(28,080)
Reclassifications from nonaccretable difference to accretable yield		16,466		8,411
Disposals and other changes		(22,740)		(30,226)
Ending balance	$	866,261	$	132,700

The following table provides information related to the unpaid principal balance and carrying amounts of ASC 310-30 loans.

	June 30, 2023	June 30, 2022
	(In thousands)	
Unpaid principal balance	$ 1,660,147	$ 501,989
Carrying amount	1,473,405	469,578

4. **Premises, Equipment and Leases**

Premises, equipment and leases consist of the following:

	June 30, 2024	June 30, 2023	Estimated Useful Life
	(In thousands)		(In years)
Land	$ 1,068	$ 712	n/a
Buildings	2,917	1773	39
Right-of-use assets	22,706	23,426	Term of lease
Leasehold and building improvements	4,251	5,886	5-39 (or term of lease, if shorter)
Furniture, fixtures and equipment	9,815	12,494	3-7
Total	40,757	44,291	
Less accumulated depreciation	13,613	16,554	
Net premises and equipment	$ 27,144	$ 27,737	

Depreciation and amortization of premises and equipment included in occupancy and equipment expense was $3.1 million, $3.2 million, and $2.6 million for the years ended June 30, 2024, 2023, and 2022, respectively.

The Bank leases five properties used in operations under terms of various non-cancelable operating leases, most of which include renewal options. The leases contain renewal options and escalation clauses which provide for increased rental expense as these leases expire. Capital lease amortization under such leases totaled $2.0 million, $1.9 million, and $1.6 million for the years ended June 30, 2024, 2023, and 2022, respectively.

The weighted average remaining lease term for operating leases at June 30, 2024 was 10.3 years and the weighted average discount rate was 4.73%.

Approximate future minimum lease payments over the remaining terms of the Bank's leases at June 30, 2024 are as follows:

Fiscal year	Minimum lease payments
	(In thousands)
2025	$ 2,429
2026	2,478
2027	2,523
2028	2,563
2029	2,607
Thereafter	13,349
Total lease payments	$ 25,949
Less: imputed interest	5,697
Total lease liability	$ 20,252

5. Deposits

The composition of deposits is as follows:

	June 30, 2024	June 30, 2023
	(In thousands)	
Demand	$ 146,727	$ 143,738
NOW	560,796	518,528
Money market	154,504	277,939
Regular savings	171,233	77,819
Time certificates	1,306,203	919,183
Total deposits	$ 2,339,463	$ 1,937,207

There were $107.1 million and $74.1 million of time certificates greater than $250 thousand as of June 30, 2024 and 2023, respectively. There were $870.7 million and $654.1 million of brokered deposits as of June 30, 2024 and 2023, respectively.

The scheduled maturities of time certificates by fiscal year at June 30, 2024 are as follows:

Fiscal Year	(In thousands)
2025	$ 1,282,423
2026	20,288
2027	1,226
2028	1,562
2029	704
Total	$ 1,306,203

6. Borrowings

Short-term Federal Home Loan Bank Advances

At June 30, 2024, the Bank had no short-term FHLBB advances. At June 30, 2023, the Bank had $311.0 million in short-term FHLBB advances maturing on July 5, 2023 at a weighted average rate of 5.26%.

Long-term Federal Home Loan Bank Advances

At June 30, 2024, the Bank had six long-term FHLBB advances totaling $345.2 million. The advances consist of one amortizing advance with a balance of $9.0 million, which matures on November 3, 2025, one amortizing advance with a balance of $9.8 million, which matures on November 2, 2026, one fixed-rate advance for $15.0 million, which matures on June 21, 2027, one amortizing advance with a balance of $216.2 million, which matures on January 3, 2028, one amortizing advance with a balance of $45.2 million, which matures on November 1, 2028, and one FHLBB option advance with a balance of $50.0 million, which matures on May 7, 2027, with a call option beginning on August 7, 2024. The weighted average interest rate on long-term FHLBB advances was 4.28% as of June 30, 2024. At June 30, 2023, the Bank had two long-term FHLBB advances totaling $251.6 million. The advances consist of one fixed-rate advance for $15.0 million, which matures on June 21, 2027 and one amortizing advance with a balance of $236.6 million, which matures on January 3, 2028. The weighted average interest rate on long-term FHLBB advances was 4.12% as of June 30, 2023.

At June 30, 2024, one FHLBB advance totaling $50.0 million was subject to call provisions, and as such, may be called prior to the stated maturity. At June 30, 2023, no FHLBB advances were subject to call provisions and as such, may not be called prior to the stated maturity. Certain mortgage loans and available-for-sale securities, free of liens, pledges and encumbrances have been pledged under a blanket agreement to secure these advances. The Bank is required to own stock in the FHLBB in order to borrow from the FHLBB.

At June 30, 2024, the Bank had approximately $448.0 million of additional capacity to borrow from the FHLBB, compared to $318.4 million as of June 30, 2023.

Federal Reserve Bank of Boston Borrower-in-Custody

The Bank has a borrower-in-custody collateral arrangement with the Federal Reserve Bank of Boston for usage of the discount window. The terms of the agreement call for the pledging of certain assets of the Bank under the agreement. At June 30, 2024 and 2023, there were no borrowings outstanding under this agreement. At June 30, 2024, the Bank had approximately $201.9 million of capacity to borrower from the Federal Reserve Borrower-in-Custody, compared to $325.7 million as of June 30, 2023.

Capital Leases

During the year ended June 30, 2023, the Bank capitalized a lease for its corporate space located in Boston, Massachusetts. As a result of this new lease, the Bank capitalized $17.5 million during the year. The new lease has a 12-year term and includes a rent-free period. The Bank utilized a discount rate of 5.10%, which approximates the borrowing rate for an FHLBB advance for a similar term. No leases were capitalized during the year ended June 30, 2024.

7. Capital and Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The prompt corrective action regulations define specific capital categories based on an institution's capital ratios. The capital categories, in declining order, are "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized."

As of June 30, 2024 and 2023, the most recent notification from the Bank's regulator categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Bank must maintain minimum Common equity tier 1 capital, total capital, Tier 1 capital and Tier 1 leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the institution's regulatory designation as "well-capitalized" under the regulatory framework for prompt corrective action.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios as set forth in the table below. At June 30, 2024 and 2023, the Bank's ratios exceeded the regulatory requirements. Management believes that the Bank met all capital adequacy requirements to which they were subject as of June 30, 2024 and 2023. The Bank's regulatory capital ratios are set forth below as of June 30, 2024 and 2023.

	Actual		Minimum Capital Requirements		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions		Minimum Capital Ratio with Capital Conservation Buffer
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Ratio
June 30, 2024			(Dollars in thousands)				
Common equity tier 1 capital to risk-weighted assets	$ 376,462	13.84%	$ 122,422	≥4.5%	$ 176,832	≥6.5%	7.0%
Total capital to risk-weighted assets	403,256	14.82%	217,640	≥8.0%	272,049	≥10.0%	10.5%
Tier 1 capital to risk-weighted assets	376,462	13.84%	163,230	≥6.0%	217,640	≥8.0%	8.5%
Tier 1 capital to average assets	376,462	12.30%	122,397	≥4.0%	152,996	≥5.0%	4.0%

June 30, 2023							
Common equity tier 1 capital to risk-weighted assets	$ 296,830	12.00%	$ 111,311	≥4.5%	$ 160,782	≥6.5%	7.0%
Total capital to risk-weighted assets	304,210	12.30%	197,886	≥8.0%	247,358	≥10.0%	10.5%
Tier 1 capital to risk-weighted assets	296,830	12.00%	148,415	≥6.0%	197,886	≥8.0%	8.5%
Tier 1 capital to average assets	296,830	10.38%	114,375	≥4.0%	142,969	≥5.0%	4.0%

In addition to the minimum regulatory capital required for capital adequacy purposes included in the table above, the Bank is required to maintain a capital conservation buffer, in the form of common equity, in order to avoid restrictions on capital distributions and discretionary bonuses.

