

---

---

**FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C. 20429**

---

**FORM 8-K**

**CURRENT REPORT PURSUANT TO  
SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): November 14, 2019

---

**NORTHEAST BANK**

(Exact name of registrant as specified in its charter)

---

**Maine**

(State or other jurisdiction of  
incorporation)

---

**01-0029040**

(IRS Employer Identification  
No.)

---

**500 Canal Street  
Lewiston, Maine**

(Address of principal executive  
offices)

---

**04240**

(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2). 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.

---

---

**Item 7.01 Regulation FD Disclosure.**

Northeast Bank (the "Bank") prepared an investor presentation with information about the Bank for a banking industry conference held on November 14, 2019. The investor presentation is attached as Exhibit 99.1 hereto.

The investor presentation is being furnished pursuant to Item 7.01, and the information contained therein shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liabilities under that Section. Furthermore, the information contained in Exhibit 99.1 shall not be deemed to be incorporated by reference into the filings of the Bank under the Securities Act of 1933.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<u>Number</u>	<u>Description</u>
99.1	Investor Presentation

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunder duly authorized.

**Northeast Bank**

By: /s/ Jean-Pierre Lapointe  
Jean-Pierre Lapointe  
*Chief Financial Officer*

Date: November 14, 2019

Sandler O'Neill  
Investor Conference  
November 2019

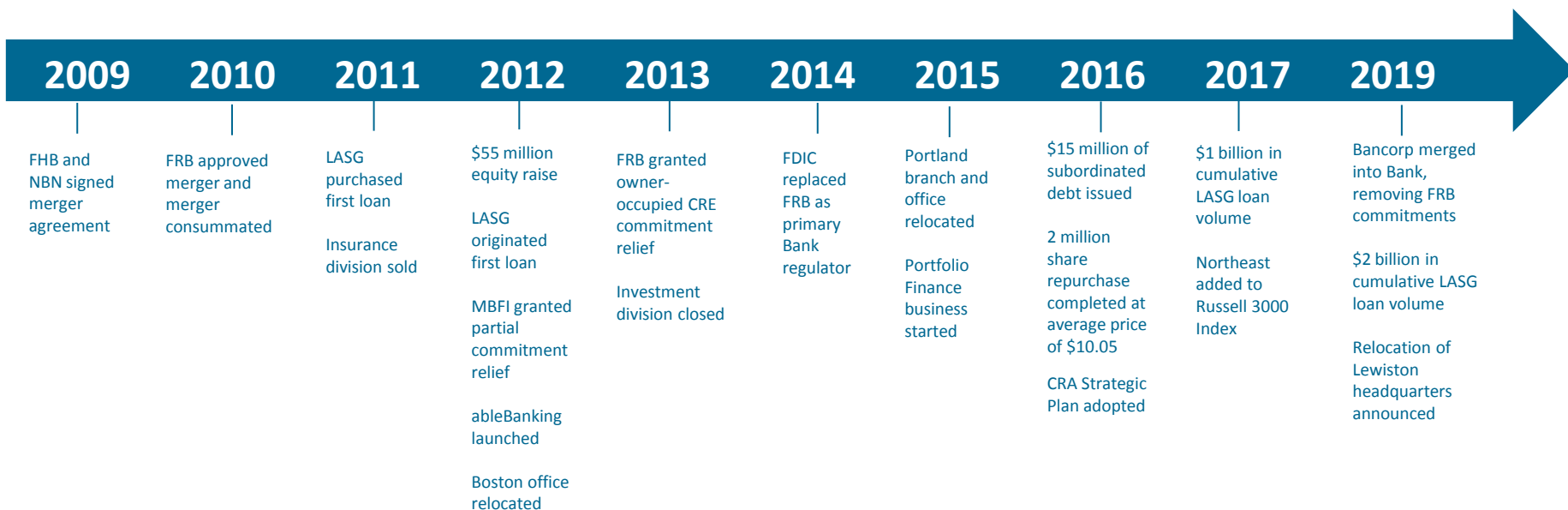


# Forward-Looking Statement

Statements in this presentation that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although Northeast Bank (the “Bank”) believes that these forward-looking statements are based on reasonable estimates and assumptions, they are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors. You should not place undue reliance on our forward-looking statements. You should exercise caution in interpreting and relying on forward-looking statements because they are subject to significant risks, uncertainties and other factors which are, in some cases, beyond the Bank’s control. The Bank’s actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, changes in interest rates and real estate values; competitive pressures from other financial institutions; the effects of weakness in general economic conditions on a national basis or in the local markets in which the Bank operates, including changes which adversely affect borrowers’ ability to service and repay our loans; changes in loan defaults and charge-off rates; changes in the value of securities and other assets, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; changing government regulation; operational risks including, but not limited to, cybersecurity, fraud and natural disasters; the risk that the Bank may not be successful in the implementation of its business strategy; the risk that intangibles recorded in the Bank’s financial statements will become impaired; changes in assumptions used in making such forward-looking statements; and the other risks and uncertainties detailed in our Annual Report on Form 10-K and updated by our Quarterly Reports on Form 10-Q and other filings submitted to the Federal Deposit Insurance Corporation by the Bank. These statements speak only as of the date of this release and the Bank does not undertake any obligation to update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this communication or to reflect the occurrence of unanticipated events.

# A Decade at Northeast Bank

	June 30, 2010		June 30, 2019
<b>Net Operating Earnings</b>	\$1.7 million	12x →	\$20.3 million
<b>Operating Return on Assets</b>	0.28%	6x →	1.69%
<b>Total Assets</b>	\$622 million	2x →	\$1.2 billion
<b>Market Cap</b>	\$29.5 million	6x →	\$182.8 million



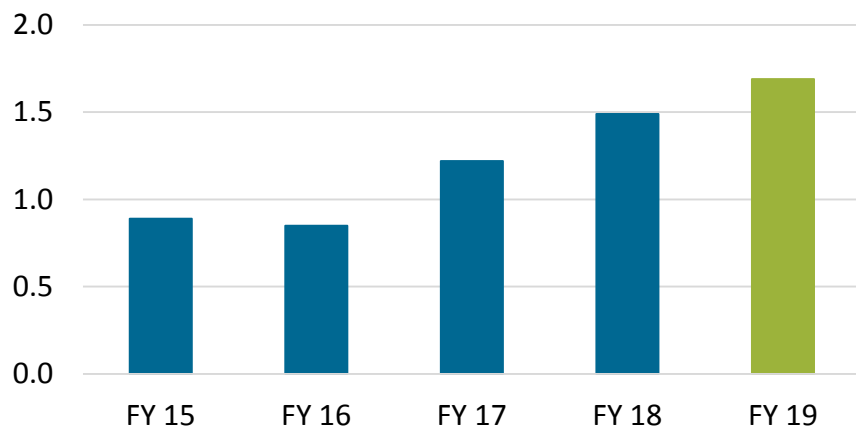
# Bank Overview and Strategy

---

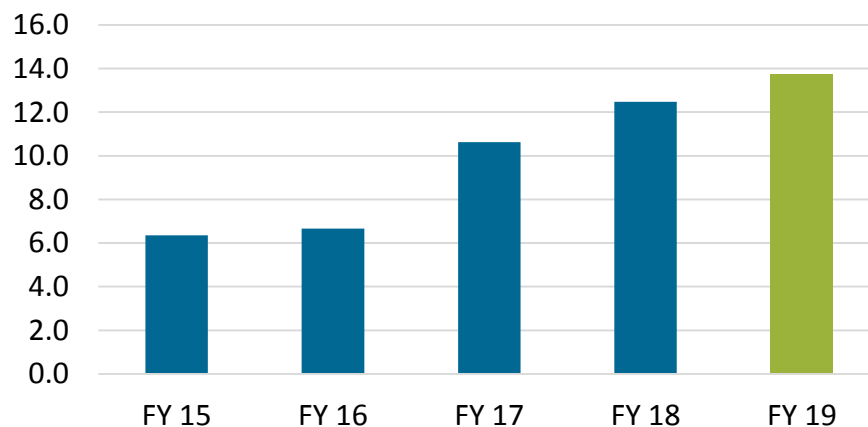
- In 2010, Northeast Bank, a Maine-based community bank founded in 1872, was recapitalized by a team with an established national track record in the area of purchasing performing commercial real estate loans at attractive, risk-adjusted returns.
- On a nationwide basis, the Bank's Loan Acquisition and Servicing Group ("LASG"), (i) purchases commercial real estate loans and (ii) originates both commercial real estate loans and loans to non-bank lenders secured by underlying commercial real estate mortgages.
- In addition, the Bank offers traditional banking services through the Community Banking Division, which operates ten full-service branches that serve customers located in western and south-central Maine.
- Operating and Growth Strategy:
  - Continue to purchase and originate high-quality commercial real estate loans nationally at above market yields through LASG. Fiscal year 2019 LASG originations and purchases amounted to \$407 million, resulting in 19.1% net growth year over year.
  - Generate deposits to fund loan growth through its branch network and ableBanking, a direct-savings platform established as an additional channel to raise deposits.

