Northeast BANK

Northeast Bank Reports First Quarter Results and Declares Dividend

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PORTLAND, Maine, Oct. 23, 2023 (GLOBE NEWSWIRE) -- Northeast Bank (the “Bank”) (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of $15.2 million, or $2.01 per diluted common share, for the quarter ended September 30, 2023, compared to net income of $8.3 million, or $1.12 per diluted common share, for the quarter ended September 30, 2022.

The Board of Directors declared a cash dividend of $0.01 per share, payable on November 21, 2023, to shareholders of record as of November 7, 2023.

Discussing results, Rick Wayne, Chief Executive Officer, said, “We had another strong quarter reporting earnings of $2.01 per diluted common share, a return on average equity of 19.7%, and a return on average assets of 2.1% for the quarter. National Lending Division volume totaled $120.4 million, including $68.0 million of originations and $52.4 million of purchases. In addition, during the quarter, we signed an agreement to purchase loans with unpaid balances of $74.2 million, which closed in October. Our National Lending Division’s combined yield increased to 9.4% for the quarter ended September 30, 2023, as compared to 8.7% for the quarter ended June 30, 2023, and 7.6% for the quarter ended September 30, 2022. Asset quality remains strong, with non-performing assets of 0.61% of total assets, as compared to 0.55% of total assets at June 30, 2023.”

As of September 30, 2023, total assets were $2.88 billion, an increase of $6.5 million, or 0.2%, from total assets of $2.87 billion as of June 30, 2023.

1. The following table highlights the changes in the loan portfolio for the three months ended September 30, 2023:

	Loan Portfolio Changes			
	September 30, 2023 Balance	June 30, 2023 Balance	Change ($)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	$ 1,516,379	$ 1,480,119	$ 36,260	2.45%
National Lending Originated	958,232	987,832	(29,600)	(3.00%)
SBA National	27,205	24,873	2,332	9.38%
Community Banking	26,394	27,536	(1,142)	(4.15%)
Total	$ 2,528,210	$ 2,520,360	$ 7,850	0.31%

Loans generated by the Bank's National Lending Division for the quarter ended September 30, 2023 totaled $120.4 million, which consisted of $52.4 million of purchased loans, at an average price of 82.2% of unpaid principal balance, and $68.0 million of originated loans.

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

	National Lending Portfolio					
	Three Months Ended September 30,					
	2023			2022		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	$ 63,695	$ 68,042	$ 131,737	$ 83,858	$ 181,720	$ 265,578
Net investment basis	52,346	68,042	120,388	77,537	181,720	259,257
Loan returns during the period:						
Yield	8.99%	10.03%	9.40%	7.10%	7.85%	7.57%
Total Return on Purchased Loans (1)	9.04%	N/A	9.04%	7.10%	N/A	7.10%
Total loans as of period end:						
Unpaid principal balance	$ 1,693,627	$ 958,232	$ 2,651,859	$ 569,790	$ 873,292	$ 1,443,082
Net investment basis	1,516,379	958,232	2,474,611	530,393	873,292	1,403,685

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, 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 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.”

1. Deposits increased by $29.9 million, or 1.5%, from June 30, 2023. The increase was primarily attributable to an increase in

time deposits of $68.7 million, or 7.5%, partially offset by decreases in money market deposits of $34.8 million, or 12.5%, and savings and interest checking deposits of $10.2 million, or 1.7%. The significant drivers in the change in time deposits was the increase in Community Banking Division time deposits, which increased by $60.4 million, and brokered time deposits, which increased by $38.6 million compared to June 30, 2023, partially offset by the intentional runoff of Bulletin Board time deposits of $27.7 million.

2. Shareholders' equity increased by $14.9 million, or 5.0%, from June 30, 2023, primarily due to net income of $15.2 million and stock-based compensation of $1.4 million, partially offset by the cancelation of restricted stock to cover tax obligations on restricted stock vests, which resulted in a $911 thousand decrease to shareholders' equity, and the cumulative effect adjustment for the adoption of ASU 2016-13 Financial Instruments – Credit Losses (more commonly known as Current Expected Credit Losses or "CECL"), which resulted in a $870 thousand decrease to shareholders' equity.