8. Earnings Per Common Share (“EPS”)

EPS is computed by dividing net income allocated to common shareholders by the weighted-average common shares outstanding. The following table shows the weighted-average number of common shares outstanding for the periods indicated. Shares issuable relative to stock options granted have been reflected as an increase in the shares outstanding used to calculate diluted EPS, after applying the treasury stock method. The number of shares outstanding for basic and diluted EPS is presented as follows:

	Years ended June 30,		
	2024	2023	2022
	(In thousands, except share and per share data)		
Net income	$ 58,231	$ 44,187	$ 42,163
Average number of common shares outstanding	7,851,822	7,541,21 9	7,905,996
Less: average unvested non-participating restricted stock awards	(278,605)	(195,966)	(99,370)
Weighted average shares used in calculation of basic EPS	7,573,217	7,345,253	7,806,626
Effect of dilutive stock options	-	18,591	80,075
Effect of dilutive unvested restricted stock awards	105,790	50,088	15,909
Weighted average shares used in calculation of diluted earnings	7,679,007	7,413,93	7,902,610
Earnings per common share:	$ 7.69	$ 6.02	$ 5.40
Diluted earnings per common share:	7.58	5.96	5.34

No stock options were excluded from the calculation of diluted EPS due to the exercise price for the years ended June 30, 2024, 2023 and 2022.

9. Income Taxes

The components of current and deferred income tax expense are as follows:

	Years Ended June 30,		
	2024	2023	2022
		(In thousands)	
Current provision			
Federal	$ 17,584	$ 14,935	$ 10,887
State	12,389	10,813	7,679
Total current provision	29,973	25,748	18,566
Deferred benefit			
Federal	(1,122)	(2,683)	1,158
State	1,034	(2,037)	(339)
Total deferred benefit	(88)	(4,720)	819
Total tax provision	$ 29,885	$ 21,028	$ 19,385

The reconciliation between the statutory federal income tax rate of 21% and the effective tax rate on income follows:

	Years Ended June 30,		
	2024	2023	2022
	(In thousands)		
Expected income tax expense at federal tax rate	$ 18,504	$ 13,695	$ 12,925
State tax, net of federal tax benefit	9,976	6,933	5,799
Non-taxable BOLI income	(98)	(93)	(89)
Stock compensation excess tax federal benefits	(108)	(687)	(151)
State tax apportionment change	627	-	-
162(m) disallowance	931	1,130	442
Other	53	50	459
Total income tax expense	$ 29,885	$ 21,028	$ 19,385

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30 follows:

	June 30,	
	2024	2023
	(In thousands)	
Deferred tax assets		
Allowance for credit losses	$ 2,638	$ 2,291
Loan basis differential	1,602	1,476
Capital lease	5,663	6,874
Compensation and benefits	2,161	1,915
Stock-based compensation	1,974	1,395
Unrealized loss on investment securities	68	266
Interest on nonperforming loans	2,092	3,245
Correspondent and net deferred loan fees on PPP loans	21	32
Accrued interest payable	4,013	3,796
Other	250	283
Gross deferred tax asset	20,482	21,573
Less: valuation allowance	-	-
Total deferred tax assets	20,482	21,573
Deferred tax liabilities		
Prepaid expenses	379	240
Premises and equipment	6,105	7,590
Other	288	480
Total deferred tax liability	6,772	8,310
Net deferred tax asset	$ 13,710	$ 13,263

The net deferred tax asset was included in other assets on the accompanying balance sheets as of June 30, 2024 and 2023.

In accordance with ASC 740, Income Taxes, deferred tax assets are to be reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of the tax benefit depends upon the existence of sufficient taxable income within the carry-back and future periods. The Bank believes that it is more likely than not that the net deferred tax asset as of June 30, 2024 will be realized, based upon the ability to generate future taxable income as well as the availability of current and historical taxable income.

From time to time, the Internal Revenue Service (the "IRS") and state tax authorities may review or challenge specific tax positions taken by the Bank in its ordinary course of business. The Bank accounts for uncertainties in income taxes by reserving for tax positions that may not be upheld under examination. Increases to the Bank's unrealized tax positions occur as a result of accruing for the unrecognized tax benefit as well the accrual of interest and penalties related to prior year positions. Decreases in the Bank's unrealized tax positions occur as a result of the statute of limitation lapsing on prior year positions or settlements relating to outstanding positions. The Bank reserves for uncertain tax positions, as well as related interest and penalties, as a component of income tax expense therefore affecting the effective tax rate. The Bank had no uncertain tax positions for the years ended June 30, 2024, 2023 or 2022.

The Bank is currently open to audit under the statute of limitations by the IRS and state taxing authorities for the fiscal 2021 tax return and forward.

10. Employee Benefit Plans

401(k) Plan

The Bank offers a contributory 401(k) plan that is available to all full-time salaried and hourly-paid employees upon the first pay cycle of the month following start of employment. Employees may contribute up to 100% of their base compensation, subject to IRS limitations. The Bank will match 50% of each employee's contribution up to the first 6% contributed. For the years ended June 30, 2024, 2023, and 2022, the Bank contributed $562 thousand, $469 thousand, and $455 thousand, respectively.

Deferred Compensation

The Bank has individual deferred compensation agreements with five former senior officers. The Bank recognized deferred compensation expense of $25 thousand, $26 thousand, and $27 thousand for the years ended June 30, 2024, 2023, and 2022, respectively. At June 30, 2024 and 2023 the Bank's deferred compensation liability was $413 thousand and $439 thousand, respectively.

11. **Stock-Based Compensation**

A summary of restricted stock activity for the year ended June 30, 2024 follows:

	Shares	Weighted Average Grant Date Fair Value
Unvested at beginning of period	258,546	$ 35.24
Granted	157,991	48.29
Vested	(80,872)	33.24
Cancelled to cover taxes	(25,439)	31.91
Forfeited	(16,498)	43.81
Unvested at end of period	293,818	42.61

Stock-based compensation expense totaled $5.0 million, $3.4 million, and $1.9 million for the years ended June 30, 2024, 2023 and 2022, respectively. The tax benefit related to stock-based compensation expense totaled $655 thousand, $411 thousand, and $589 thousand for the years ended June 30, 2024, 2023 and 2022, respectively. The estimated amount and timing of future pre-tax stock-based compensation expense to be recognized are as follows.

	Years Ending June 30,					
	2025	2026	2027	2028	2029	Total
	(In thousands)					
Restricted stock	$ 4,091	$ 2,535	$ 356	$ -	$ -	$ 6,982

12. **Commitments, Contingent Liabilities and Other Off-Balance Sheet Risks**

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheets. The contract amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Financial instruments with contract amounts, which represent credit risk, are as follows:

	June 30,	
	2024	2023
	(In thousands)	
Commitments to originate loans	$ 24,399	$ 13,249
Unused lines of credit	19,069	32,883
Standby letters of credit	-	-

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may

include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties. The Bank has recorded an allowance for possible losses on commitments and unfunded loans totaling $86 thousand and $76 thousand as of June 30, 2024 and 2023, respectively.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. As of June 30, 2024 and 2023, the maximum potential amount of the Bank's obligation was $0, for financial and standby letters of credit. The Bank's outstanding letters of credit generally have a term of less than one year. If a letter of credit is drawn upon, the Bank may seek recourse through the customer's underlying line of credit. If the customer's line of credit is also in default, the Bank may take possession of the collateral, if any, securing the line of credit.

Legal Proceedings

The Bank is party to litigation and claims arising in the normal course of business. Management believes that the liabilities, if any, arising from such litigation and claims will not be material to the Bank's financial position or results of operations.

13. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) follow:

	Years Ended June 30,					
	2024			2023		
	Pre-tax Amount	Tax Expense (Benefit)	After-tax Amount	Pre-tax Amount	Tax Expense (Benefit)	After-tax Amount
	(In thousands)					
Change in net unrealized gain (loss) on available-for-sale securities	$ 733	$ 198	$ 535	$ (40)	$ (11)	$ (29)
Change in accumulated loss on effective cash flow hedges	-	-	-	221	60	161
Total other comprehensive income	$ 733	$ 198	$ 535	$ 181	$ 49	$ 132

	Year Ended June 30, 2022		
	Pre-tax Amount	Tax Expense (Benefit)	After-tax Amount
Change in net unrealized loss on available-for-sale securities	$ (1,183)	$ (320)	$ (863)
Change in accumulated loss on effective cash flow hedges	1,813	488	1,325
Total other comprehensive loss	$ 630	$ 168	$ 462

Accumulated other comprehensive loss is comprised of the following components:

	June 30, 2024	June 30, 2023
	(In thousands)	
Unrealized loss on available-for-sale securities	$ (251)	$ (984)
Tax effect	68	266
Net-of-tax amount	(183)	(718)
Unrealized loss on cash flow hedges	-	-
Tax effect	-	-
Net-of-tax amount	-	-
Accumulated other comprehensive loss	$ (183)	$ (718)

14. Derivatives

The Bank had stand-alone derivative financial instruments in the form of swap agreements that derive their value from the underlying interest rate. These transactions involve both credit and market risk. The notional amounts are amounts on which calculations, payments and the value of the derivative are based. Notional amounts do not represent direct credit exposures. Direct credit exposure arises in the event of nonperformance by the counterparties to these agreements and is limited to the net difference between the calculated amounts to be received and paid, if any. Such differences, which represent the fair value of the derivative instruments, are reflected on the Bank's balance sheet as derivative assets and derivative liabilities. The Bank controls the credit risk of its financial contracts through credit approvals, limits and monitoring procedures, and does not expect any counterparties to fail to meet their obligations.

The Bank previously held derivative instruments that contained credit-risk related features that were in a net liability position, which may require that collateral be assigned to dealer banks. The Bank had no cash posted for collateral at June 30, 2024 or 2023.

The Bank does not offset fair value amounts recognized for derivative instruments. The Bank does not net the amount recognized for the right to reclaim cash collateral against the obligation to return cash collateral arising from derivative instruments executed with the same counterparty under a master netting arrangement.

Risk Management Policies—Derivative Instruments

The Bank evaluates the effectiveness of entering into any derivative instrument agreement by measuring the costs and benefits of such an agreement in relation to the reduction in net income volatility within an assumed range of interest rates.

Interest Rate Risk Management—Cash Flow Hedging Instruments

The Bank uses variable rate debt as a source of funds for use in the Bank's lending and investment activities and other general business purposes. These debt obligations expose the Bank to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense decreases. Management believes it is prudent to limit the variability of a portion of its interest payments and, therefore, generally hedges a portion of its variable-rate interest payments.

During the year ended June 30, 2023, the Bank terminated all of its interest rate swap agreements totaling $15.0 million prior to maturity and recorded a gain on the termination of interest rate swaps of $96 thousand. Changes in the fair value of interest rate swaps designated as hedging instruments of the variability of cash flows associated with variable rate debt are reported in other comprehensive income. These amounts subsequently are reclassified into interest expense as a yield adjustment in the same period in which the related interest on the debt affects earnings. Risk management results for the year ended June 30, 2023 related to the balance sheet hedging of variable rate debt indicates that the hedges were effective.

Amounts recognized in income related to amounts excluded from effectiveness testing resulted from amortization of the acquisition price of interest rate caps. For the years ended June 30, 2024, 2023 and 2022, no amounts were recognized in income.

The Bank does not expect to record interest income or interest expense related to interest rate swap or interest rate cap ineffectiveness in the next twelve months.

15. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under

current market conditions. The Bank uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from one level to another. When market assumptions are not readily available, the Bank's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. If there has been a significant decrease in the volume and level of activity for the asset or liability, regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same.

ASC 820, Fair Value Measurement, defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 — Valuations based on significant observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Bank in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

*Valuation technique*s - There have been no changes in the valuation techniques used during the current period.

Transfers - There were no transfers of assets and liabilities measured at fair value on a recurring or nonrecurring basis during the current period.

Assets and Liabilities Measured at Fair Value on a Recurring Basis:

Securities - Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Examples of such instruments include publicly-traded common and preferred stocks. If quoted prices are not available, then fair values are estimated by using pricing models (*i.e.*, matrix pricing) and market interest rates and credit assumptions or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. Examples of such instruments include government agency and government sponsored enterprise mortgage-backed securities, as well as certain preferred and trust preferred stocks. Level 3 securities are securities for which significant unobservable inputs are utilized.

Certain investments are measured at fair value using the net asset value per share as a practical expedient. These securities include a fund that seeks to invest in securities either issued or guaranteed by the U.S. government or its agencies, as well as a fund that primarily invests in the federally guaranteed portion of SBA 7(a) loans. The Bank's investment in securities either issued or guaranteed by the U.S. government or its agencies can be redeemed daily at the closing net asset value per share. The Bank's investment in SBA 7(a) loans can be redeemed quarterly with 60 days' notice. In accordance with ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (Or Its Equivalent), these securities have not been included in the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis:

Collateral dependent criticized loans - Valuations of criticized loans measured at fair value are determined by a review of collateral values. Certain inputs used in appraisals are not always observable, and therefore impaired loans are generally categorized as Level 3 within the fair value hierarchy.

Real estate owned and other repossessed collateral - The fair values of real estate owned and other repossessed collateral are estimated based upon appraised values less estimated costs to sell. Certain inputs used in appraisals are not always observable, and therefore may be categorized as Level 3 within the fair value hierarchy. When inputs used in appraisals are primarily observable, they are classified as Level 2.

Loan servicing rights - The fair value of the SBA and mortgage servicing rights is based on a valuation model that calculates the present value of estimated future net servicing income. Adjustments are only recorded when the discounted cash flows derived from the valuation model are less than the carrying value of the asset. Certain inputs are not observable, and therefore loan servicing rights are generally categorized as Level 3 within the fair value hierarchy.

Fair Value of other Financial Instruments:

Assets and liabilities measured at fair value on a recurring basis are summarized below.

	Total	Level 1	Level 2	Level 3
		(In thousands)		
June 30, 2024				
Assets				
Securities:				
U.S. Government agency securities	$ 46,822	$ -	$ 46,822	$ -
Agency mortgage-backed securities	2,156	-	2,156	-
Equity investments measured at net asset value(1)	7,013	-	-	-
June 30, 2023				
Assets				
Securities:				
U.S. Government agency securities	$ 50,249	$ -	$ 50,249	$ -
Agency mortgage-backed securities	3,155	-	3,155	-
Equity investments measured at net asset value(1)	6,770	-	-	-

(1) In accordance with ASU 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have
not been classified in the fair value hierarchy. The fair value amount presented in the table is intended to permit reconciliation of the fair value amount to the financial statements.

Assets measured at fair value on a nonrecurring basis are summarized below.

	Total	Level 1	Level 2	Level 3
		(In thousands)		
June 30, 2024				
Collateral dependent criticized loans	$ 9,929	$ -	$ -	$ 9,929
Real estate owned and other repossessed collateral	-	-	-	-
Loan servicing rights	984	-	-	984
June 30, 2023				
Collateral dependent criticized loans	$ 3,201	$ -	$ -	$ 3,201
Real estate owned and other repossessed collateral	-	-	-	-
Loan servicing rights	1,530	-	-	1,530

The table below presents quantitative information about significant unobservable inputs (Level 3) for assets measured at fair value on a nonrecurring basis at the dates indicated.

	Fair Value		
	June 30, 2024	June 30, 2023	Valuation Technique
	(In thousands)		
Collateral dependent criticized loans	$ 9,929	$ 3,201	Appraisal of collateral[(1)]
Loan servicing rights	984	1,530	Discounted cash flow[(2)]

(1) Fair value is generally determined through independent appraisals of the underlying collateral. The Bank may also use another available source of collateral assessment to determine a reasonable estimate of the fair value of the collateral. Appraisals may be adjusted by management for qualitative factors such as economic factors and estimated liquidation expenses. This adjustment was 20%.
(2) Fair value is determined using a discounted cash flow model. The unobservable inputs include anticipated rate of loan prepayments and discount rates. The range of prepayment assumptions used was 0.0% to 33.3% and the weighted average prepayment assumption used was 21.2%. For discount rates, the range was 0.9% to 27.0% and the weighted average discount rate used was 19.7%.