# Operating Results

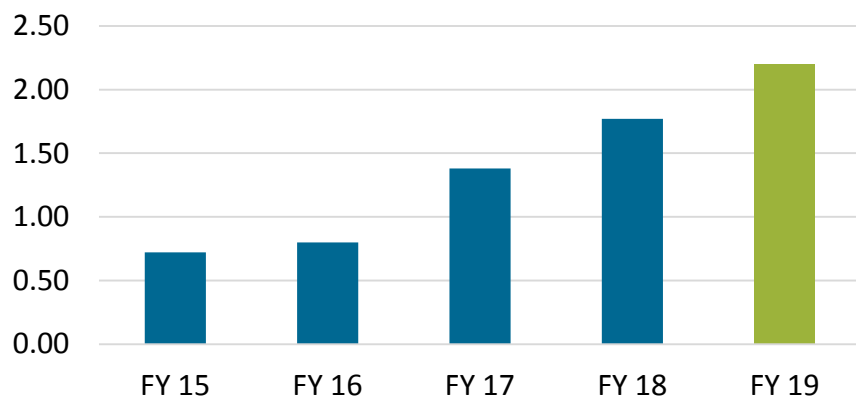
## Operating Return on Assets (%)



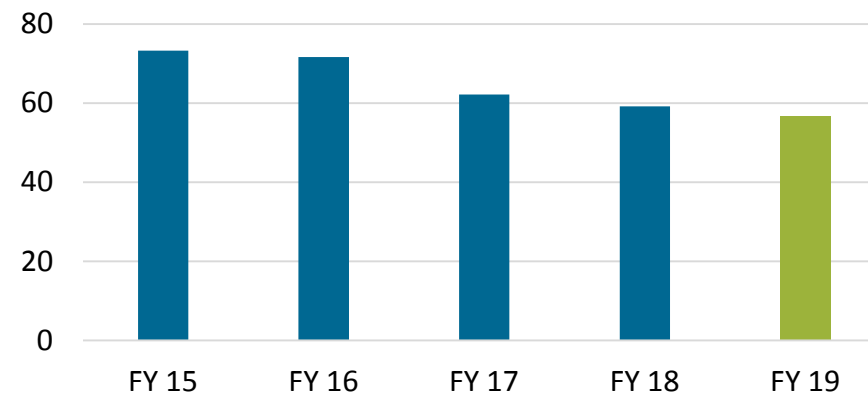
## Operating Return on Equity (%)



## Operating EPS – Diluted (\$)



## Operating Efficiency Ratio (%)





## Balance Sheet Summary – as of September 30, 2019

Balance Sheet	September 30, 2019
<b>Total Assets</b>	<b>\$1.1 billion</b>
<b>Total Loans</b>	<b>\$934.0 million</b>
<u>LASG</u>	
Purchased	\$332.2 million
Originated	\$457.4 million
<u>SBA</u>	\$58.3 million
<u>Community Banking Division:</u>	
Commercial	\$32.3 million
Residential & Consumer	\$53.8 million
<b>Total Deposits</b>	<b>\$908.0 million</b>
Non-Maturity	\$436.0 million
Time Deposits	\$472.0 million
<b>Regulatory Capital</b>	
Shareholders' Equity	\$158.1 million
Tier 1 Capital	\$159.2 million
Total Capital	\$179.5 million
<b>Total FTE Employees</b>	<b>172</b>

# Q1 FY20 Highlights

	Q1 FY20
<b>Total Loan Volume</b>	\$79.5 million
<b>LASG:</b>	
<b>Purchased Loans</b>	\$28.6 million invested on \$30.3 million of UPB <sup>(1)</sup> (94.4% purchase price)
<b>Originated Loans<sup>(2)</sup></b>	\$40.6 million
<b>Weighted Average Rate as of 9/30/2019<sup>(3)</sup></b>	7.53%
<b>Community Bank:</b>	
<b>Residential Mortgage Originations</b>	\$9.6 million
<b>Commercial Originations</b>	\$678 thousand
<b>Net Interest Margin</b>	5.72%
<b>Purchased Loan Return<sup>(4)</sup></b>	9.73%
<b>Earnings</b>	\$4.8 million
<b>EPS (Diluted)</b>	\$0.52
<b>Return on Equity</b>	12.18%
<b>Return on Assets</b>	1.68%

(1) Unpaid principal balance.

(2) LASG originations during Q1 FY20 were 100% variable rate, of which 100% were Prime rate based.

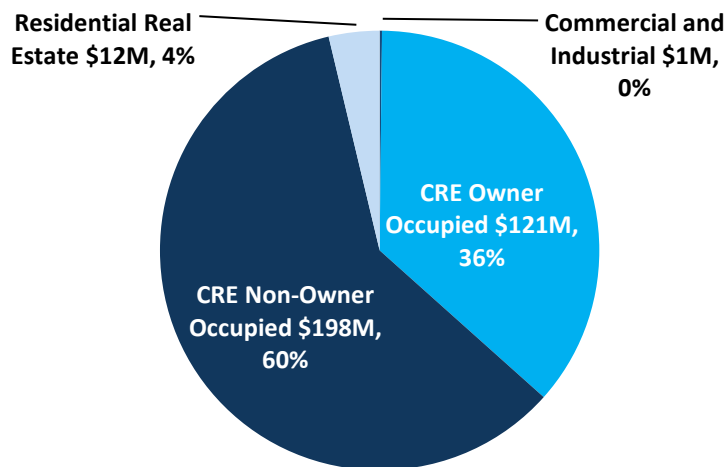
(3) Q1 FY20 originations had a weighted average floor rate of 7.53%.

(4) Purchased loan return for Q1 FY20 included \$2.0 million of transactional income.

# LASG Purchasing Division

- The LASG purchases commercial loans secured by income-producing collateral nationwide.
- The LASG's loan purchasing strategy involves the acquisition of commercial loans, typically secured by real estate or other business assets, located throughout the United States. The LASG includes a team of credit analysts, real estate analysts, servicing specialists and legal counsel with extensive experience in the loan acquisition business.
- The Bank acquires commercial loans typically at a discount to their unpaid principal balances. Loans acquired by the LASG are, with limited exceptions, performing loans at the date of purchase. While the Bank acquires loans on a nationwide basis, it seeks to avoid significant concentration in any geographic region or in any one collateral type.

## Purchased Loan Portfolio (\$332.2 Million)



## Portfolio Statistics

- **Lifetime Purchases: \$892 Million<sup>1</sup>**
- **YTD FY20 Purchases: \$28.6 Million**
- **YTD FY20 Portfolio Return: 9.7%<sup>2</sup>**
- **YTD FY20 Charge-off Rate: 0.01%**
- **Lifetime Charge-off Rate: 0.07%**

Note: Financial data as of September 30, 2019

(1) Includes invested balance of purchased loans since first purchase in June 2011.

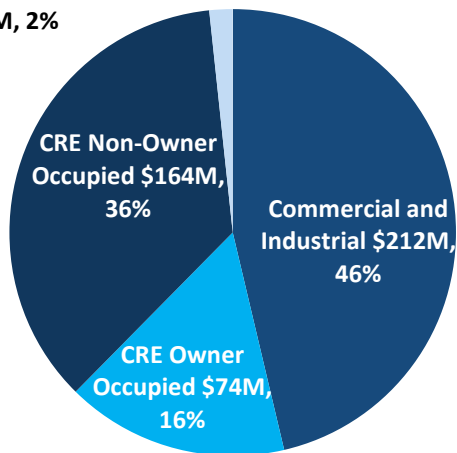
(2) The total return on purchased loans includes interest income, scheduled accretion, accelerated accretion, and gains on asset sales.

# LASG Origination Division

- The LASG originates commercial loans on a nationwide basis.
- Commercial real estate loans are typically secured by income-producing collateral nationwide. The Bank also originates commercial 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, referred to as Portfolio Finance loans.
- Capitalizing on the purchased loan infrastructure, the LASG is in a position to review and act quickly on a variety of lending opportunities. The process for risk management, approvals, underwriting and other due diligence for these loans is similar to purchased loans.
- The Bank believes that the LASG 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.