Net income increased by $6.9 million to $15.2 million for the quarter ended September 30, 2023, compared to net income of $8.3 million for the quarter ended September 30, 2022.

1. Net interest and dividend income before provision for credit losses increased by $13.5 million to $37.1 million for the quarter ended September 30, 2023, compared to $23.6 million for the quarter ended September 30, 2022. The increase was primarily due to the following:

- An increase in interest income earned on loans of $33.0 million, primarily due to an increase in interest income earned on the National Lending Division's originated and purchased portfolios, due to higher average balances and rates earned on both portfolios; and
- An increase in interest income earned on short-term investments of $2.5 million, primarily due to higher rates earned and higher average balances; partially offset by,
- An increase in deposit interest expense of $16.5 million, due to higher interest rates and higher average balances in interest-bearing deposits; and
- An increase in FHLB borrowings interest expense of $5.7 million, due to higher average balances and slightly higher rates.

The following table summarizes interest income and related yields recognized on the loan portfolios:

	Interest Income and Yield on Loans					
	Three Months Ended September 30,					
	2023			2022		
	Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	$ 27,149	$ 438	6.42%	$ 32,888	$ 467	5.63%
SBA National	26,257	786	11.91%	30,776	730	9.41%
National Lending:						
Originated	960,629	24,219	10.03%	815,988	16,150	7.85%
Purchased	1,489,394	33,671	8.99%	488,019	8,732	7.10%
Total National Lending	2,450,023	57,890	9.40%	1,304,007	24,882	7.57%
Total	$ 2,503,429	$ 59,114	9.39%	$ 1,367,671	$ 26,079	7.57%

The components of total income on purchased loans are set forth in the table below entitled "Total Return on Purchased Loans." When compared to the quarter ended September 30, 2022, transactional income increased by $1.8 million for the quarter ended September 30, 2023, and regularly scheduled interest and accretion increased by $23.3 million primarily due to the increase in average balances. The total return on purchased loans for the quarter ended September 30, 2023 was 9.0%, an increase from 7.1% for the quarter ended September 30, 2022. The following table details the total return on purchased loans:

	Total Return on Purchased Loans			
	Three Months Ended September 30,			
	2023		2022	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	$ 31,030	8.29%	$ 7,674	6.24%
Transactional income:				
Release of allowance for credit losses on purchased loans	180	0.05%	-	0.00%
Accelerated accretion and loan fees	2,641	0.70%	1,058	0.86%
Total transactional income	2,821	0.75%	1,058	0.86%
Total	$ 33,851	9.04%	$ 8,732	7.10%

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, and gains on real estate owned, and release of

allowance for credit losses on purchased loans recorded during the period divided by the average invested balance on an annualized basis. The total return does not include the effect of purchased loan charge-offs or recoveries in the quarter. Total return is considered a non-GAAP financial measure.

2. The provision for credit losses for the first quarter of fiscal year 2024 was reported using the CECL methodology, whereas the first quarter of fiscal year 2023 provision for credit losses was reported using the incurred loss methodology. Provision for credit losses decreased by $660 thousand to a provision of $190 thousand for the quarter ended September 30, 2023, compared to a provision of $850 thousand in the quarter ended September 30, 2022. The decrease in the provision for credit losses reflects minimal change in loans during the quarter ended September 30, 2023 compared to an increase in the general reserve due to loan growth during the quarter ended September 30, 2022.

3. Noninterest income decreased by $880 thousand for the quarter ended September 30, 2023, compared to the quarter ended September 30, 2022, principally due to the following:

- A decrease in correspondent fee income of $1.3 million from the recognition of correspondent fees and related net servicing income; partially offset by,
- An increase in gain on sale of Small Business Administration (“SBA”) loans of $215 thousand, due to the sale of $5.3 million in SBA loans during the quarter ended September 30, 2023; and
- An increase in fees for other services to customers of $140 thousand, due to higher commercial loan servicing fees.