The table below summarizes the total gains (losses) on assets measured at fair value on a non-recurring basis for the years ended June 30, 2024, 2023 and 2022.

	Years Ended June 30,		
	2024	2023	2022
		(In thousands)	
Collateral dependent criticized loans	$ (1,616)	$ (408)	$ (13)
Loan servicing rights	161	285	(182)
Total	$ (1,455)	$ (123)	$ (195)

The following table presents the estimated fair value of the Bank's financial instruments.

	Carrying Amount	Total	Level 1	Level 2	Level 3
			(Dollars in thousands)		
June 30, 2024					
Financial assets:					
Cash and cash equivalents	$ 242,158	$ 242,158	$ 242,158	$ -	$ -
Securities	48,978	48,978	-	48,978	-
Equity investments measured at net asset value[(1)]	7,013	7,013	-	-	-
Federal Home Loan Bank stock	15,751	15,751	-	15,751	-
Loans, net	2,719,942	2,699,091	-	-	2,699,091
Accrued interest receivable	15,163	15,163	-	15,163	-
Financial liabilities:					
Deposits	2,339,463	2,386,038	-	2,386,038	-
Federal Home Loan Bank advances	345,190	389,129	-	389,129	-
Lease liability	20,252	21,294	-	21,294	-
June 30, 2023					
Financial assets:					
Cash and cash equivalents	$ 197,909	$ 197,909	$ 197,909	$ -	$ -
Securities	53,403	53,403	-	53,403	-
Equity investments measured at net asset value[(1)]	6,771	6,771	-	-	-
Federal Home Loan Bank stock	24,644	24,644	-	24,644	-
Loans, net	2,513,056	2,540,240	-	-	2,540,240
Accrued interest receivable	6,638	6,638	-	6,638	-
Financial liabilities:					
Deposits	1,937,207	1,931,648	-	1,931,648	-
Federal Home Loan Bank advances	562,615	559,324	-	559,324	-
Lease liability	21,918	21,965	-	21,965	-
Accrued interest payable	12,104	12,104	-	12,104	-

(1) In accordance with ASU 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amount presented in the table is intended to permit reconciliation of the fair value amount to the financial statements.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Bank carried out an evaluation, under the supervision and with the participation of the Bank's management, including the Bank's Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon the evaluation, the Bank's Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2024, the Bank's disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in the Bank's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) occurred during the fourth quarter of our fiscal year ended June 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

An evaluation was performed under the supervision and with the participation of the Bank's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our internal controls and procedures over financial reporting (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this annual report.

Management Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. The standard measures adopted by management in making its evaluation are the measures in *Interest Control—Integrated Framework (2013)* published by the Committee of Sponsoring Organizations of the Treadway Commission. We do not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objective will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, errors, and instances of fraud, if any, within the Bank have been or will be detected. The inherent limitations include, among other things, the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls and procedures also can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management or employee override of the controls and procedures. The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls and procedures may become inadequate because of changes in conditions or deterioration in the degree of compliance with its policies or procedures. Because of the inherent limitation in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Based on their evaluation of disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded, subject to the limitations described above, that our internal controls and procedures over financial reporting as of the end of the period covered by this report were effective and that there were no material weaknesses.

RSM US LLP, an independent registered public accounting firm that audited the financial statements of the Bank included in this annual report, has issued an audit opinion on the effectiveness of the Bank's internal control over financial reporting as of June 30, 2024. The report, which expresses an unqualified opinion on the effectiveness of the Bank's internal control over financial reporting as of June 30, 2024, is included in this Item under the heading "Report of Independent Registered Public Accounting Firm."

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Northeast Bank

Opinion on the Internal Control Over Financial Reporting

We have audited Northeast Bank's (the Bank) internal control over financial reporting as of June 30, 2024, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of June 30, 2024, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the balance sheets as of June 30, 2024 and 2023, the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended June 30, 2024, of the Bank and our report dated September 18, 2024, expressed an unqualified opinion.

Basis for Opinion

The Bank's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Bank's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Bank in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ RSM US LLP

Philadelphia, Pennsylvania
September 18, 2024

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal controls, or in other factors that could significantly affect our internal controls, subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation, including any corrective actions with regard to significant deficiencies or material weaknesses.

Item 9B. Other Information

Insider Trading Arrangements

During the three months ended June 30, 2024, none of the Bank's directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 shall be included in the Proxy Statement and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 11 shall be included in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required by Item 12 shall be included in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 shall be included in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 shall be included in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements and Financial Statement Schedules

Balance Sheets as of June 30, 2024 and 2023

Statements of Income for the years ended June 30, 2024, 2023, and 2022

Statements of Comprehensive Income for the years ended June 30, 2024, 2023, and 2022

Statements of Changes in Shareholders' Equity for the years ended June 30, 2024, 2023, and 2022

Statements of Cash Flows for the years ended June 30, 2024, 2023, and 2022

Notes to Financial Statements

(b) Exhibits

2.1 Agreement and Plan of Merger, dated as of January 7, 2019, by and between Northeast Bank and Northeast Bancorp (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K, filed with the FDIC on May 15, 2019).
3.1 Amended and Restated Articles of Incorporation of Northeast Bank (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed with the FDIC on May 15, 2019).
3.2 Amended and Restated Bylaws of Northeast Bank (incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K filed with the FDIC on May 15, 2019).
4.1 Description of Registrant's Securities. (incorporated by reference to Exhibit 4.1 of the Current Report on Form 10-K filed with the FDIC on September 11, 2020).
10.1+ Northeast Bancorp Amended and Restated 2010 Stock Option and Incentive Plan (1).
10.2a+ Form of Restricted Stock Award Agreement under the Northeast Bancorp Amended and Restated 2010 Stock Option and Incentive Plan (issued on or after May 25, 2017) (1).
10.2b+ Form of Restricted Stock Award Agreement under the Northeast Bancorp Amended and Restated 2010 Stock Option and Incentive Plan (issued before May 25, 2017) (1).
10.3+ Form of Non-Qualified Stock Option Agreement for Company Employees under the Northeast Bancorp Amended and Restated 2010 Stock Option and Incentive Plan (1).
10.4+ Non-Qualified Performance-Based Stock Option Agreement, dated March 22, 2013, by and between Northeast Bancorp and Richard Wayne (3).
10.5+ Form of Indemnification Agreement, dated as of December 29, 2010, by and between Northeast Bancorp and each of the members of the Board (2).
10.6+ Employment Agreement, dated December 30, 2010, by and between Northeast Bancorp and Richard Wayne (2).
10.7 Paycheck Protection Program Liquidity Facility Correspondent Agreement, dated June 12, 2020, by and among Northeast Bank, The Loan Source, Inc. and ACAP SME, LLC (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the FDIC on June 17, 2020).
10.8 Loan Purchase and Sale Agreement, dated June 18, 2020, by and between Northeast Bank and The Loan Source, Inc. (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the FDIC on June 25, 2020).
10.9 First Amendment to Paycheck Protection Program Liquidity Facility Correspondent Agreement, dated March 2, 2021, by and among Northeast Bank, The Loan Source, Inc. and ACAP SME, LLC (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the FDIC on March 3, 2021).

10.10 Loan Purchase and Sale Agreement, dated March 2, 2021, by and between Northeast Bank and The Loan Source, Inc. (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the FDIC on March 4, 2021).

10.11 Marketing Services Agreement, dated August 6, 2021, by and between Northeast Bank, United Operations, LLC and American Loan Funding Company LLC (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the FDIC on August 11, 2021).

10.12 Master Loan Participation Agreement, dated August 6, 2021, by and between Northeast Bank and American Loan Funding Company LLC (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the FDIC on August 11, 2021).

10.13 Lender Service Provider Agreement, dated August 6, 2021, by and between Northeast Bank and United Operations, LLC (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the FDIC on August 11, 2021).

10.14+ Northeast Bank 2021 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q filed with the FDIC on May 7, 2021).