## Originated Loan Portfolio (\$457.4 Million)

Residential Real Estate \$7M, 2%

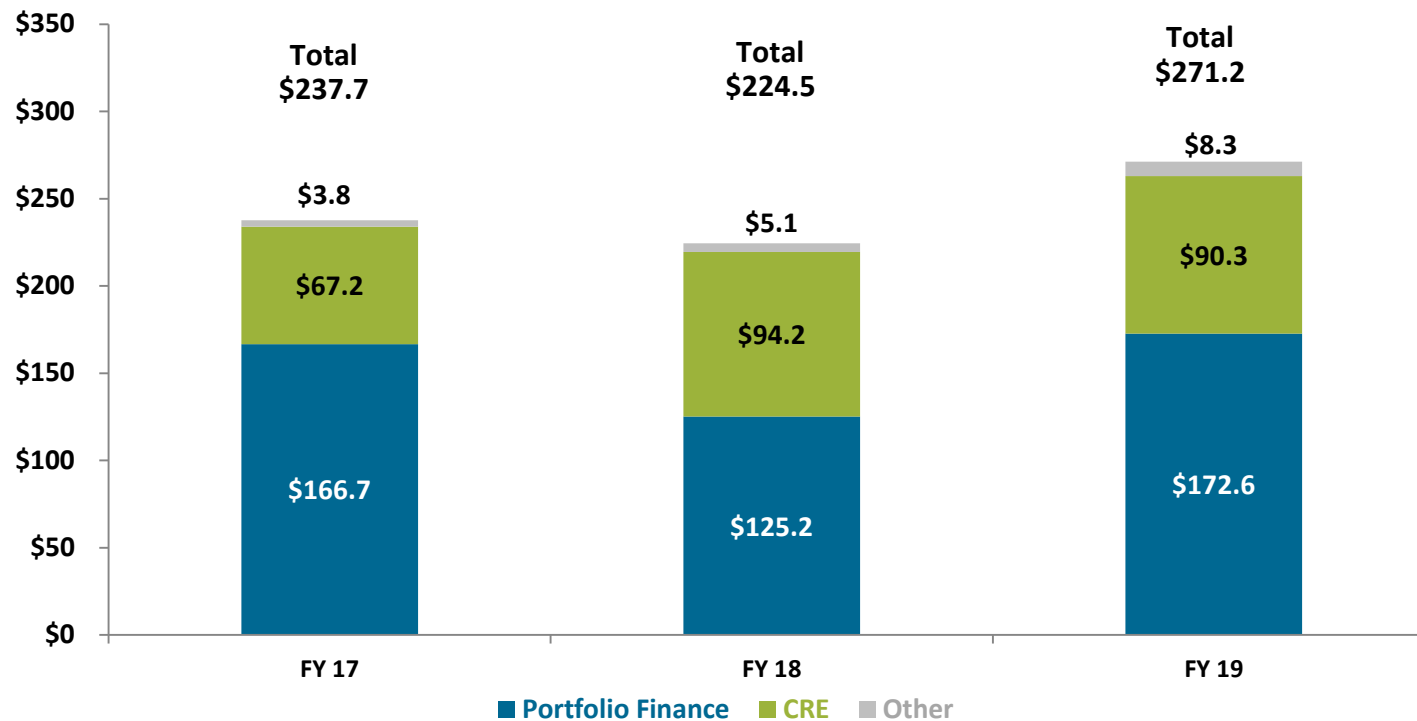


## Portfolio Statistics

- **Lifetime Originations: \$1.1 Billion<sup>1</sup>**
- **YTD FY20 Originations: \$40.6 Million**
- **YTD FY20 Portfolio Yield: 7.6%<sup>2</sup>**
- **YTD FY20 Charge-off Rate: 0.00%**
- **Lifetime Charge-off Rate: 0.00%**

# LASG Origination Activity & Statistics

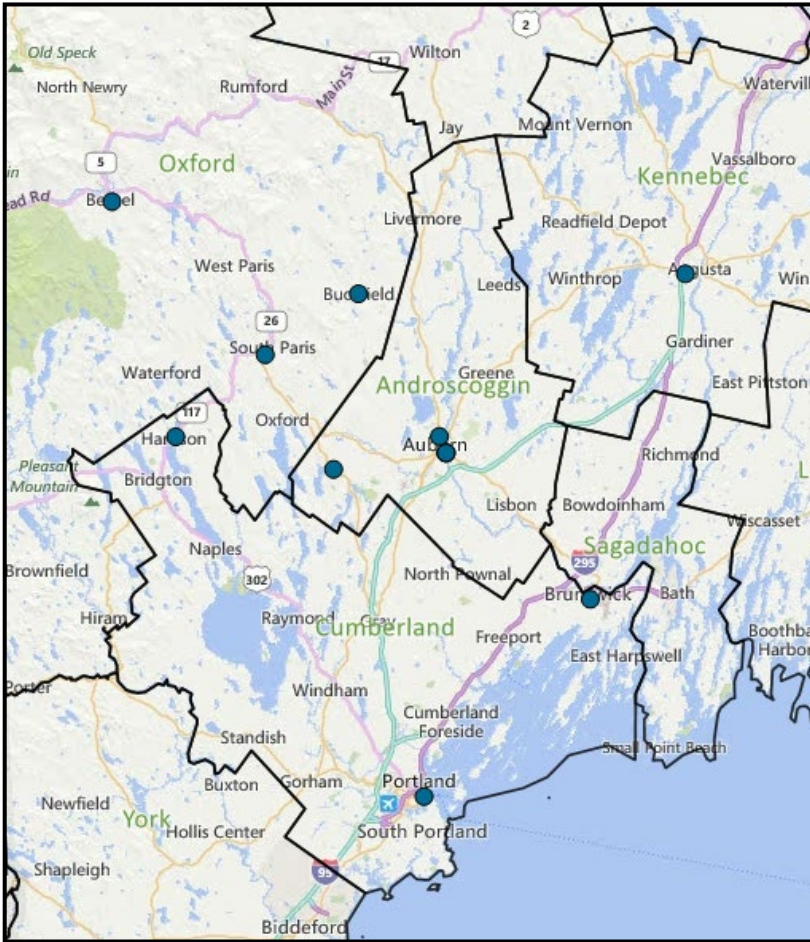
\$ Millions



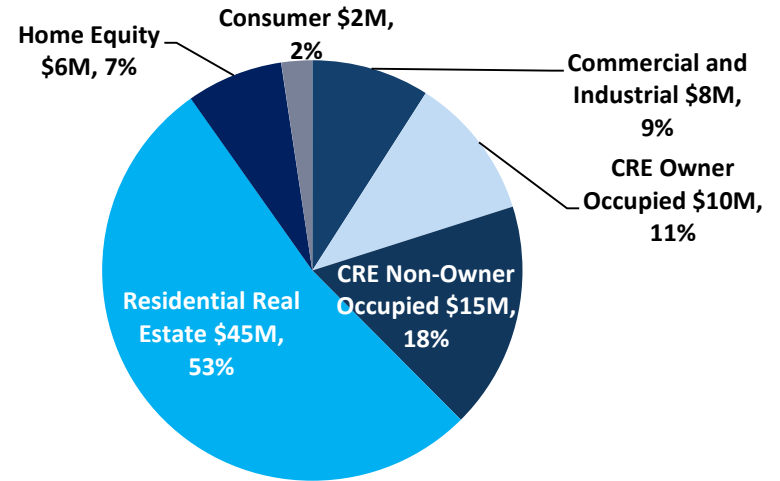
Type	Unpaid Principal Balance	Weighted Average Rate	% Adjustable	Weighted Average Floor	Weighted Average Maturity
Portfolio Finance	\$205.9 million	7.50%	95%	7.32%	1 year
Commercial Real Estate	\$237.1 million	7.69%	90%	7.26%	3 years
Other	\$13.4 million	8.33%	100%	7.41%	1 year
<b>Total LASG Origination</b>	<b>\$456.4 million</b>	<b>7.62%</b>	<b>92%</b>	<b>7.29%</b>	<b>2 years</b>