4. Noninterest expense increased by $2.8 million for the quarter ended September 30, 2023 compared to the quarter ended September 30, 2022, primarily due to the following:

- An increase in salaries and employee benefits expense of $1.5 million, primarily due to increases in stock compensation expense, regular compensation expense, and incentive compensation expense;
- An increase in other noninterest expense of $434 thousand, primarily due to a decrease in the recovery on SBA servicing asset of $161 thousand, a $124 thousand increase in directors stock compensation expense, and a $71 thousand increase in meals and entertainment expense;
- An increase in professional fees of $265 thousand, primarily due to increases in other professional fees, legal fees, and internal audit fees; and
- An increase in deposit insurance expense of $260 thousand, primarily due to the increase in average assets and decrease in Tier 1 leverage ratio, which increased the Bank’s assessment rate.

5. Income tax expense increased by $3.6 million to $7.2 million, or an effective tax rate of 32.0%, for the quarter ended September 30, 2023, compared to $3.5 million, or an effective tax rate of 29.9%, for the quarter ended September 30, 2022. The increase in income tax expense is due to the increase in pre-tax income. The increase in the effective tax rate from September 30, 2022 is primarily due to a $325 thousand decrease in tax benefit on the vest of restricted stock and exercise of stock options during the quarter ended September 30, 2023 as compared to the quarter ended September 30, 2022.

As of September 30, 2023, nonperforming assets totaled $17.4 million, or 0.69% of total assets, compared to $15.7 million, or 0.55% of total assets, as of June 30, 2023.

As of September 30, 2023, past due loans totaled $25.6 million, or 1.01% of total loans, compared to past due loans totaling $13.1 million, or 0.52% of total loans, as of June 30, 2023.

In the first quarter of fiscal year 2024, the Bank adopted CECL, effective July 1, 2023. Upon the adoption of CECL, $18.3 million of discount was transferred from the carrying balance of loans to the allowance for credit losses. The remaining impact resulting from the CECL adoption resulted in an increase in the allowance for credit losses of $1.2 million, which resulted in a decrease of $870 thousand in retained earnings. Under CECL, the allowance for credit losses was 1.00% of total loans at September 30, 2023.

As of September 30, 2023, the Bank’s Tier 1 leverage capital ratio was 10.9%, compared to 10.4% at June 30, 2023, and the Total capital ratio was 13.5% at September 30, 2023, compared to 12.3% at June 30, 2023. Capital ratios increased primarily due to increased earnings and the Total capital ratio increased due to an increase in Tier 2 capital associated with the allowance for credit losses under CECL.

Investor Call Information

Rick Wayne, Chief Executive Officer, Jean-Pierre Lapointe, Chief Financial Officer, and Pat Dignan, Chief Operating Officer of Northeast Bank, will host a **conference call to discuss first quarter earnings and business outlook at 10:00 a.m. Eastern Time on Tuesday, October 24th.** To access the conference call by phone, please go to this link (Phone Registration), and you will be provided with dial in details. The call will be available via live webcast, which can be viewed by accessing the Bank’s website at *www.northeastbank.com* and clicking on the About Us - Investor Relations section. To listen to the webcast, attendees are encouraged to visit the website at least fifteen minutes early to register, download and install any necessary audio software. Please note there will also be a slide presentation that will accompany the webcast. For those who cannot listen to the live broadcast, a replay will be available online for one year at *www.northeastbank.com*.

About Northeast Bank

Northeast Bank (NASDAQ: NBN) is a full-service bank headquartered in Portland, Maine. We offer personal and business banking services to the Maine market via seven branches. Our National Lending Division purchases and originates commercial loans on a nationwide basis. ableBanking, a division of Northeast Bank, offers online savings products to consumers nationwide. Information regarding Northeast Bank can be found at *www.northeastbank.com.*

Non-GAAP Financial Measures

In addition to results presented in accordance with generally accepted accounting principles (“GAAP”), this press release contains certain non-GAAP financial measures, including tangible common shareholders’ equity, tangible book value per share, total return on purchased loans, and efficiency ratio. The Bank’s management believes that the supplemental non-GAAP information is utilized by regulators and market analysts to evaluate a company's financial condition and therefore, such information is useful to investors. These disclosures should not be viewed as a substitute for financial results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names.