10.15+ Form of Restricted Stock Award Agreement under the Northeast Bank 2021 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.15 of the Form 10-K filed with the FDIC on September 9, 2022).

10.16+ Form of Performance Restricted Stock Award Agreement under the Northeast Bank 2021 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.16 of the Form 10-K filed with the FDIC on September 9, 2022).

10.17+ Form of Restricted Stock Award Agreement under the Northeast Bank 2021 Stock Option and Incentive Plan, as amended August 23, 2022 (incorporated by reference to Exhibit 10.17 of the Form 10-K filed with the FDIC on September 9, 2022).

10.18+ Form of Performance Restricted Stock Award Agreement under the Northeast Bank 2021 Stock Option and Incentive Plan, as amended August 23, 2022 (incorporated by reference to Exhibit 10.18 of the Form 10-K filed with the FDIC on September 9, 2022).

10.19+ Form of Restricted Stock Award Agreement under the Northeast Bank 2021 Stock Option and Incentive Plan, as amended August 14, 2024.*

10.20+ Form of Performance Restricted Stock Award Agreement under the Northeast Bank 2021 Stock Option and Incentive Plan, as amended August 14, 2024.*

10.21 Equity Distribution Agreement, dated December 12, 2022, by and between Northeast Bank and Piper Sandler & Co., incorporated by reference to Exhibit 1.1 of Northeast Bank's Current Report on Form 8-K filed with the Federal Deposit Insurance Corporation on December 12, 2022.

10.22 Letter Agreement between Northeast Bank and Richard Cohen, dated January 17, 2024 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the FDIC on January 24, 2024).

21 Subsidiaries of Northeast Bank*

31.1 Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

31.2 Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

32.1 Rule 13a-14(b) Certifications of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

97 Northeast Bank Incentive Compensation Clawback and Forfeiture Policy.*

* Filed herewith

** Furnished herewith

\+ Management contract or compensatory plan or agreement

(1) Previously filed by Northeast Bancorp, the Bank's former holding company, with the Securities and Exchange Commission on Northeast Bancorp's Annual Report on Form 10-K filed on September 13, 2017, and assumed by the Bank pursuant to the Agreement and Plan of Merger dated as of January 7, 2019, by and between Northeast Bank and Northeast Bancorp.

(2) Previously filed by Northeast Bancorp, the Bank's former holding company, with the Securities and Exchange Commission on Northeast Bancorp's Current Report on Form 8-K filed on January 5, 2011, and assumed by the Bank pursuant to the Agreement and Plan of Merger dated as of January 7, 2019, by and between Northeast Bank and Northeast Bancorp.

(3) Previously filed by Northeast Bancorp, the Bank's former holding company, with the Securities and Exchange Commission on Northeast Bancorp's Current Report on Form 8-K filed on March 26, 2013, and assumed by the Bank pursuant to the Agreement and Plan of Merger dated as of January 7, 2019, by and between Northeast Bank and Northeast Bancorp.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORTHEAST BANK

Date: September 18, 2024

By: /s/ RICHARD WAYNE
Richard Wayne
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RICHARD WAYNE **Richard Wayne**	Chief Executive Officer and Director (Principal Executive Officer)	September 18, 2024
/s/ RICHARD COHEN **Richard Cohen**	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	September 18, 2024
/s/ MATTHEW BOTEIN **Matthew Botein**	Chairman of the Board	September 18, 2024
/s/ CHERYL DORSEY **Cheryl Dorsey**	Director	September 18, 2024
/s/ WILLIAM MAYER **William Mayer**	Director	September 18, 2024
/s/ JOHN C. ORESTIS **John C. Orestis**	Director	September 18, 2024
/s/ DAVID TANNER **David Tanner**	Director	September 18, 2024
/s/ JUDITH E. WALLINGFORD **Judith E. Wallingford**	Director	September 18, 2024

Exhibit 10.19

RESTRICTED STOCK AWARD AGREEMENT
UNDER NORTHEAST BANK
2021 STOCK OPTION AND INCENTIVE PLAN

Pursuant to the Northeast Bank 2021 Stock Option and Incentive Plan (the "Plan") as amended through the date hereof, Northeast Bank (the "Bank") hereby grants a Restricted Stock Award (an "Award") to the Grantee. Upon acceptance of this Award, the Grantee shall receive the number of shares of Voting Common Stock of the Bank specified in the Global Shares system, subject to the restrictions and conditions set forth herein and in the Plan. The Bank acknowledges the receipt from the Grantee of consideration with respect to the par value of the Stock in the form of cash, past or future services rendered to the Bank by the Grantee or such other form of consideration as is acceptable to the Administrator.

1. Award. The shares of Restricted Stock awarded hereunder shall be issued and held by the Bank's transfer agent in book entry form, and the Grantee's name shall be entered as the stockholder of record on the books of the Bank. Thereupon, the Grantee shall have all the rights of a stockholder with respect to such shares, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Paragraph 2 below. The Grantee shall accept a copy of this Agreement within the Global Shares system.

2. Restrictions and Conditions.

(a) Any book entries for the shares of Restricted Stock granted herein shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such shares are subject to restrictions as set forth herein and in the Plan.

(b) Shares of Restricted Stock granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Grantee prior to vesting.

(c) If the Grantee's employment with the Bank and its Subsidiaries is voluntarily or involuntarily terminated for any reason prior to vesting of shares of Restricted Stock granted herein, all shares of Restricted Stock shall immediately and automatically be forfeited and returned to the Bank. Notwithstanding the foregoing, if the Grantee's employment with the Bank and its Subsidiaries is terminated due to the Grantee's death or disability prior to the vesting of shares of Restricted Stock granted herein, all restrictions shall lapse and such shares shall automatically become fully vested. The Administrator's determination of the reason for termination of the Grantee's employment shall be conclusive and binding on the Grantee and his or her representatives or legatees.

(d) In the case of a Sale Event (as defined in the Plan) prior to any Vesting Date, this Agreement and the shares of Restricted Stock granted herein shall be treated in accordance with Section 3(c) of the Plan; provided, however, that in connection with a Sale Event in which this Award is assumed or continued by the successor entity in such Sale Event or substituted with a new award of such successor (in accordance with Section 3(c) of the Plan), the shares of Restricted Stock granted herein (or any substitute award) shall be deemed vested in full upon the date on which the Grantee's employment with the Bank and its Subsidiaries or the

successor entity terminates if such termination occurs on or following the date of such Sale Event and is either by the Bank (or its successor) without Cause (as defined below) or by the Grantee for Good Reason.

"Cause" means a termination of the Grantee's employment as a result of (i) conduct by the Grantee constituting deliberate dishonesty or gross misconduct in connection with the Grantee's employment; (b) the Grantee's commission of any crime involving moral turpitude or any felony; (c) the Grantee's commitment of any fraud, embezzlement, breach of fiduciary duty or misappropriation of funds against the Bank or its Subsidiaries or successor entity; (d) the Grantee's material violation of any provision of any agreement(s) between the Grantee and the Bank or its Subsidiaries or successor entity relating to noncompetition, nonsolicitation, nondisclosure and/or assignment of inventions; (e) the Grantee's material violation of the Bank's (or a Subsidiary's or successor entity's) written policies or rules material to the Grantee's employment that results in material demonstrable harm to the Bank or its Subsidiaries or successor entity; or (f) failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Bank or its Subsidiaries or successor entity to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation. In the event the Grantee is a party to an employment agreement with the Bank or any Subsidiary that contains a different definition of "Cause," the definition set forth in such other agreement shall be applicable to the Grantee for purposes of this Agreement and not this definition.

"Good Reason", means any of the following, without the Grantee's consent, provided the Bank has not cured such matter within 30 days of notice by the Grantee to the Bank and the Grantee provides such notice within 60 days of the first occurrence of such matter: (a) requiring the Grantee's primary work location (excluding business travel) to be more than 50 miles from the corporate offices in Boston, Massachusetts, (b) the material failure of the Bank to pay the compensation in the amounts and manner and at the times set forth in this Agreement, or (c) a material diminution in the Grantee's responsibilities, authority or duties which are materially inconsistent with the Grantee's title without the Grantee's prior consent. In the event the Grantee is a party to an employment agreement with the Bank or any Subsidiary that contains a different definition of "Good Reason," the definition set forth in such other agreement shall be applicable to the Grantee for purposes of this Agreement and not this definition.

