



Northeast Bank Reports Fourth Quarter Results and Declares Dividend

July 25, 2022

PORTLAND, Maine, July 25, 2022 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$10.3 million, or \$1.35 per diluted common share, for the quarter ended June 30, 2022, compared to net income of \$21.4 million, or \$2.54 per diluted common share, for the quarter ended June 30, 2021. Net income for the year ended June 30, 2022 was \$42.2 million, or \$5.34 per diluted common share, compared to \$71.5 million, or \$8.55 per diluted common share, for the year ended June 30, 2021. Net income for the quarter and year ended June 30, 2021 included \$12.6 million and \$46.7 million (\$8.9 million and \$33.0 million, net of tax), respectively, of net gains on the sale of U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans sold during the quarter and year ended June 30, 2021, which had an after-tax earnings per diluted common share impact of \$1.06 and \$3.95, respectively.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on August 23, 2022, to shareholders of record as of August 9, 2022.

Discussing results, Rick Wayne, Chief Executive Officer, said, "We closed our fiscal year with yet another impressive quarter. Our National Lending Division had a record quarter of originations, with \$172.9 million for the quarter, and \$587.8 million for the fiscal year. This resulted in net growth in our originated portfolio of \$235.7 million, or 45.0%, compared with June 30, 2021. In addition to the growth in loan balances, our National Lending Division's combined yield increased to 7.9% for the quarter ended June 30, 2022, as compared to 7.7% for the quarter ended June 30, 2021. Asset quality remains strong, with past due loans of \$7.0 million, or 0.53% of total loans, compared to \$11.3 million, or 1.08% of total loans at June 30, 2021. This represents the lowest level of delinquencies since July 31, 2016, at which time the Bank's loan book totaled just \$688.7 million." Mr. Wayne continued, "As a result of the increase in the average balances of our loan portfolio, we are reporting earnings of \$1.35 per diluted common share, a return on average equity of 16.6%, and a return on average assets of 2.7% for the quarter."

As of June 30, 2022, total assets were \$1.58 billion, a decrease of \$591.6 million, or 27.2%, from total assets of \$2.17 billion as of June 30, 2021.

1. Cash and short-term investments decreased by \$838.4 million, or 83.0%, primarily due to the timing of a large deposit account related to PPP loan payoff collections at June 30, 2021, which has decreased throughout the fiscal year. Cash and short-term investments may fluctuate significantly while PPP collections, including forgiveness amounts, continue, depending on the timing of receipts and remittances of cash amounts.
2. The following table highlights the changes in the loan portfolio for the three months and year ended June 30, 2022:

	Loan Portfolio Changes			
	Three Months Ended June 30, 2022			
	June 30, 2022 Balance	March 31, 2022 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 477,682	\$ 479,824	\$ (2,142)	(0.45%)
National Lending Originated	759,229	680,568	78,661	11.56%
SBA National	33,046	34,574	(1,528)	(4.42%)
Community Banking	34,909	37,359	(2,450)	(6.56%)
Total	\$ 1,304,866	\$ 1,232,325	\$ 72,541	5.89%
	Year Ended June 30, 2022			
	June 30, 2022 Balance	June 30, 2021 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 477,682	\$ 429,054	\$ 48,628	11.33%
National Lending Originated	759,229	523,535	235,694	45.02%
SBA National	33,046	39,549	(6,503)	(16.44%)
Community Banking	34,909	48,486	(13,577)	(28.00%)
Total	\$ 1,304,866	\$ 1,040,624	\$ 264,242	25.39%

Loans generated by the Bank's National Lending Division for the quarter ended June 30, 2022 totaled \$209.4 million, which consisted of \$36.5 million of purchased loans, at an average price of 98.6% of unpaid principal balance, and \$172.9 million of originated loans.