# Community Banking Division

## Branch Footprint



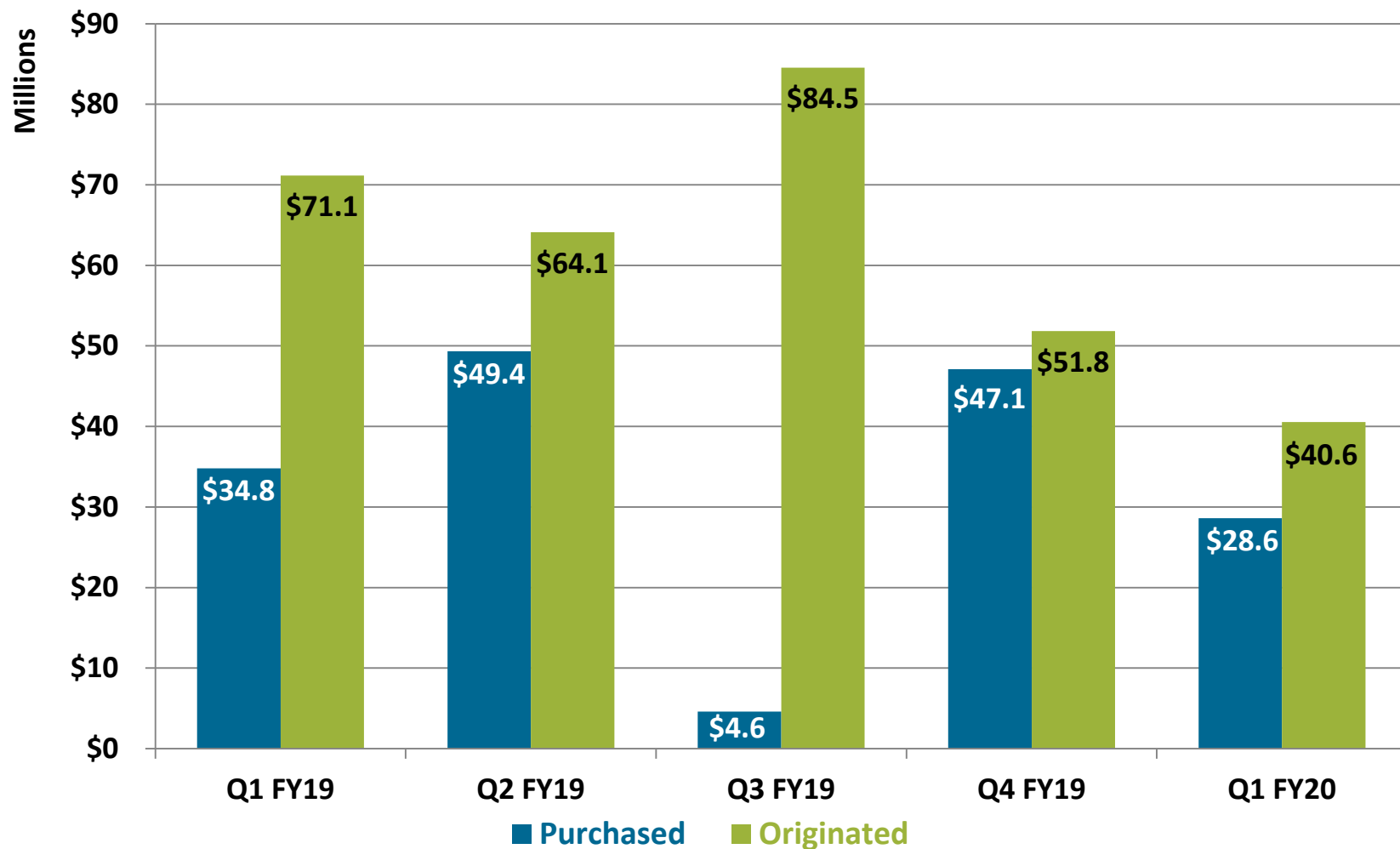
## Community Bank Portfolio (\$86.1 Million)



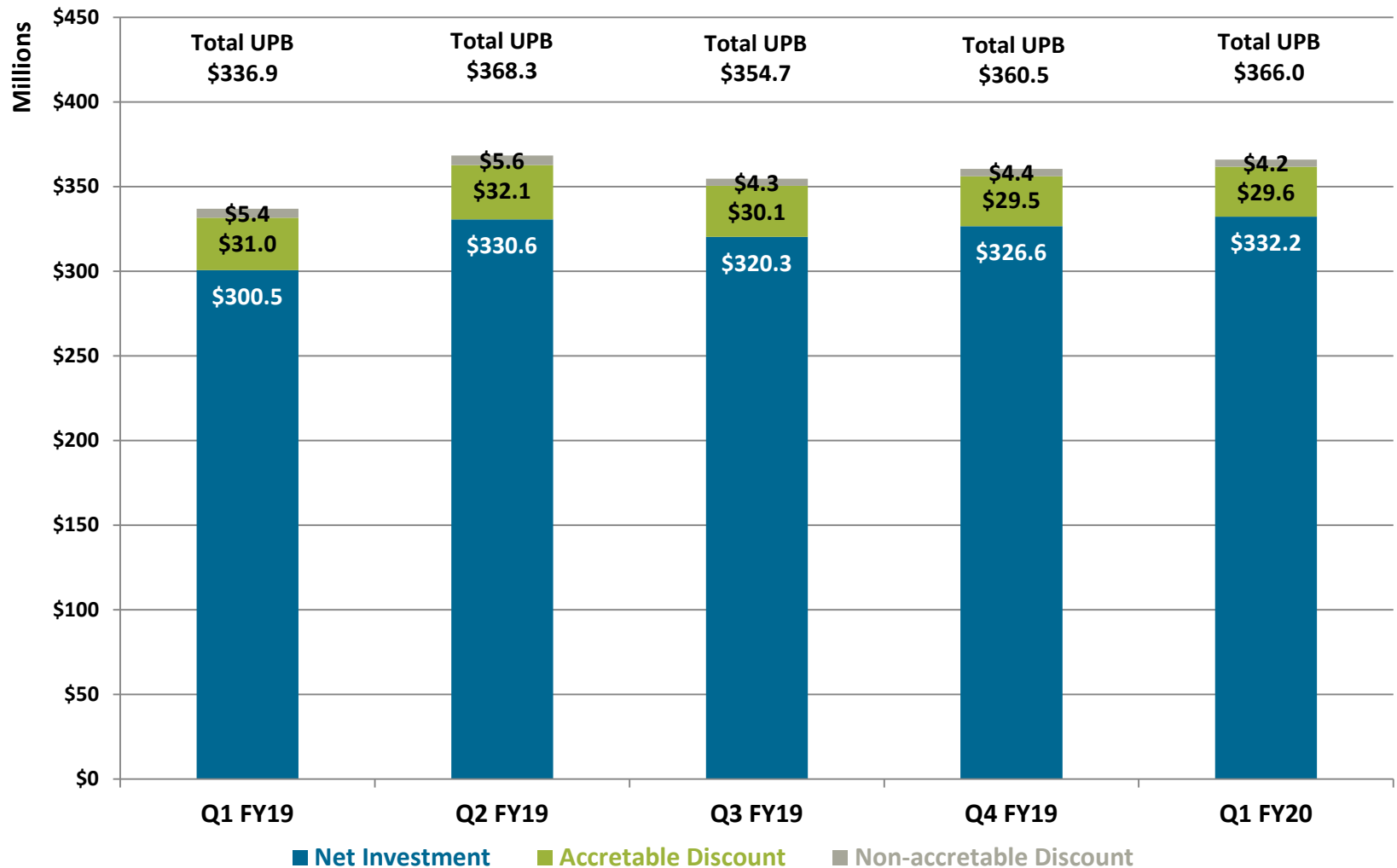
## Overall Portfolio Average

- **Loan Size: \$50 Thousand**
- **Loan Maturity: 13 Years**
- **Loan Yield: 5.6%**

## LASG Activity By Trailing 5 Quarters



# Purchased Loan Investment Basis and Discount By Trailing 5 Quarters





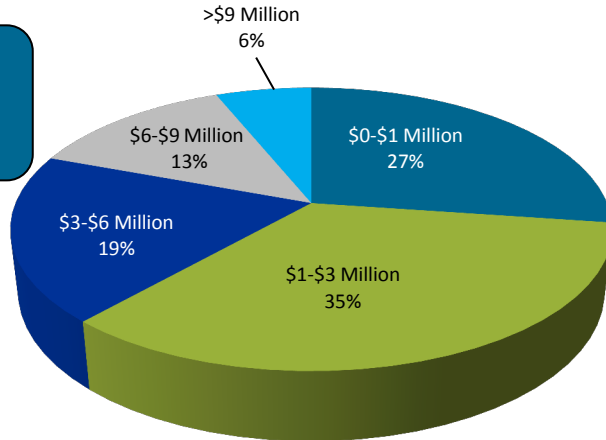
# LASG Portfolio – Q1 FY20 Return Summary<sup>(1)</sup> as of September 30, 2019

	<u>Purchased</u>	<u>Originated</u>	<u>Total</u>
Regularly Scheduled Interest & Accretion	7.33%	7.52%	7.44%
Accelerated Accretion & Fees Recognized on Loan Payoffs & Gain on Loan Sales	2.40%	0.05%	1.02%
<b>Total</b>	<b>9.73%</b>	<b>7.57%</b>	<b>8.46%</b>

# LASG Loan Portfolio Statistics as of September 30, 2019

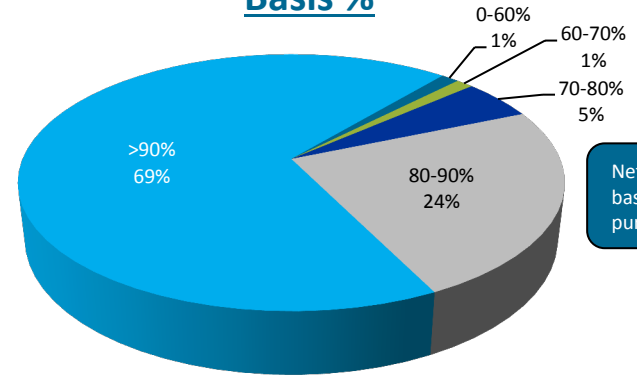
## Investment Size

- Average investment size of \$773 thousand / loan
- Originated: \$2.0 million
- Purchased: \$418 thousand