3. Vesting of Restricted Stock. Except as set forth in Paragraph 2, the restrictions and conditions in Paragraph 2 of this Agreement shall lapse on the Vesting Date or Dates specified in the Global Shares vesting schedule applicable to this Award so long as the Grantee remains an employee of the Bank or a Subsidiary on such Dates. If a series of Vesting Dates is specified, then the restrictions and conditions in Paragraph 2 shall lapse only with respect to the number of shares of Restricted Stock specified as vested on such date.

Subsequent to such Vesting Date or Dates, the shares of Stock on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock. The Administrator may at any time accelerate the vesting schedule specified in this Paragraph 3.

4. Dividends. Dividends on shares of unvested Restricted Stock shall accrue and shall not be paid to the Grantee unless and until such Restricted Shares vest in accordance with this Agreement. If any Restricted Shares are forfeited hereunder, the Grantee shall have no rights to any such accrued dividends and such accrued dividends shall be forfeited in their entirety.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Award shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

7. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Bank or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. Except in the case where an election is made pursuant to Paragraph 8 below, the Bank shall have the authority to cause the required tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued or released by the transfer agent a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

8. Election Under Section 83(b). The Grantee and the Bank hereby agree that the Grantee may, within 30 days following the Grant Date of this Award, file with the Internal Revenue Service and the Bank an election under Section 83(b) of the Internal Revenue Code. In the event the Grantee makes such an election, he or she agrees to provide a copy of the election to the Bank. The Grantee acknowledges that he or she is responsible for obtaining the advice of his or her tax advisors with regard to the Section 83(b) election and that he or she is relying solely on such advisors and not on any statements or representations of the Bank or any of its agents with regard to such election.

9. No Obligation to Continue Employment. Neither the Bank nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Bank or any Subsidiary to terminate the employment of the Grantee at any time.

10. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Award and supersedes all prior agreements and discussions between the parties concerning such subject matter.

11. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Bank, its subsidiaries and affiliates and certain agents thereof (together, the “Relevant Companies”) may process any and all personal or professional data, including but not limited to Social Security or other identification number,

home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Grantee (i) authorizes the Bank to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

12. Notices. Notices hereunder shall be mailed or delivered to the Bank at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Bank or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Bank's instructions to the Grantee (including through an online acceptance process) is acceptable.

Exhibit 10.20

PERFORMANCE
RESTRICTED STOCK AWARD AGREEMENT
UNDER NORTHEAST BANK
2021 STOCK OPTION AND INCENTIVE PLAN

Pursuant to the Northeast Bank 2021 Stock Option and Incentive Plan (the "Plan") as amended through the date hereof, Northeast Bank (the "Bank") hereby grants a Restricted Stock Award (an "Award") to the Grantee. Upon acceptance of this Award, the Grantee shall receive the number of shares of Voting Common Stock of the Bank specified in the Global Shares system, subject to the restrictions and conditions set forth herein and in the Plan. The Bank acknowledges the receipt from the Grantee of consideration with respect to the par value of the Stock in the form of cash, past or future services rendered to the Bank by the Grantee or such other form of consideration as is acceptable to the Administrator.

1. Award. The shares of Restricted Stock awarded hereunder shall be issued and held by the Bank's transfer agent in book entry form, and the Grantee's name shall be entered as the stockholder of record on the books of the Bank. Thereupon, the Grantee shall have all the rights of a stockholder with respect to such shares, including voting and dividend rights, subject, however, to the restrictions and conditions specified in Paragraph 2 below. The Grantee shall accept a copy of this Agreement within the Global Shares system.

2. Restrictions and Conditions.

(a) Any book entries for the shares of Restricted Stock granted herein shall bear an appropriate legend, as determined by the Administrator in its sole discretion, to the effect that such shares are subject to restrictions as set forth herein and in the Plan.

(b) Shares of Restricted Stock granted herein may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of by the Grantee prior to vesting.

(c) Except as described in Exhibit A, if the Grantee's employment with the Bank and its Subsidiaries is voluntarily or involuntarily terminated for any reason prior to vesting of shares of Restricted Stock granted herein, all shares of Restricted Stock shall immediately and automatically be forfeited and returned to the Bank. The Administrator's determination of the reason for termination of the Grantee's employment shall be conclusive and binding on the Grantee and his or her representatives or legatees.

3. Vesting of Restricted Stock. The restrictions and conditions in Paragraph 2 of this Agreement shall lapse based on the Bank's performance during the period set forth on Exhibit A (the "Measurement Period"). The Shares of Restricted Stock shall vest in accordance with Exhibit A.

The number of shares of Restricted Stock specified in the Global Shares system (the "Target Award") represents the number of shares of Restricted Stock that will vest if the Bank achieves the target level of performance, and the actual number of shares of Restricted Stock that may vest could be lower than the Target Award and could be zero. The Grantee shall forfeit any

portion of the Target Award that does not vest upon the conclusion of the Measurement Period.

4. Dividends. Dividends on shares of unvested Restricted Stock shall accrue and shall not be paid to the Grantee unless and until such Restricted Shares vest in accordance with this Agreement. If any Restricted Shares are forfeited hereunder, the Grantee shall have no rights to any such accrued dividends and such accrued dividends shall be forfeited in their entirety.

5. Incorporation of Plan. Notwithstanding anything herein to the contrary, this Award shall be subject to and governed by all the terms and conditions of the Plan, including the powers of the Administrator set forth in Section 2(b) of the Plan. Capitalized terms in this Agreement shall have the meaning specified in the Plan, unless a different meaning is specified herein.

6. Transferability. This Agreement is personal to the Grantee, is non-assignable and is not transferable in any manner, by operation of law or otherwise, other than by will or the laws of descent and distribution.

7. Tax Withholding. The Grantee shall, not later than the date as of which the receipt of this Award becomes a taxable event for Federal income tax purposes, pay to the Bank or make arrangements satisfactory to the Administrator for payment of any Federal, state, and local taxes required by law to be withheld on account of such taxable event. Except in the case where an election is made pursuant to Paragraph 8 below, the Bank shall have the authority to cause the required tax withholding obligation to be satisfied, in whole or in part, by withholding from shares of Stock to be issued or released by the transfer agent a number of shares of Stock with an aggregate Fair Market Value that would satisfy the withholding amount due.

8. Election Under Section 83(b). The Grantee and the Bank hereby agree that the Grantee may, within 30 days following the Grant Date of this Award, file with the Internal Revenue Service and the Bank an election under Section 83(b) of the Internal Revenue Code. In the event the Grantee makes such an election, he or she agrees to provide a copy of the election to the Bank. The Grantee acknowledges that he or she is responsible for obtaining the advice of his or her tax advisors with regard to the Section 83(b) election and that he or she is relying solely on such advisors and not on any statements or representations of the Bank or any of its agents with regard to such election.

9. No Obligation to Continue Employment. Neither the Bank nor any Subsidiary is obligated by or as a result of the Plan or this Agreement to continue the Grantee in employment and neither the Plan nor this Agreement shall interfere in any way with the right of the Bank or any Subsidiary to terminate the employment of the Grantee at any time.

10. Integration. This Agreement constitutes the entire agreement between the parties with respect to this Award and supersedes all prior agreements and discussions between the parties concerning such subject matter.

11. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Bank, its subsidiaries and affiliates and certain

agents thereof (together, the “Relevant Companies”) may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the “Relevant Information”). By entering into this Agreement, the Grantee (i) authorizes the Bank to collect, process, register and transfer to the Relevant Companies all Relevant Information; (ii) waives any privacy rights the Grantee may have with respect to the Relevant Information; (iii) authorizes the Relevant Companies to store and transmit such information in electronic form; and (iv) authorizes the transfer of the Relevant Information to any jurisdiction in which the Relevant Companies consider appropriate. The Grantee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law.