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

National Lending Portfolio	
Three Months Ended June 30,	
2022	2021

	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 37,032	\$ 172,851	\$ 209,883	\$ 35,456	\$ 114,020	\$ 149,476
Net investment basis	36,502	172,851	209,353	33,732	114,020	147,752

Loan returns during the period:

Yield	9.25%	7.03%	7.91%	8.99%	6.58%	7.68%
Total Return on Purchased Loans (1)	9.25%	N/A	9.25%	8.99%	N/A	8.99%

Year Ended June 30,

	2022			2021		
	Purchased	Originated	Total	Purchased	Originated	Total
	(Dollars in thousands)					
Loans purchased or originated during the period:						
Unpaid principal balance	\$ 199,523	\$ 587,840	\$ 787,363	\$ 181,591	\$ 308,862	\$ 490,453
Net investment basis	187,914	587,840	775,754	169,489	308,862	478,351

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Net investment basis	187,914	587,840	775,754	169,489	308,862	478,351

Loan returns during the period:

Yield	8.91%	6.73%	7.65%	8.91%	6.93%	7.84%
Total Return on Purchased Loans (1)	8.92%	N/A	8.92%	8.91%	N/A	8.91%

Total loans as of period end:

Unpaid principal balance	\$ 512,006	\$ 759,229	\$ 1,271,235	\$ 466,059	\$ 523,535	\$ 989,594
Net investment basis	477,682	759,229	1,236,911	429,054	523,535	952,589

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on real estate owned and other noninterest income recorded during the period divided by the average invested balance, which includes purchased loans held for sale, on an annualized basis. The total return on purchased loans does not include the effect of purchased loan charge-offs or recoveries during the period. Total return on purchased loans is considered a non-GAAP financial measure. See reconciliation in below table entitled "Total Return on Purchased Loans."

3. Deposits decreased by \$574.7 million, or 30.9%, from June 30, 2021. The decrease was attributable to decreases in demand deposits of \$643.5 million, or 66.2% and time deposits of \$150.5 million, or 54.2%, partially offset by an increase in savings and interest checking deposits of \$260.2 million, or 80.1%. The primary reason for the net decrease in deposits was due to timing of the receipt of short-term customer funds related to PPP payoff collections prior to June 30, 2021, which were subsequently used to pay down NEWITY's PPP Liquidity Facility ("PPPLF") balance during the year ended June 30, 2022.

4. Shareholders' equity increased by \$15.9 million, or 6.9%, from June 30, 2021, primarily due to net income of \$42.2 million, partially offset by the repurchase of 821 thousand shares of common stock at a weighted average price per share of \$34.09, which resulted in a \$28.0 million decrease to shareholders' equity. Shareholders' equity also increased by \$1.9 million as a result of stock compensation expense recognized.

Net income decreased by \$11.1 million to \$10.3 million for the quarter ended June 30, 2022, compared to net income of \$21.4 million for the quarter ended June 30, 2021.

1. Net interest and dividend income before provision for loan losses increased by \$5.5 million to \$23.6 million for the quarter ended June 30, 2022, compared to \$18.1 million for the quarter ended June 30, 2021. The increase was primarily due to the following:

- An increase in interest income earned on the National Lending Division's purchased and originated portfolios of \$5.8 million, due to higher average balances and rates earned in both portfolios;
- A decrease in deposit interest expense of \$356 thousand, due to lower interest rates and a shift in portfolio composition;
- A decrease of \$282 thousand in interest expense due to the payoff of the subordinated debt; and
- A decrease of \$98 thousand in interest expense due to advances taken from the PPPLF to fund PPP originations during the quarter ended June 30, 2021; partially offset by,
- A decrease in PPP loan interest income of \$884 thousand, due to the significant decrease in PPP loans during the quarter ended June 30, 2022.