## Purchased Loan Net Investment

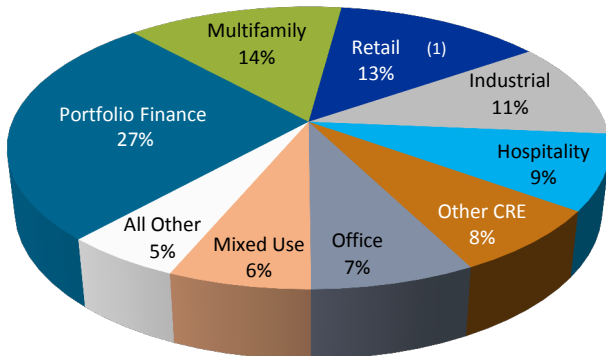
### Basis %



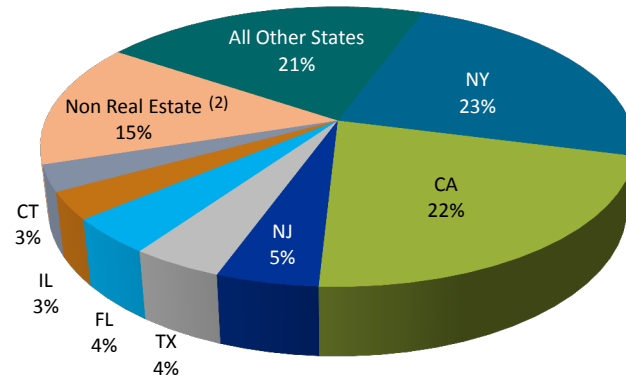
Net investment basis of 91% for purchased loans

## Collateral Type

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



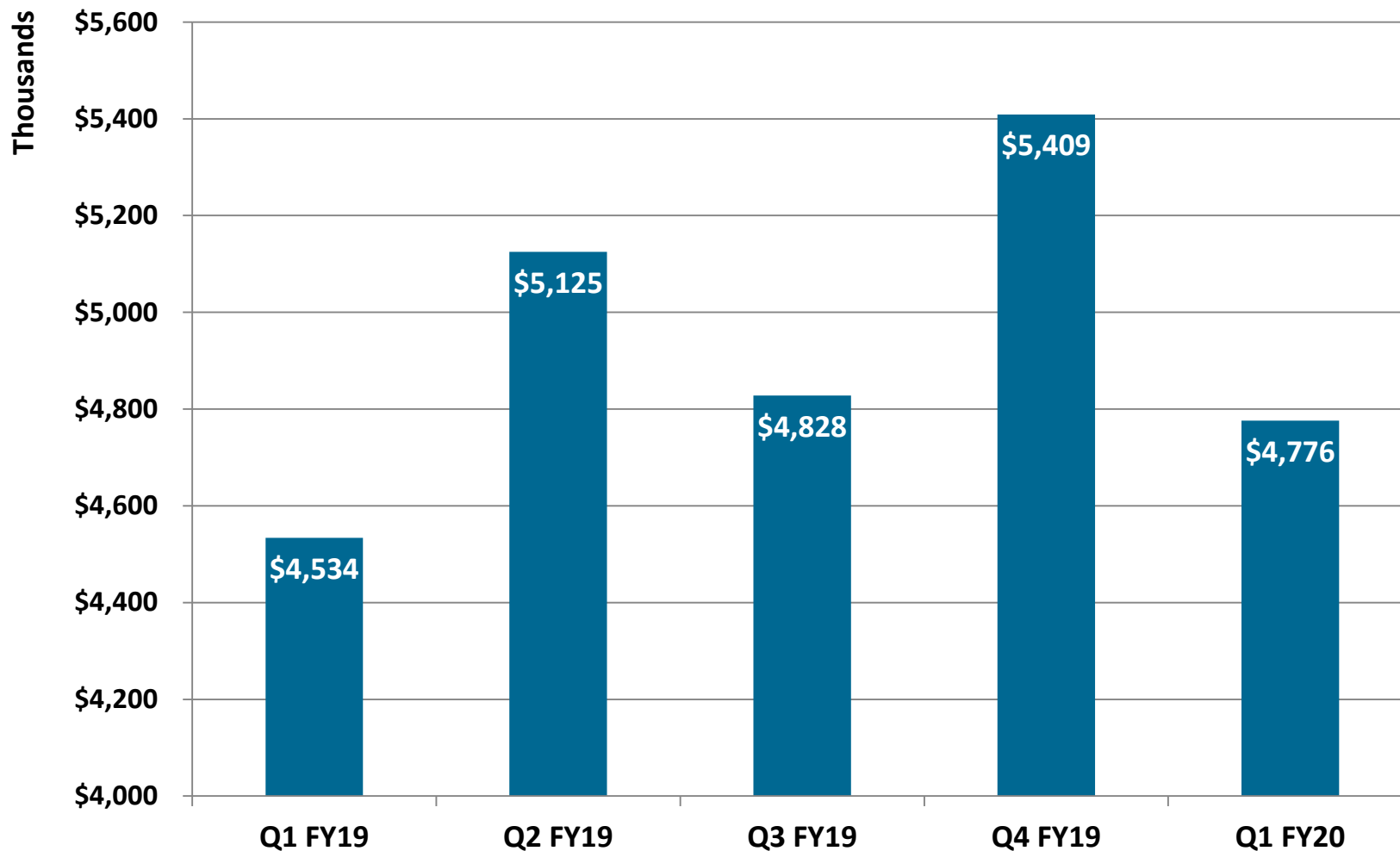
## Collateral State



- Geographically diverse with collateral in 41 different states
- CA and NY represent combined 45% of portfolio

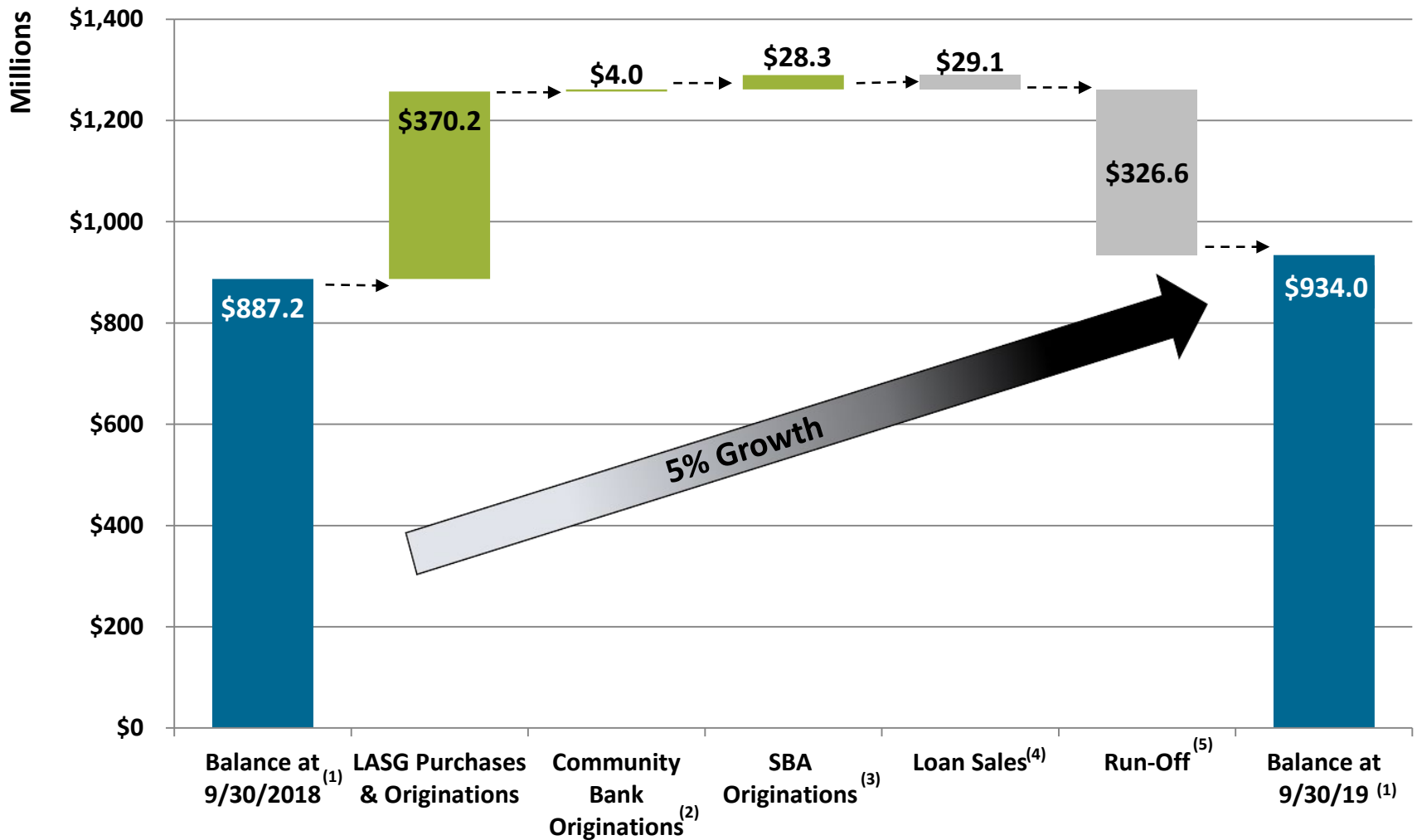
(1) Includes traditional and non-traditional retail, such as restaurants and gas stations.  
 (2) 99% of the 15% Non Real Estate total represents Portfolio Finance loans.