12. Notices. Notices hereunder shall be mailed or delivered to the Bank at its principal place of business and shall be mailed or delivered to the Grantee at the address on file with the Bank or, in either case, at such other address as one party may subsequently furnish to the other party in writing.

13. Clawback. This Agreement and the Award shall be subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (i) any clawback, forfeiture or other similar policy adopted by the Board or Administrator and as in effect from time to time, including, without limitation, the Bank’s Policy for Recoupment of Executive Incentive Compensation, as amended and/or restated from time to time (the “Clawback Policy”); and (ii) applicable law and the Grantee agrees that the Grantee shall take all required action to enable such reduction, cancellation, forfeiture or recoupment. The Grantee further agrees that (i) all Incentive-Based Compensation (as defined in the Clawback Policy) received by the Grantee after the Effective Date (as defined in the Clawback Policy) is subject to recovery pursuant to the Clawback Policy and (ii) the Grantee is not entitled to indemnification for any Erroneously Awarded Compensation (as defined in the Clawback Policy) recovered pursuant to the Clawback Policy and, to the extent any agreement or organizational document purports to provide otherwise, the Grantee hereby irrevocably agrees to forego such indemnification. The Grantee acknowledges and agrees that the Grantee has received and has had an opportunity to review the Plan and the Clawback Policy. Further, to the extent that the Grantee receives any amount in excess of the amount that the Grantee should otherwise have received under the terms of the Award for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), the Administrator may require the Grantee to repay any such excess amount to the Bank.

The foregoing Agreement is hereby accepted and the terms and conditions thereof hereby agreed to by the undersigned. Electronic acceptance of this Agreement pursuant to the Bank’s instructions to the Grantee (including through an online acceptance process) is acceptable.

EXHIBIT A

PERFORMANCE TARGETS

In order to vest in any shares of Stock with respect to the Measurement Period, neither the Bank nor any of its subsidiaries may be subject to any Board resolution, memorandum of understanding or consent with any regulatory agency, as determined by the Administrator in its sole discretion (the "Absolute Metric Condition"). To the extent the Administrator determines that the Absolute Metric Condition has been satisfied with respect to the Measurement Period, the Grantee shall vest in the number of shares of Restricted Stock determined as set forth in the table below, based on the Bank's attainment of the return on assets target (the "ROA Target") for the Measurement Period as set forth in the table below.

Measurement Period	ROA Target	Achievement of less than 70% of ROA Target	Achievement of 70-79.99% of ROA Target	Achievement of 80-89.99% of ROA Target	Achievement of 90% or greater of ROA Target
July 1, 2024 – June 30, 2027	1.75%	0% of Target Award	50% of Target Award	75% of Target Award	100% of Target Award

The number of shares of Stock that shall vest with respect to the Measurement Period shall be determined and communicated to the Grantee by the Administrator as soon as reasonably practicable following the conclusion of the Measurement Period, but in no event, later than 74 days thereafter. The Administrator shall appropriately or proportionately adjust or modify the calculation of the achievement of the ROA Target in the event of, or in anticipation of, any unusual or extraordinary corporate item, transaction, event or development. The Administrator's decision with respect to the number of shares of Stock that vest shall be conclusive and binding on the Grantee and his or her representatives or legatees. Subsequent to any such vesting date, the shares of Stock on which all restrictions and conditions have lapsed shall no longer be deemed Restricted Stock.

If the Grantee's employment with the Bank and its Subsidiaries is terminated due to the Grantee's death or disability prior to the vesting of any outstanding shares of Restricted Stock granted herein, all restrictions shall lapse and 100% of such shares shall automatically become fully vested without regard to whether the Absolute Metric Condition has been met. In addition, upon a Sale Event in which this Award is assumed, continued or substituted by the acquirer, this Award shall no longer be subject to performance vesting (i.e., achievement of the Absolute Performance Metric and ROA Target), but rather, shall vest in full upon the last day of the Measurement Period, subject to the Grantee's continued employment with the Bank (or its successor) through such date; provided that, if the Grantee's employment is terminated by the Bank (or its successor) without Cause (as defined below) or by the Grantee for Good Reason (as defined below), 100% of the unvested shares of Restricted Stock outstanding under this Award shall be deemed vested in full as of the date of such termination. In the case of a Sale Event in which an acquirer does not assume, continue or substitute this Award and this Award terminates in accordance with Section 3(c) of the Plan, this Award shall vest in full as of the date of such Sale Event.

For purposes of this Agreement, "Cause" means a termination of the Grantee's employment as a result of (i) conduct by the Grantee constituting deliberate dishonesty or gross misconduct in connection with the Grantee's employment; (b) the Grantee's commission of any crime involving moral turpitude or any felony; (c) the Grantee's commitment of any fraud, embezzlement, breach of fiduciary duty or misappropriation of funds against the Bank or its Subsidiaries or successor entity; (d) the Grantee's material violation of any provision of any agreement(s) between the Grantee and the Bank or its Subsidiaries or successor entity relating to noncompetition, nonsolicitation, nondisclosure and/or assignment of inventions; (e) the Grantee's material violation of the Bank's (or a Subsidiary's or successor entity's) written policies or rules material to the Grantee's employment that results in material demonstrable harm to the Bank or its Subsidiaries or successor entity; or (f) failure to cooperate with a bona fide internal investigation or an investigation by regulatory or law enforcement authorities, after being instructed by the Bank or its Subsidiaries or successor entity to cooperate, or the willful destruction or failure to preserve documents or other materials known to be relevant to such investigation or the inducement of others to fail to cooperate or to produce documents or other materials in connection with such investigation. In the event the Grantee is a party to an employment agreement with the Bank or any Subsidiary that contains a different definition of "Cause," the definition set forth in such other agreement shall be applicable to the Grantee for purposes of this Agreement and not this definition.

For purposes of this Agreement, "Good Reason", means any of the following, without the Grantee's consent, provided the Bank has not cured such matter within 30 days of notice by the Grantee to the Bank and the Grantee provides such notice within 60 days of the first occurrence of such matter: (a) requiring the Grantee's primary work location (excluding business travel) to be more than 50 miles from the corporate offices in Boston, Massachusetts, (b) the material failure of the Bank to pay the compensation in the amounts and manner and at the times set forth in this Agreement, or (c) a material diminution in the Grantee's responsibilities, authority or duties which are materially inconsistent with the Grantee's title without the Grantee's prior consent. In the event the Grantee is a party to an employment agreement with the Bank or any Subsidiary that contains a different definition of "Good Reason," the definition set forth in such other agreement shall be applicable to the Grantee for purposes of this Agreement and not this definition.

Exhibit 21. Subsidiaries of Registrant

Name of Subsidiary	Jurisdiction of Incorporation	Year Acquired or Formed	Percentage of Voting Securities Owned
Northeast Bank REO LLCs: 200 Elm Realty, LLC; 500 Pine Realty, LLC; 17 Dogwood Realty, LLC	Maine	1987	100%
Northeast Bank REO LLCs: 1795 Little Diamond Realty, LLC; 1872 Peaks Realty, LLC; 1630 Spectacle Realty, LLC; 1786 Cliff Realty, LLC	Maine	2019	100%

Exhibit 31.1.

CERTIFICATION

I, Richard Wayne, certify that:

1. I have reviewed this annual report on Form 10-K of Northeast Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 18, 2024

/s/ Richard Wayne
Richard Wayne
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Richard Cohen, certify that:

1. I have reviewed this annual report on Form 10-K of Northeast Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; and

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 18, 2024

/s/ Richard Cohen
Richard Cohen
Chief Financial Officer

Exhibit 32.1

Certification Pursuant to
Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350

In connection with the report of Northeast Bank (the "Bank") on Form 10-K for the annual period ended June 30, 2024 as filed with the Federal Deposit Insurance Corporation on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certify, pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. 1350, that to the best of such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and the periods covered by the Report.

September 18, 2024

/s/ Richard Wayne
Richard Wayne
Chief Executive Officer

/s/ Richard Cohen
Richard Cohen
Chief Financial Officer

Exhibit 97

NORTHEAST BANK

COMPENSATION RECOVERY POLICY

Adopted as of November 28, 2023

Northeast Bank, a Maine state-chartered bank (the "Bank"), has adopted a Compensation Recovery Policy (this "Policy") as described below.