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

	Interest Income and Yield on Loans					
	Three Months Ended June 30,					
	2022			2021		
Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield	
(Dollars in thousands)						
Community Banking	\$ 35,028	\$ 451	5.16%	\$ 49,003	\$ 585	4.79%
SBA National	33,788	522	6.20%	41,331	606	5.88%
National Lending:						
Originated	720,101	12,622	7.03%	501,646	8,229	6.58%
Purchased	474,393	10,937	9.25%	424,102	9,507	8.99%
Total National Lending	1,194,494	23,559	7.91%	925,748	17,736	7.68%
Total excluding SBA PPP	\$ 1,263,310	\$ 24,532	7.79%	\$ 1,016,082	\$ 18,927	7.47%
SBA PPP	\$ -	\$ -	0.00%	\$ 172,787	\$ 884	2.05%
Total including SBA PPP	\$ 1,263,310	\$ 24,532	7.79%	\$ 1,188,869	\$ 19,811	6.68%

	Interest Income and Yield on Loans					
	Year Ended June 30,					
	2022			2021		
Average Balance	Interest Income	Yield	Average Balance	Interest Income	Yield	
(Dollars in thousands)						
Community Banking	\$ 41,009	\$ 2,143	5.23%	\$ 56,711	\$ 2,746	4.84%
SBA National	35,678	2,356	6.60%	45,764	2,441	5.33%
National Lending:						
Originated	627,786	42,256	6.73%	469,632	32,560	6.93%
Purchased	458,036	40,820	8.91%	400,141	35,649	8.91%
Total National Lending	1,085,822	83,076	7.65%	869,773	68,209	7.84%
Total excluding SBA PPP	\$ 1,162,509	\$ 87,575	7.53%	\$ 972,248	\$ 73,396	7.55%
SBA PPP	\$ 633	\$ 17	2.69%	\$ 166,230	\$ 3,522	2.12%
Total including SBA PPP	\$ 1,163,142	\$ 87,592	7.53%	\$ 1,138,478	\$ 76,918	6.76%

The components of total income on purchased loans are set forth in the table below entitled "Total Return on Purchased Loans." When compared to the quarter ended June 30, 2021, transactional income increased by \$1.1 million for the quarter ended June 30, 2022, and regularly scheduled interest and accretion increased by \$362 thousand due to the increase in average balances. The total return on purchased loans for the quarter ended June 30, 2022 was 9.3%, an increase from 9.0% for the quarter ended June 30, 2021. The following table details the total return on purchased loans:

	Total Return on Purchased Loans			
	Three Months Ended June 30,			
	2022		2021	
Income	Return (1)	Income	Return (1)	
(Dollars in thousands)				
Regularly scheduled interest and accretion	\$ 7,432	6.29%	\$ 7,070	6.69%
Transactional income:				
Gain on real estate owned	-	0.00%	-	0.00%
Accelerated accretion and loan fees	3,505	2.96%	2,437	2.30%
Total transactional income	3,505	2.96%	2,437	2.30%
Total	\$ 10,937	9.25%	\$ 9,507	8.99%

	Year Ended June 30,			
	2022		2021	
	Income	Return (1)	Income	Return (1)
(Dollars in thousands)				
Regularly scheduled interest and accretion	\$ 28,811	6.29%	\$ 27,536	6.88%
Transactional income:				
Gain on real estate owned	31	0.01%	-	0.00%

Accelerated accretion and loan fees	12,009	2.62%	8,113	2.03%
Total transactional income	12,040	2.63%	8,113	2.03%
Total	<u>\$ 40,851</u>	8.92%	<u>\$ 35,649</u>	8.91%

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, and gains on real estate owned recorded during the period divided by the average invested balance, which includes purchased loans held for sale, on an annualized basis. The total return does not include the effect of purchased loan charge-offs or recoveries in the quarter. Total return is considered a non-GAAP financial measure.