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



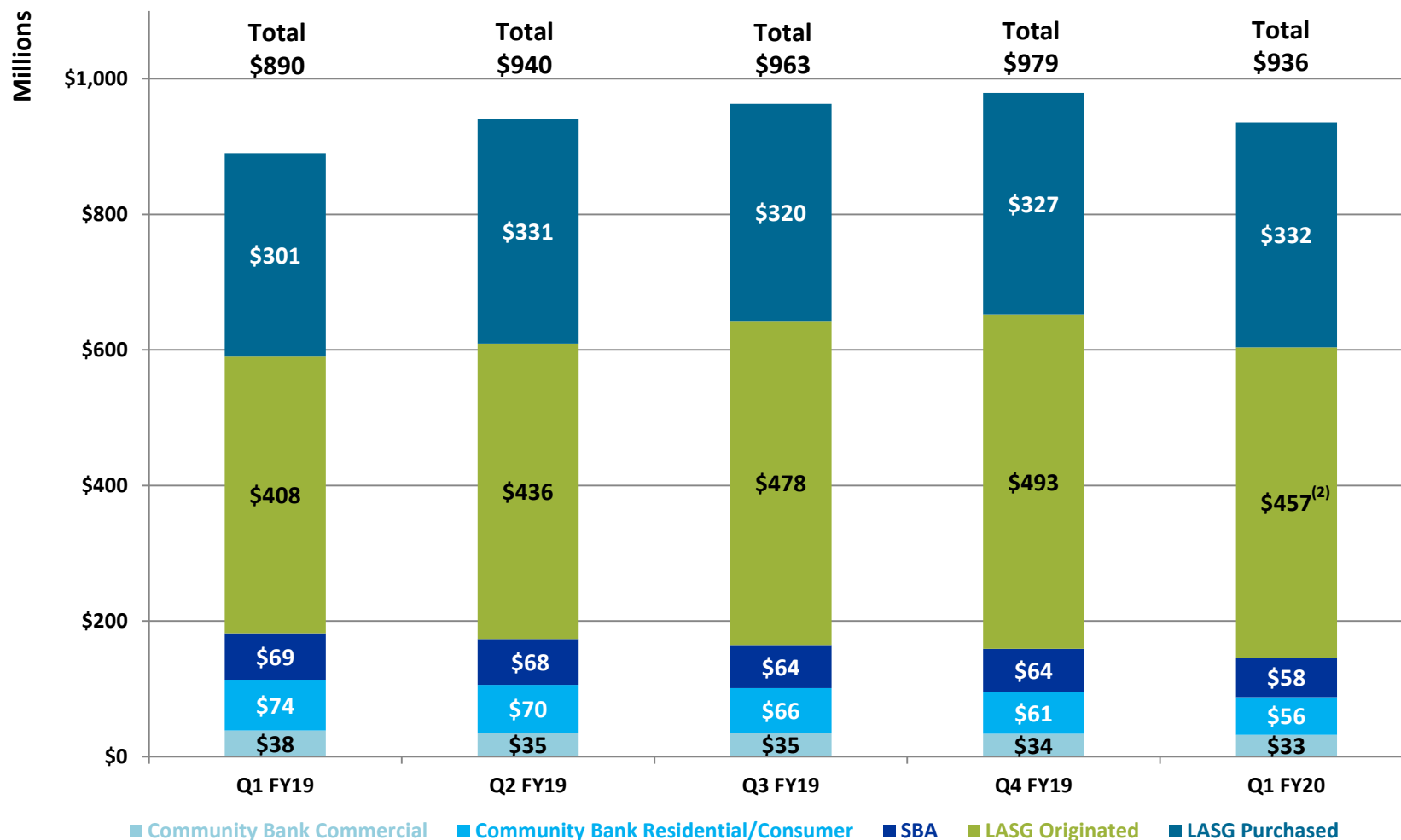
(1) Management believes net operating earnings, which exclude non-core items related to the corporate reorganization, provide a more meaningful representation of the Bank's performance. Q4 FY19 results above exclude \$6.0 million of expenses (after tax) related to the corporate reorganization.

# Loan Portfolio Roll Forward: Trailing Twelve Months



- (1) Balances do not include loans held for sale in the amount of \$3.3 million and \$1.7 million at September 30, 2018 and 2019, respectively.
- (2) Does not include \$39.0 million of residential mortgages that were originated for sale.
- (3) Of the \$28.3 million of SBA originations, \$27.9 million have been funded.
- (4) Includes \$25.6 million of SBA loan sales for the trailing twelve months, and excludes residential mortgages sold.
- (5) Run-off includes scheduled amortization, principal pay downs and payoffs.

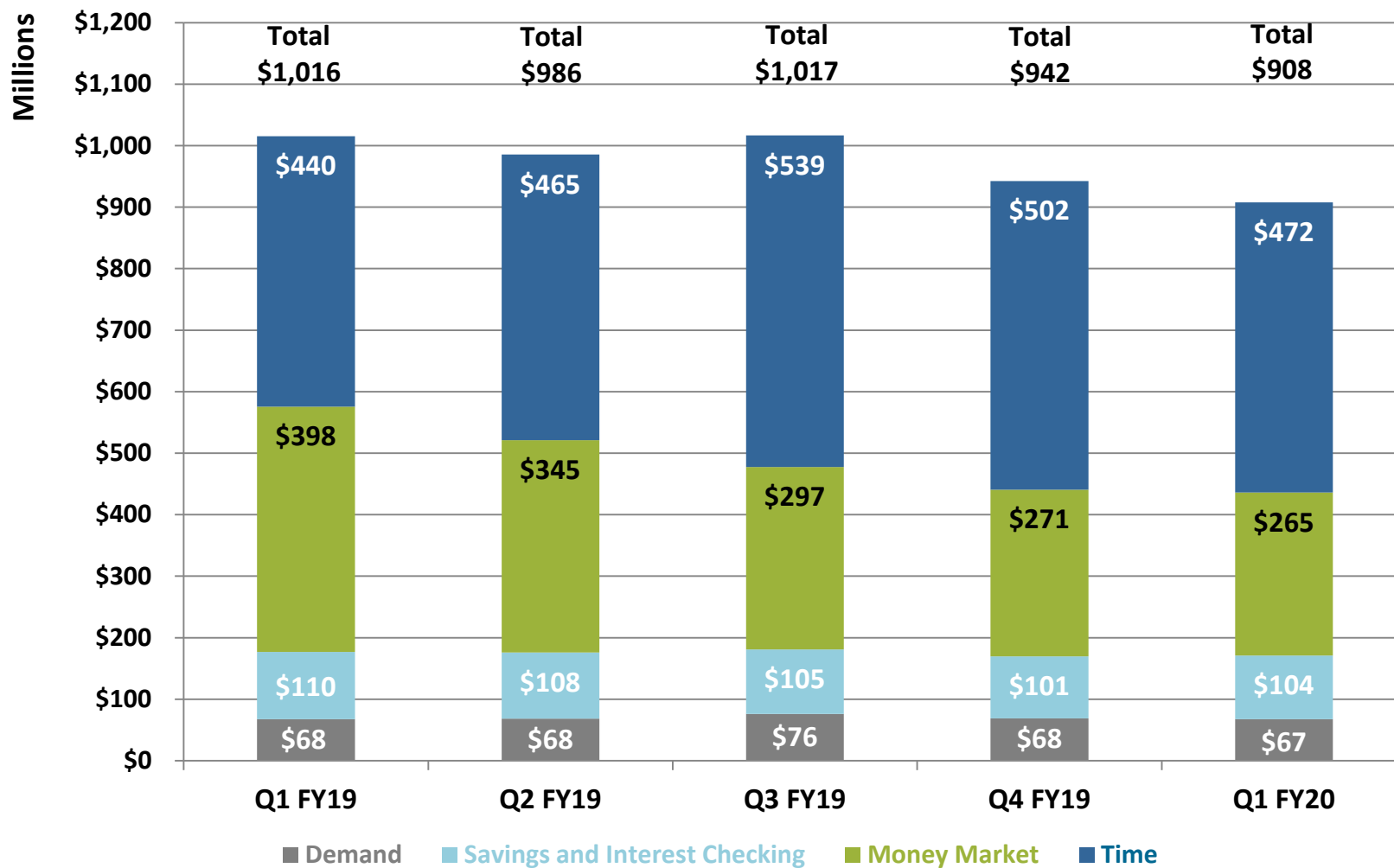
# Loan Mix As of Trailing 5 Quarter Ends<sup>(1)</sup>