Forward-Looking Statements

Statements in this press release that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We may also make forward-looking statements in other documents we file with the Federal Deposit Insurance Corporation (the "FDIC"), in our annual reports to our shareholders, in press releases and other written materials, and in oral statements made by our officers, directors or employees. You can identify forward-looking statements by the use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "outlook," "will," "should," and other expressions that predict or indicate future events and trends and which do not relate to historical matters. Although the Bank believes that these forward-looking statements are based on reasonable estimates and assumptions, they are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors. You should not place undue reliance on our forward-looking statements. You should exercise caution in interpreting and relying on forward-looking statements because they are subject to significant risks, uncertainties and other factors which are, in some cases, beyond the Bank's control. The Bank's actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, changes in general business and economic conditions on a national basis and in the local markets in which the Bank operates, including changes which adversely affect borrowers' ability to service and repay loans; changes in customer behavior due to political, business and economic conditions, including inflation and concerns about liquidity; turbulence in the capital and debt markets; reductions in net interest income resulting from interest rate volatility as well as changes in the balances and mix of loans and deposits; changes in interest rates and real estate values; changes in loan collectability and increases in defaults and charge-off rates; decreases in the value of securities and other assets, adequacy of credit loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; changing government regulation; competitive pressures from other financial institutions; changes in legislation or regulation and accounting principles, policies and guidelines; cybersecurity incidents, fraud, natural disasters, and future pandemics; the risk that the Bank may not be successful in the implementation of its business strategy; the risk that intangibles recorded in the Bank's financial statements will become impaired; changes in assumptions used in making such forward-looking statements; and the other risks and uncertainties detailed in the Bank's Annual Report on Form 10-K and updated by our Quarterly Reports on Form 10-Q and other filings submitted to the FDIC. These statements speak only as of the date of this release and the Bank does not undertake any obligation to update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this communication or to reflect the occurrence of unanticipated events.

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NORTHEAST BANK
BALANCE SHEETS
(Unaudited)
(Dollars in thousands, except share and per share data)

	September 30, 2023	June 30, 2023
Assets		
Cash and due from banks	$ 2,039	$ 2,515
Short-term investments	202,607	195,394
Total cash and cash equivalents	204,646	197,909
Available-for-sale debt securities, at fair value	53,052	53,403
Equity securities, at fair value	6,672	6,771
Total investment securities	59,724	60,174
Loans:		
Commercial real estate	1,969,864	1,940,563
Commercial and industrial	484,219	499,815
Residential real estate	73,699	79,497
Consumer	428	485
Total loans	2,528,210	2,520,360
Less: Allowance for credit losses	25,303	7,304
Loans, net	2,502,907	2,513,056
Premises and equipment, net	28,597	27,737
Federal Home Loan Bank stock, at cost	22,205	24,644
Loan servicing rights, net	1,285	1,530
Bank-owned life insurance	18,480	18,364
Other assets	38,617	26,524
Total assets	$ 2,876,461	$ 2,869,938

Liabilities and Shareholders' Equity		
Deposits:		
Demand	$ 149,977	$ 143,738
Savings and interest checking	586,157	596,347
Money market	243,116	277,939
Time	987,877	919,183
Total deposits	1,967,127	1,937,207
Federal Home Loan Bank and other advances	524,586	562,615
Lease liability	21,607	21,918
Other liabilities	51,572	51,535
Total liabilities	2,564,892	2,573,275
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at September 30 and June 30, 2023	-	-
Voting common stock, $1.00 par value, 25,000,000 shares authorized; 7,796,691 and 7,668,650 shares issued and outstanding at September 30 and June 30, 2023, respectively	7,797	7,669
Non-voting common stock, $1.00 par value, 3,000,000 shares authorized; No shares issued and outstanding at September 30 and June 30, 2023	-	-
Additional paid-in capital	43,241	42,840
Retained earnings	261,099	246,872
Accumulated other comprehensive loss	(568)	(718)
Total shareholders' equity	311,569	296,663
Total liabilities and shareholders' equity	$ 2,876,461	$ 2,869,938