2. Noninterest income decreased by \$15.5 million for the quarter ended June 30, 2022, compared to the quarter ended June 30, 2021, principally due to the following:

- A decrease in gain on sale of PPP loans of \$12.6 million, due to the sale of PPP loans with a total principal balance of \$671.4 million, which resulted in a net gain based on the recognition of net deferred fees in the quarter ended June 30, 2021 as compared to no sales in the quarter ended June 30, 2022; and
- A decrease in correspondent fee income of \$3.0 million from the recognition of correspondent fees and related net servicing income. Correspondent income for the quarters ended June 30, 2022 and 2021 is comprised of the following components:

	Three Months Ended June 30,	
	2022	2021
	(In thousands)	
Correspondent Fee	\$ 1,067	\$ 1,080
Amortization of Purchased Accrued Interest	1,451	972
Earned Net Servicing Interest	1,168	4,602
Total	<u>\$ 3,686</u>	<u>\$ 6,654</u>

In addition to the net servicing interest income, a summary of PPP loans purchased by The Loan Source, Inc. ("Loan Source") and related amounts that the Bank will earn over the expected life of the loans is as follows:

Quarter	PPP Loans Purchased by Loan Source ⁽³⁾	Correspondent Fee	Purchased Accrued Interest ⁽¹⁾	Total ⁽²⁾
	(In thousands)			
Q4 FY 2020	\$ 1,272,900	\$ 2,891	\$ 688	\$ 3,579
Q1 FY 2021	2,112,100	5,348	2,804	8,152
Q2 FY 2021	1,333,500	495	3,766	4,261
Q3 FY 2021	2,141,900	-	598	598
Q4 FY 2021	4,371,000	171	2,703	2,874
Q1 FY 2022	6,300	-	1	1
Total	<u>\$ 11,237,700</u>	<u>\$ 8,905</u>	<u>\$ 10,560</u>	<u>\$ 19,465</u>
Less amounts recognized in Q4 FY 22		(1,067)	(1,451)	(2,518)
Less amounts recognized in previous quarters		(7,342)	(7,883)	(15,225)
Amount remaining to be recognized		<u>\$ 496</u>	<u>\$ 1,226</u>	<u>\$ 1,722</u>

(1) - The Bank's share

(2) - Expected to be recognized into income over life of loans

(3) - Loan Source's ending PPP loan balance was \$1.44 billion as of June 30, 2022

3. Noninterest expense increased by \$3.4 million for the quarter ended June 30, 2022 compared to the quarter ended June 30, 2021, primarily due to the following:

- An increase in salaries and employee benefits expense of \$3.9 million, primarily due to a \$2.0 million increase in incentive compensation, which, in the prior year was adjusted during the quarter ended March 31, 2021 due to the high level of PPP-related income generated in that quarter, and also a \$1.5 million decrease in deferred salaries contra-expense related to PPP originations in the quarter ended June 30, 2021; and
- An increase in other noninterest expense of \$142 thousand, primarily due to a \$340 thousand increase in impairment on the SBA servicing asset and a \$134 thousand increase in travel and meals and entertainment expense, partially offset by a one-time \$338 thousand decrease in non-income tax expense that was reclassified out of other noninterest expense and into income tax expense; partially offset by,
- A decrease in loan expense of \$608 thousand, due to a \$267 thousand decrease in collection legal expense due to

reimbursements, and a \$269 thousand decrease in correspondent expense.

4. Income tax expense decreased by \$3.4 million to \$5.5 million, or an effective tax rate of 34.8%, for the quarter ended June 30, 2022, compared to \$8.9 million, or an effective tax rate of 29.4%, for the quarter ended June 30, 2021. The decrease in income tax expense is due to the decrease in pre-tax income. The increase in the effective tax rate from June 30, 2021 is primarily due to changes in state tax apportionment, as well as a one-time income tax accrual adjustment of \$290 thousand during the quarter ended June 30, 2022.

As of June 30, 2022, nonperforming assets totaled \$12.9 million, or 0.82% of total assets, compared to \$20.4 million, or 0.94% of total assets, as of June 30, 2021. The decrease was primarily due to the sale of three other real estate owned properties totaling \$1.7 million and the payoff of two nonperforming National Lending Division originated loans totaling \$2.4 million and two nonperforming purchased loans totaling \$3.3 million during the year ended June 30, 2022.