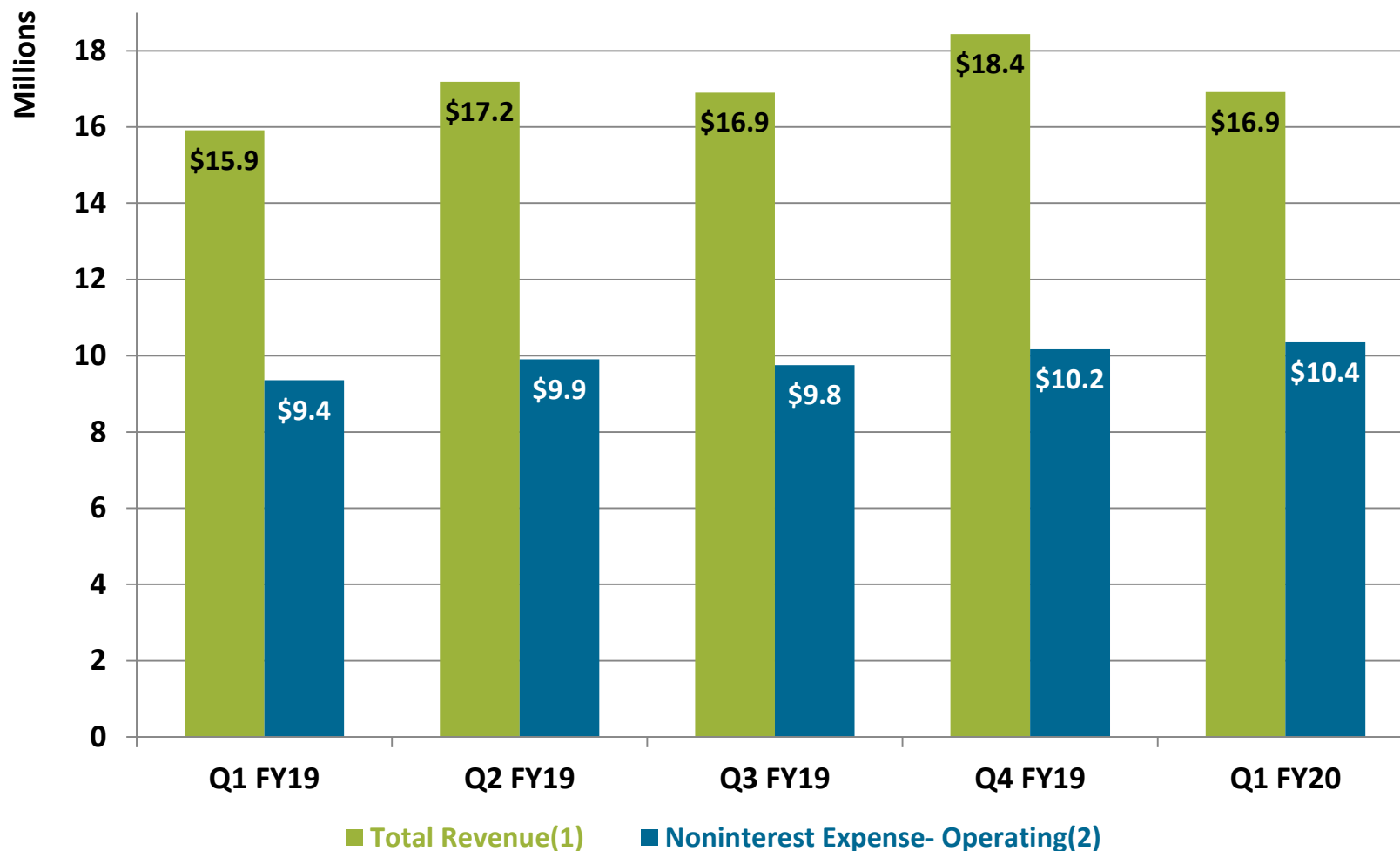
(1) Includes loans held for sale.

(2) 82% of the LASG Originated portfolio had a floor, with a weighted average floor of 7.23% as of September 30, 2019.