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

	Three Months Ended September 30,	
	2023	2022
Interest and dividend income:		
Interest and fees on loans	$ 59,114	$ 26,079
Interest on available-for-sale securities	483	149
Other interest and dividend income	3,100	636
Total interest and dividend income	62,697	26,864
Interest expense:		
Deposits	19,257	2,801
Federal Home Loan Bank and other advances	6,145	396
Obligation under capital lease agreements	171	18
Total interest expense	25,573	3,215
Net interest and dividend income before provision for credit losses	37,124	23,649
Provision for credit losses	190	850
Net interest and dividend income after provision for credit losses	36,934	22,799
Noninterest income:		
Fees for other services to customers	407	267
Gain on sales of SBA loans	251	36
Net unrealized loss on equity securities	(157)	(218)
Loss on real estate owned, other repossessed collateral and premises and equipment, net	-	(44)
Correspondent fee income	92	1,382

Gain on termination of interest rate swap	-	96
Bank-owned life insurance income	115	109
Other noninterest income	71	31
Total noninterest income	779	1,659
Noninterest expense:		
Salaries and employee benefits	9,721	8,265
Occupancy and equipment expense	1,105	854
Professional fees	781	516
Data processing fees	1,100	1,105
Marketing expense	261	177
Loan acquisition and collection expense	650	640
FDIC insurance premiums	357	97
Other noninterest expense	1,414	980
Total noninterest expense	15,389	12,634
Income before income tax expense	22,324	11,824
Income tax expense	7,152	3,537
Net income	$ 15,172	$ 8,287
Weighted-average shares outstanding:		
Basic	7,479,837	7,312,291
Diluted	7,554,314	7,394,089
Earnings per common share:		
Basic	$ 2.03	$ 1.13
Diluted	2.01	1.12
Cash dividends declared per common share	$ 0.01	$ 0.01

NORTHEAST BANK
AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS
(Unaudited)
(Dollars in thousands)

	Three Months Ended September 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	$ 60,173	$ 483	3.19%	$ 61,727	$ 149	0.96%
Loans (1) (2)	2,503,429	59,114	9.39%	1,367,671	26,079	7.57%
Federal Home Loan Bank stock	22,357	413	7.35%	3,589	14	1.55%
Short-term investments (3)	201,803	2,687	5.30%	141,489	622	1.74%
Total interest-earning assets	2,787,762	62,697	8.95%	1,574,476	26,864	6.77%
Cash and due from banks	2,492			2,534		
Other non-interest earning assets	56,263			46,180		
Total assets	$ 2,846,517			$ 1,623,190		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	$ 487,445	$ 5,145	4.20%	$ 493,693	$ 1,595	1.28%
Money market accounts	258,296	2,133	3.29%	250,654	406	0.64%
Savings accounts	90,997	560	2.45%	137,392	210	0.61%
Time deposits	977,220	11,419	4.65%	153,712	590	1.52%
Total interest-bearing deposits	1,813,958	19,257	4.22%	1,035,451	2,801	1.07%
Federal Home Loan Bank advances	510,514	6,145	4.79%	62,337	396	2.52%
Capital lease obligations	21,776	171	3.12%	4,178	18	1.71%

Total interest-bearing liabilities	2,346,248	25,573	4.34%	1,101,966	3,215	1.16%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	169,338			261,693		
Other liabilities	25,065			8,012		
Total liabilities	2,540,651			1,371,671		
Shareholders' equity	305,866			251,519		
Total liabilities and shareholders' equity	$ 2,846,517			$ 1,623,190		
Net interest income		$ 37,124			$ 23,649	
Interest rate spread			4.61%			5.61%
Net interest margin (4)			5.30%			5.96%
Cost of funds (5)			4.04%			0.94%

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

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

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

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

(5) Cost of funds is calculated as total interest expense divided by total interest-bearing liabilities plus demand deposits and escrow accounts.