As of June 30, 2022, past due loans totaled \$7.0 million, or 0.53% of total loans, compared to past due loans totaling \$11.3 million, or 1.08% of total loans, as of June 30, 2021. The decrease was primarily due to fourteen purchased loans totaling \$5.3 million that became current or paid off, partially offset by one purchased loan totaling \$1.0 million that became past due during the year ended June 30, 2022.

As of June 30, 2022, the Bank's Tier 1 leverage capital ratio was 16.1%, compared to 13.6% at June 30, 2021, and the Total capital ratio was 19.5% at June 30, 2022, compared to 24.3% at June 30, 2021. Capital ratios were primarily affected by increased earnings and decreased assets, while the Total capital ratio was negatively impacted by the redemption of the subordinated debt on July 1, 2021.

Investor Call Information

Rick Wayne, Chief Executive Officer, Jean-Pierre Lapointe, Chief Financial Officer, and Pat Dignan, Executive Vice President and Chief Credit Officer of Northeast Bank, will host a **conference call to discuss fourth quarter earnings and business outlook at 10:00 a.m. Eastern Time on Tuesday, July 26th**. Investors can access the call by dialing 866.374.5140 and entering the following PIN: 31924851#. 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, efficiency ratio, net interest margin excluding PPP, and net interest margin excluding PPP and collection account. 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. 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, ongoing disruptions due to the COVID-19 pandemic; ongoing turbulence in the capital and debt markets; 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 our loans; changes in customer behavior due to changing political, business and economic conditions, including concerns about inflation, or legislative or regulatory initiatives; changes in interest rates and real estate values; increases in loan defaults and charge-off rates; decreases in the value of securities and other assets, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; changing government regulation; competitive pressures from other financial institutions; operational risks including, but not limited to, 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 Federal Deposit Insurance Corporation. These statements speak only as of the date of this release and the Bank does not undertake any obligation to update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this communication or to reflect the occurrence of unanticipated events.

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NORTHEAST BANK BALANCE SHEETS

(Unaudited)

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

June 30, 2022 June 30, 2021

Assets			
Cash and due from banks		\$ 2,095	\$ 2,850
Short-term investments		169,984	1,007,641
Total cash and cash equivalents		<u>172,079</u>	<u>1,010,491</u>
Available-for-sale debt securities, at fair value		54,911	59,737
Equity securities, at fair value		6,798	7,230
Total investment securities		<u>61,709</u>	<u>66,967</u>
Loans:			
Commercial real estate		882,187	725,287
Commercial and industrial		352,729	257,604
Residential real estate		69,209	56,591
Consumer		741	1,142
Total loans		<u>1,304,866</u>	<u>1,040,624</u>
Less: Allowance for loan losses		<u>5,028</u>	<u>7,313</u>
Loans, net		1,299,838	1,033,311
Premises and equipment, net		9,606	11,271
Real estate owned and other repossessed collateral, net		-	1,639
Federal Home Loan Bank stock, at cost		1,610	1,209
Loan servicing rights, net		1,285	2,061
Bank-owned life insurance		17,922	17,498
Other assets		18,710	29,955
Total assets		<u>\$ 1,582,759</u>	<u>\$ 2,174,402</u>
Liabilities and Shareholders' Equity			
Deposits:			
Demand		\$ 329,007	\$ 972,495
Savings and interest checking		585,274	325,062
Money market		246,095	287,033
Time		127,317	277,840
Total deposits		<u>1,287,693</u>	<u>1,862,430</u>
Federal Home Loan Bank advances		15,000	15,000
Subordinated debt		-	15,050
Lease liability		4,451	6,061
Other liabilities		27,294	43,470
Total liabilities		<u>1,334,438</u>	<u>1,942,011</u>
Commitments and contingencies		-	-
Shareholders' equity			
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at June 30, 2022 and 2021		-	-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 7,442,103 and 8,150,480 shares issued and outstanding at June 30, 2022 and 2021, respectively		7,442	8,151
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; No shares issued and outstanding at June 30, 2022 and 2021		-	-
Additional paid-in capital		38,749	64,420
Retained earnings		202,980	161,132
Accumulated other comprehensive loss		(850)	(1,312)
Total shareholders' equity		<u>248,321</u>	<u>232,391</u>
Total liabilities and shareholders' equity		<u>\$ 1,582,759</u>	<u>\$ 2,174,402</u>