1. Overview

The Policy sets forth the circumstances and procedures under which the Bank shall recover Erroneously Awarded Compensation from Covered Persons (as defined below) in accordance with rules issued by the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Nasdaq Stock Market. The Bank has adopted this Policy as a supplement to any other clawback policies or provisions in effect now or in the future at the Bank. To the extent this Policy applies to compensation payable to a person covered by this Policy, it shall supersede any other conflicting provision or policy maintained by the Bank and shall be the only clawback policy applicable to such compensation and no other clawback policy shall apply; *provided that*, if such other policy or provision provides that a greater amount of such compensation shall be subject to clawback, such other policy or provision shall apply to the amount in excess of the amount subject to clawback under this Policy. Capitalized terms used and not otherwise defined herein shall have the meanings given in Section 3 below.

2. Compensation Recovery Requirement

In the event the Bank is required to prepare a Financial Restatement, the Bank shall recover reasonably promptly all Erroneously Awarded Compensation with respect to such Financial Restatement.

3. Definitions

a. "Applicable Recovery Period" means the three completed fiscal years immediately preceding the Restatement Date for a Financial Restatement. In addition, in the event the Bank has changed its fiscal year: (i) any transition period of less than nine months occurring within or immediately following such three completed fiscal years shall also be part of such Applicable Recovery Period and (ii) any transition period of nine to 12 months will be deemed to be a completed fiscal year.

b. "Applicable Rules" means any rules or regulations adopted by the Exchange pursuant to Rule 10D-1 under the Exchange Act and any applicable rules or regulations adopted by the SEC pursuant to Section 10D of the Exchange Act.

c. "Board" means the Board of Directors of the Bank.

d. "Committee" means the Compensation Committee of the Board or, in the absence of such committee, a majority of independent directors serving on the Board.

e. "Covered Person" means any Executive Officer. A person's status as a Covered Person with respect to Erroneously Awarded Compensation shall be determined as of the time of receipt of such Erroneously Awarded Compensation regardless of the person's current role or status with the Bank (e.g., if a person began service as an Executive Officer after the beginning of an Applicable Recovery Period, that person would not be considered a Covered Person with respect to Erroneously Awarded Compensation received before the person began service as an Executive Officer, but would be considered a Covered Person with respect to Erroneously Awarded Compensation received after the person began service as an Executive Officer where such person served as an Executive Officer at any time during the performance period for such Erroneously Awarded Compensation).

f. "Effective Date" means October 2, 2023.

g. "Erroneously Awarded Compensation" means the amount of any Incentive-Based Compensation received by a Covered Person on or after the Effective Date and during the Applicable Recovery Period that exceeds the amount that otherwise would have been received by the Covered Person had such compensation been determined based on the restated amounts in a Financial Restatement, computed without regard to any taxes paid. Calculation of Erroneously Awarded Compensation with respect to Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in a Financial Restatement, shall be based on a reasonable estimate of the effect of the Financial Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received, and the Bank shall maintain documentation of the determination of such reasonable estimate and provide such documentation to the Exchange in accordance with the Applicable Rules. Incentive-Based Compensation is deemed received, earned, or vested when the Financial Reporting Measure is attained, not when the actual payment, grant, or vesting occurs.

h. "Exchange" means the Nasdaq Stock Market LLC.

i. An "Executive Officer" means any person who served the Bank in any of the following roles at any time during the performance period applicable to Incentive-Based Compensation such person received during service in such role: the president, principal financial officer, principal accounting officer (or if there is no such accounting officer the controller), any vice president in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy making function, or any other person who performs similar policy making functions for the Bank. Executive officers of parents or subsidiaries of the Bank may be deemed executive officers of the Bank if they perform such policy making functions for the Bank.

j. "Financial Reporting Measures" mean measures that are determined and presented in accordance with the accounting principles used in preparing the Bank's financial statements, any measures that are derived wholly or in part from such measures (including, for example, a non-GAAP financial measure), and stock price and total shareholder return.

k. "Incentive-Based Compensation" means any compensation provided, directly or indirectly, by the Bank or any of its subsidiaries that is granted, earned, or vested based, in whole or in part, upon the attainment of a Financial Reporting Measure and any equity-based compensation provided by the Bank or any of its subsidiaries, including, without limitation, stock options, restricted stock awards, restricted stock units and stock appreciation rights.

l. A "Financial Restatement" means a restatement of previously issued financial statements of the Bank due to the material noncompliance of the Bank with any financial reporting requirement under the securities laws, including any required restatement to correct an error in previously-issued financial statements that is material to the previously-issued financial statements or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

m. "Restatement Date" means, with respect to a Financial Restatement, the earlier to occur of: (i) the date the Board or the Audit Committee of the Board concludes, or reasonably should have concluded, that the Bank is required to prepare the Financial Restatement or (ii) the date a court, regulator or other legally authorized body directs the Bank to prepare the Financial Restatement.

4. Exception to Compensation Recovery Requirement

The Bank may elect not to recover Erroneously Awarded Compensation pursuant to this Policy if the Committee determines that recovery would be impracticable, and one or more of the following conditions, together with any further requirements set forth in the Applicable Rules, are met: (i) the direct expense paid to a third party, including outside legal counsel, to assist in enforcing this Policy would exceed the amount to be recovered, and the Bank has made a reasonable attempt to recover such Erroneously Awarded Compensation or (ii) recovery would likely cause an otherwise tax-qualified retirement plan to fail to be so qualified under applicable regulations.

5. Tax Considerations

To the extent that, pursuant to this Policy, the Bank is entitled to recover any Erroneously Awarded Compensation that is received by a Covered Person, the gross amount received (i.e., the amount the Covered Person received, or was entitled to receive, before any deductions for tax withholding or other payments) shall be returned by the Covered Person.

6. Method of Compensation Recovery

The Committee shall determine, in its sole discretion, the method for recovering Erroneously Awarded Compensation hereunder, which may include, without limitation, any one or more of the following:

a. requiring reimbursement of cash Incentive-Based Compensation previously paid;

b. seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards;

c. cancelling or rescinding some or all outstanding vested or unvested equity-based awards;

d. adjusting or withholding from unpaid compensation or other set-off;

e. cancelling or offsetting against planned future grants of equity-based awards; and/or

f. any other method permitted by applicable law or contract.

Notwithstanding the foregoing, a Covered Person will be deemed to have satisfied such person's obligation to return Erroneously Awarded Compensation to the Bank if such Erroneously Awarded Compensation is returned in the exact same form in which it was received; provided that equity withheld to satisfy tax obligations will be deemed to have been received in cash in an amount equal to the tax withholding payment made.

7. Policy Interpretation

This Policy shall be interpreted in a manner that is consistent with the Applicable Rules and any other applicable law. The Committee shall take into consideration any applicable interpretations and guidance of the SEC in interpreting this Policy, including, for example, in determining whether a financial restatement qualifies as a Financial Restatement hereunder. To the extent the Applicable Rules require recovery of Incentive-Based Compensation in additional circumstances besides those specified above, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Bank to recover Incentive-Based Compensation to the fullest extent required by the Applicable Rules.

8. Policy Administration

This Policy shall be administered by the Committee. The Committee shall have such powers and authorities related to the administration of this Policy as are consistent with the governing documents of the Bank and applicable law. The Committee shall have full power and authority to take, or direct the taking of, all actions and to make all determinations required or provided for under this Policy and shall have full power and authority to take, or direct the taking of, all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of this Policy that the Committee deems to be necessary or appropriate to the administration of this Policy. The interpretation and construction by the Committee of any

provision of this Policy and all determinations made by the Committee under this policy shall be final, binding and conclusive.

9. Compensation Recovery Repayments not Subject to Indemnification

Notwithstanding anything to the contrary set forth in any agreement with, or the organizational documents of, the Bank or any of its subsidiaries, Covered Persons are not entitled to indemnification for Erroneously Awarded Compensation or for any claim or losses arising out of or in any way related to Erroneously Awarded Compensation recovered under this Policy.