# Deposit Mix By Trailing 5 Quarter Ends

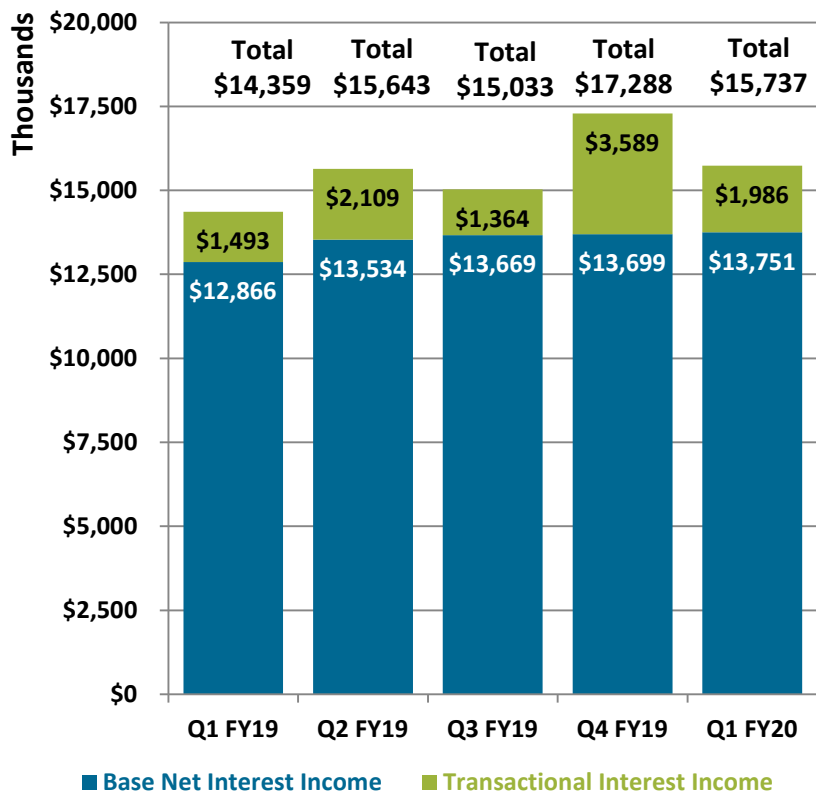


## Revenue and Noninterest Expense for Trailing 5 Quarters

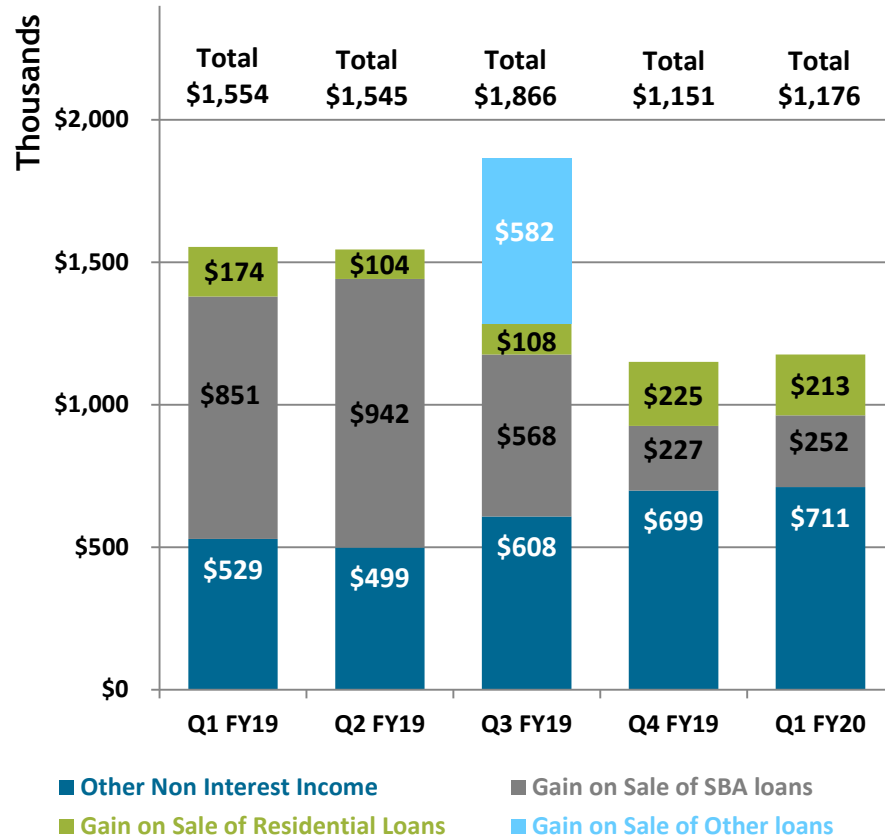


# Key Components of Income For Trailing 5 Quarters

## Net Interest Income Before Loan Loss Provision



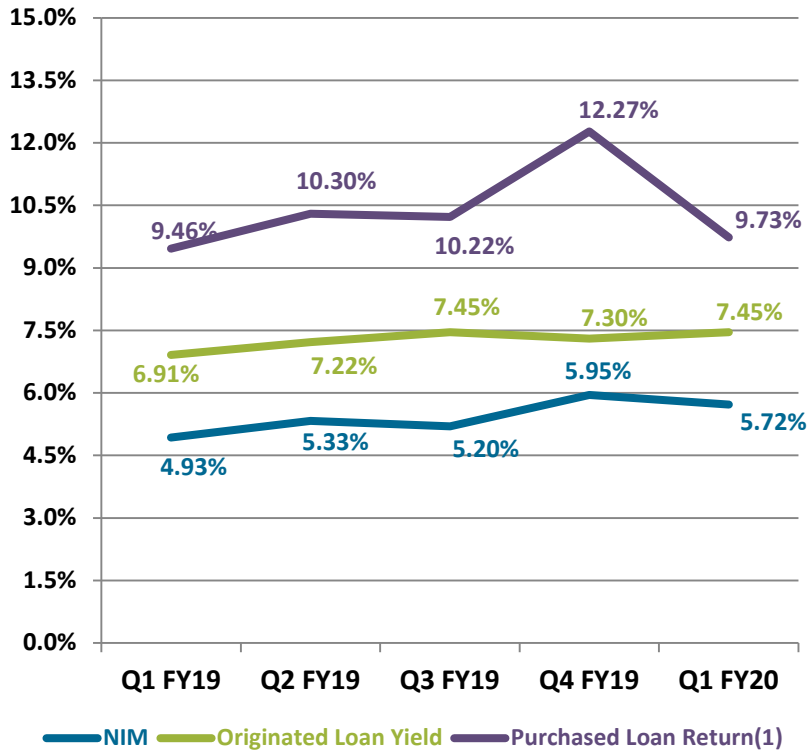
## Noninterest Income



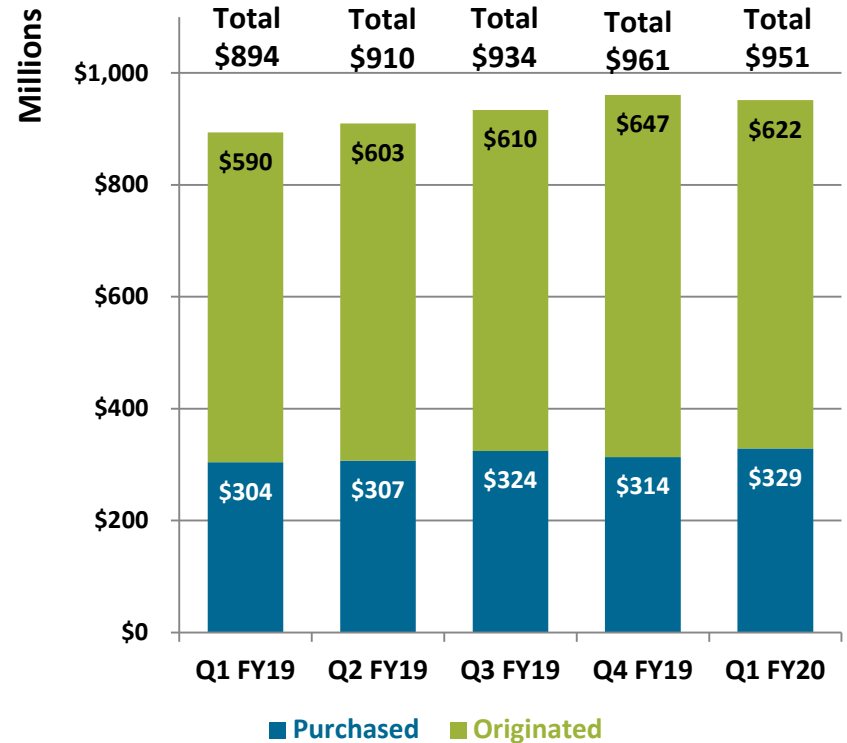


# Loan Performance & Average Loan Balance For Trailing 5 Quarters

## Loan Performance

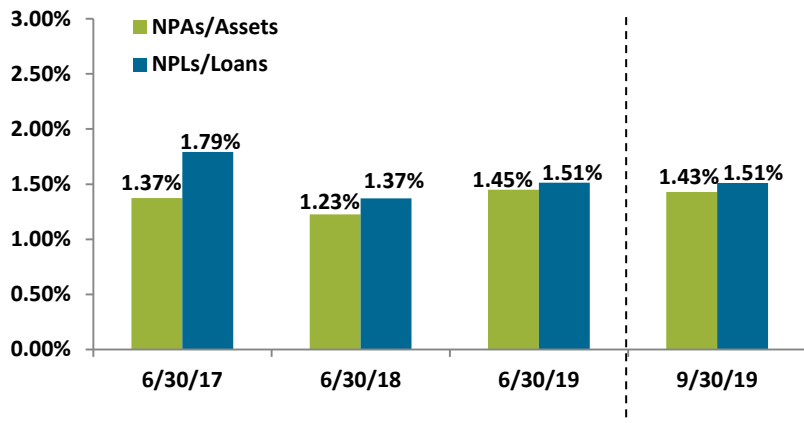


## Average Loan Balance For Trailing 5 Quarters<sup>(2)</sup>

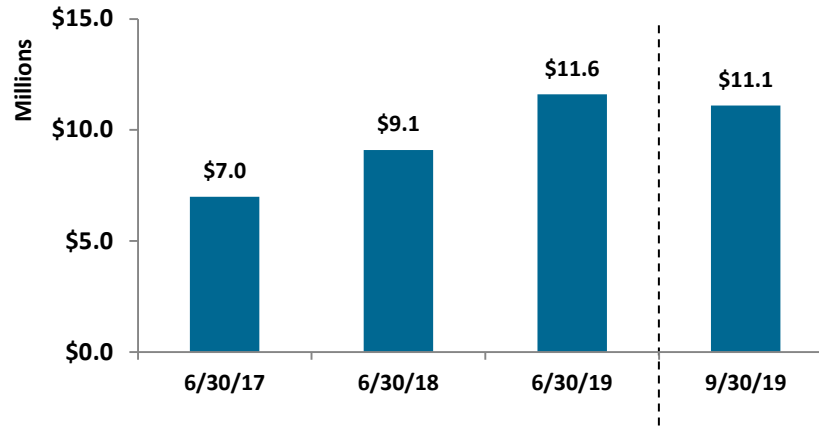


# Asset Quality Metrics

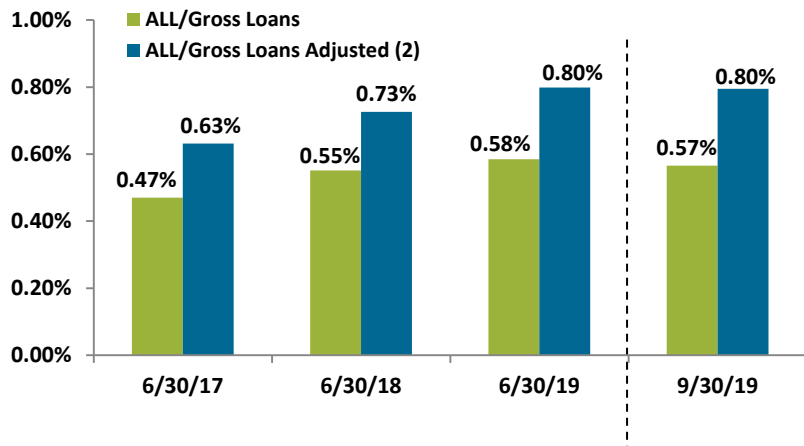
## NPAs / Total Assets & NPLs / Total Loans



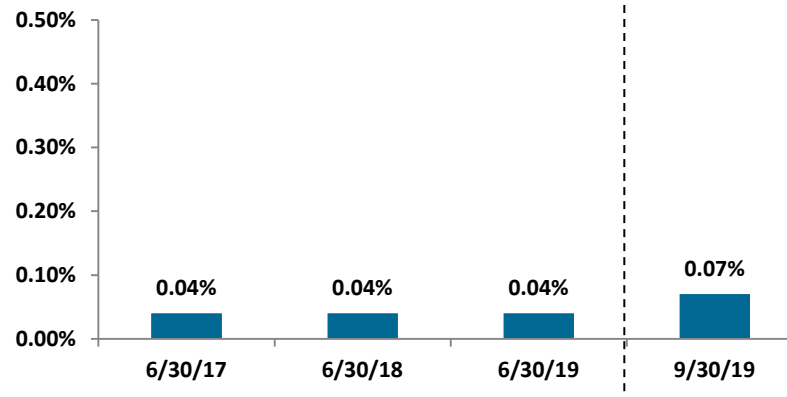
## Classified Commercial Loans<sup>(1)</sup>



## Allowance for Loan Losses / Gross Loans



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



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

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

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