STATEMENTS OF INCOME

(Unaudited)

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

	Three Months Ended June 30,		Year Ended June 30,	
	2022	2021	2022	2021
Interest and dividend income:				
Interest and fees on loans	\$ 24,532	\$ 19,811	\$ 87,592	\$ 76,918
Interest on available-for-sale securities	81	113	316	754
Other interest and dividend income	262	201	628	453
Total interest and dividend income	<u>24,875</u>	<u>20,125</u>	<u>88,536</u>	<u>78,125</u>
Interest expense:				
Deposits	1,121	1,477	4,529	8,867
Federal Home Loan Bank advances	115	139	493	535
Paycheck Protection Program Liquidity Facility	-	98	-	400
Subordinated debt	-	282	-	1,126
Obligation under capital lease agreements	20	27	90	111
Total interest expense	<u>1,256</u>	<u>2,023</u>	<u>5,112</u>	<u>11,039</u>
Net interest and dividend income before credit for loan losses	23,619	18,102	83,424	67,086
Credit for loan losses	(879)	(1,926)	(2,462)	(1,396)
Net interest and dividend income after credit for loan losses	<u>24,498</u>	<u>20,028</u>	<u>85,886</u>	<u>68,482</u>
Noninterest income:				
Fees for other services to customers	410	441	1,646	1,869
Gain on sales of PPP loans	-	12,577	86	46,701
Gain on sales of residential loans held for sale	-	1	-	107
Net unrealized gain (loss) on equity securities	(180)	10	(511)	(104)
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	100	(129)	155	(473)
Correspondent fee income	3,686	6,654	22,528	23,452
Bank-owned life insurance income	107	106	424	424
Other noninterest income (loss)	21	(10)	117	57
Total noninterest income	<u>4,144</u>	<u>19,650</u>	<u>24,445</u>	<u>72,033</u>
Noninterest expense:				
Salaries and employee benefits	8,912	4,994	31,138	22,430
Occupancy and equipment expense	891	912	3,558	3,825
Professional fees	437	525	1,891	1,930
Data processing fees	1,203	1,076	4,544	4,468
Marketing expense	223	252	733	542
Loan acquisition and collection expense	291	899	3,202	3,267
FDIC insurance premiums	97	109	395	283
Other noninterest expense	802	660	3,322	2,681
Total noninterest expense	<u>12,856</u>	<u>9,427</u>	<u>48,783</u>	<u>39,426</u>
Income before income tax expense	15,786	30,251	61,548	101,089
Income tax expense	5,490	8,881	19,385	29,586
Net income	<u>\$ 10,296</u>	<u>\$ 21,370</u>	<u>\$ 42,163</u>	<u>\$ 71,503</u>
Weighted-average shares outstanding:				
Basic	7,506,465	8,318,689	7,806,626	8,275,577
Diluted	7,617,933	8,397,897	7,902,610	8,360,355
Earnings per common share:				
Basic	\$ 1.37	\$ 2.57	\$ 5.40	\$ 8.64
Diluted	1.35	2.54	5.34	8.55
Cash dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.04	\$ 0.04