NORTHEAST BANK

SELECTED FINANCIAL HIGHLIGHTS AND OTHER DATA

(Unaudited)

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

	Three Months Ended				
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Net interest income	$ 37,124	$ 34,155	$ 32,239	$ 28,752	$ 23,649
Provision for credit losses	190	453	676	325	850
Noninterest income	779	1,112	1,188	1,301	1,659
Noninterest expense	15,389	16,361	13,836	13,704	12,634
Net income	15,172	12,086	12,517	11,298	8,287
Weighted-average common shares outstanding:					
Basic	7,479,837	7,459,074	7,352,447	7,256,281	7,312,291
Diluted	7,554,315	7,523,508	7,413,812	7,323,402	7,394,089
Earnings per common share:					
Basic	$ 2.03	$ 1.62	$ 1.70	$ 1.56	$ 1.13
Diluted	2.01	1.61	1.69	1.54	1.12
Dividends declared per common share	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Return on average assets	2.12%	1.70%	1.80%	2.13%	2.03%
Return on average equity	19.73%	16.67%	18.53%	17.48%	13.07%
Net interest rate spread (1)	4.61%	4.31%	4.19%	5.42%	5.61%
Net interest margin (2)	5.30%	4.91%	4.75%	5.82%	5.96%
Efficiency ratio (non-GAAP) (3)	40.60%	46.39%	41.39%	45.60%	49.92%
Noninterest expense to average total assets	2.15%	2.30%	1.99%	2.58%	3.09%
Average interest-earning assets to average interest-bearing liabilities	118.82%	117.73%	118.20%	119.28%	142.88%

	As of:				
	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022

Nonperforming loans:					
Originated portfolio:					
Residential real estate	$ 289	$ 280	$ 379	$ 448	$ 520
Commercial real estate	1,973	3,548	3,355	3,297	3,528
Commercial and industrial	584	520	561	631	452
Consumer	-	-	-	8	8
Total originated portfolio	2,846	4,348	4,295	4,384	4,508
Total purchased portfolio	14,603	11,335	10,227	8,515	9,089
Total nonperforming loans	17,449	15,683	14,522	12,899	13,597
Real estate owned and other repossessed collateral, net	-	-	-	-	90
Total nonperforming assets	$ 17,449	$ 15,683	$ 14,522	$ 12,899	$ 13,687
Past due loans to total loans	1.01%	0.52%	0.70%	0.74%	0.97%
Nonperforming loans to total loans	0.69%	0.62%	0.58%	0.51%	0.93%
Nonperforming assets to total assets	0.61%	0.55%	0.51%	0.46%	0.79%
Allowance for credit losses to total loans	1.00%	0.29%	0.28%	0.26%	0.40%
Allowance for credit losses to nonperforming loans	145.01%	46.57%	48.84%	49.70%	43.38%
Net charge-offs (recoveries)	$ 1,536	$ 240	$ (5)	$ (190)	$ (20)
Commercial real estate loans to total capital (4)	546.91%	595.38%	614.90%	661.48%	328.35%
Net loans to deposits (5)	127.24%	129.73%	117.56%	113.74%	109.78%
Purchased loans to total loans (6)	59.98%	58.73%	58.20%	59.23%	32.62%
Equity to total assets	10.83%	10.34%	9.90%	9.38%	14.47%
Common equity tier 1 capital ratio	12.45%	12.03%	11.59%	10.84%	17.36%
Total capital ratio	13.46%	12.33%	11.89%	11.11%	17.77%
Tier 1 leverage capital ratio	10.95%	10.38%	10.06%	12.53%	15.59%
Total shareholders’ equity	$ 311,569	$ 296,663	$ 283,869	$ 263,427	$ 252,163
Less: Preferred stock	-	-	-	-	-
Common shareholders’ equity	311,569	296,663	283,869	263,427	252,163
Less: Intangible assets (7)	-	-	-	-	(1,141)
Tangible common shareholders' equity (non-GAAP)	$ 311,569	$ 296,663	$ 283,869	$ 263,427	$ 251,022
Common shares outstanding	7,796,691	7,668,650	7,668,650	7,511,044	7,477,158
Book value per common share	$ 39.96	$ 38.69	$ 37.02	$ 35.07	$ 33.72
Tangible book value per share (non-GAAP) (8)	39.96	38.69	37.02	35.07	33.57

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

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

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

(4) For purposes of calculating this ratio, commercial real estate includes all non-owner occupied commercial real estate loans defined as such by regulatory guidance, including all land development and construction loans.

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

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

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

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

For More Information:
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