NORTHEAST BANK
AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

Three Months Ended June 30,

	2022			2021		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 62,347	\$ 81	0.52%	\$ 67,423	\$ 113	0.67%
Loans (1) (2) (3)	1,263,310	24,532	7.79%	1,188,869	19,811	6.68%
Federal Home Loan Bank stock	1,513	7	1.86%	1,825	9	1.98%
Short-term investments (4)	168,059	255	0.61%	561,813	192	0.14%
Total interest-earning assets	1,495,229	24,875	6.67%	1,819,930	20,125	4.44%
Cash and due from banks	2,667			2,805		
Other non-interest earning assets	45,742			60,923		
Total assets	<u>\$ 1,543,638</u>			<u>\$ 1,883,658</u>		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 410,628	\$ 391	0.38%	\$ 238,462	\$ 167	0.28%
Money market accounts	263,540	215	0.33%	311,753	258	0.33%
Savings accounts	141,526	204	0.58%	46,087	19	0.17%
Time deposits	119,235	311	1.05%	289,705	1,033	1.43%
Total interest-bearing deposits	934,929	1,121	0.48%	886,007	1,477	0.67%
Federal Home Loan Bank advances	15,000	115	3.08%	27,348	139	2.04%
PPPLF advances	-	-	0.00%	115,571	98	0.34%
Subordinated debt	-	-	0.00%	15,035	282	7.52%
Capital lease obligations	4,615	20	1.74%	6,202	27	1.75%
Total interest-bearing liabilities	954,544	1,256	0.53%	1,050,163	2,023	0.77%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	326,690			573,724		
Other liabilities	12,881			34,034		
Total liabilities	1,294,115			1,657,921		
Shareholders' equity	249,523			225,737		
Total liabilities and shareholders' equity	<u>\$ 1,543,638</u>			<u>\$ 1,883,658</u>		
Net interest income		<u>\$ 23,619</u>			<u>\$ 18,102</u>	
Interest rate spread			6.14%			3.67%
Net interest margin (5)			6.34%			3.99%
Cost of funds (6)			0.39%			0.51%

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

(2) Includes loans held for sale.

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

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

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

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

NORTHEAST BANK
AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS

(Unaudited)

(Dollars in thousands)

	Year Ended June 30,					
	2022			2021		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
Assets:						
Interest-earning assets:						
Investment securities	\$ 64,560	\$ 316	0.49%	\$ 69,762	\$ 754	1.08%
Loans (1) (2) (3)	1,163,142	87,592	7.53%	1,138,478	76,918	6.76%
Federal Home Loan Bank stock	1,306	26	1.99%	1,750	61	3.49%
Short-term investments (4)	290,167	602	0.21%	314,405	392	0.12%
Total interest-earning assets	1,519,175	88,536	5.83%	1,524,395	78,125	5.12%
Cash and due from banks	2,681			2,728		
Other non-interest earning assets	49,503			50,909		
Total assets	<u>\$ 1,571,359</u>			<u>\$ 1,578,032</u>		
Liabilities & Shareholders' Equity:						
Interest-bearing liabilities:						
NOW accounts	\$ 330,228	\$ 960	0.29%	\$ 167,505	\$ 495	0.30%
Money market accounts	265,116	806	0.30%	312,537	1,517	0.49%
Savings accounts	110,145	565	0.51%	39,844	57	0.14%
Time deposits	185,347	2,198	1.19%	424,894	6,798	1.60%
Total interest-bearing deposits	890,836	4,529	0.51%	944,780	8,867	0.94%
Federal Home Loan Bank advances	15,000	493	3.29%	24,072	535	2.22%
PPPLF advances	-	-	0.00%	114,341	400	0.35%
Subordinated debt	-	-	0.00%	14,995	1,126	7.51%
Capital lease obligations	5,228	90	1.72%	5,895	111	1.88%
Total interest-bearing liabilities	911,064	5,112	0.56%	1,104,083	11,039	1.00%
Non-interest bearing liabilities:						
Demand deposits and escrow accounts	403,760			261,322		
Other liabilities	14,167			21,643		
Total liabilities	1,328,991			1,387,048		
Shareholders' equity	242,368			190,984		
Total liabilities and shareholders' equity	<u>\$ 1,571,359</u>			<u>\$ 1,578,032</u>		
Net interest income		<u>\$ 83,424</u>			<u>\$ 67,086</u>	
Interest rate spread			5.27%			4.12%
Net interest margin (5)			5.49%			4.40%
Cost of funds (6)			0.39%			0.81%

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

(2) Includes loans held for sale.

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

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

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

(6) 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)

June 30, 2022	Three Months Ended			
	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021

	\$	23,619	\$	20,952	\$	20,055	\$	18,799	\$	18,102
Net interest income										
Credit for loan losses		(879)		(287)		(1,069)		(226)		(1,926)
Noninterest income		4,144		5,408		6,493		8,399		19,650
Noninterest expense		12,856		11,401		11,187		13,338		9,427
Net income		10,296		10,587		11,403		9,877		21,370
Weighted-average common shares outstanding:										
Basic		7,506,465		7,687,737		7,952,938		8,132,131		8,318,689
Diluted		7,617,933		7,790,963		8,041,476		8,212,836		8,397,897
Earnings per common share:										
Basic	\$	1.37	\$	1.38	\$	1.43	\$	1.21	\$	2.57
Diluted		1.35		1.36		1.42		1.20		2.54
Dividends declared per common share	\$	0.01	\$	0.01	\$	0.01	\$	0.01	\$	0.01
Return on average assets		2.68%		2.79%		2.86%		2.41%		4.55%
Return on average equity		16.55%		17.57%		18.77%		16.70%		37.97%
Net interest rate spread (1)		6.14%		5.52%		4.99%		4.46%		3.67%
Net interest margin (2)		6.34%		5.71%		5.24%		4.74%		3.99%
Net interest margin, excluding PPP (non-GAAP) (3)		6.34%		5.71%		5.24%		4.75%		4.55%
Net interest margin, excluding PPP and collection account (non-GAAP) (4)		7.07%		6.72%		6.44%		6.00%		5.56%
Efficiency ratio (non-GAAP) (5)		46.31%		43.25%		42.14%		49.04%		24.97%
Noninterest expense to average total assets		3.34%		3.01%		2.80%		3.26%		2.01%
Average interest-earning assets to average interest-bearing liabilities		156.64%		167.20%		168.71%		174.98%		173.30%

	As of:				
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 550	\$ 621	\$ 611	\$ 619	\$ 696
Commercial real estate	5,031	6,608	7,963	6,644	5,756
Commercial and industrial	202	230	311	1,510	286
Consumer	11	12	20	39	43
Total originated portfolio	5,794	7,471	8,905	8,812	6,781
Total purchased portfolio	7,152	10,441	12,294	12,527	11,977
Total nonperforming loans	12,946	17,912	21,199	21,339	18,758
Real estate owned and other repossessed collateral, net	-	-	53	821	1,639
Total nonperforming assets	\$ 12,946	\$ 17,912	\$ 21,252	\$ 22,160	\$ 20,397
Past due loans to total loans	0.53%	1.07%	1.23%	1.39%	1.08%
Nonperforming loans to total loans	0.99%	1.45%	1.79%	1.99%	1.80%
Nonperforming assets to total assets	0.82%	1.14%	1.46%	1.60%	0.94%
Allowance for loan losses to total loans	0.39%	0.47%	0.51%	0.67%	0.70%
Allowance for loan losses to nonperforming loans	38.34%	32.47%	28.49%	33.58%	38.99%
Commercial real estate loans to total capital (6)	294.20%	252.90%	260.40%	232.10%	215.38%
Net loans to core deposits (7) (10)	100.94%	97.19%	102.53%	98.96%	55.71%
Purchased loans to total loans, including held for sale	36.61%	38.94%	41.02%	40.22%	41.23%
Equity to total assets	15.69%	15.80%	16.39%	17.32%	10.69%
Common equity tier 1 capital ratio	19.08%	20.13%	20.27%	22.03%	22.16%
Total capital ratio	19.47%	20.60%	20.79%	22.69%	24.29%
Tier 1 leverage capital ratio	16.13%	16.17%	15.19%	14.83%	13.63%
Total shareholders' equity	\$ 248,321	\$ 247,469	\$ 239,237	\$ 239,508	\$ 232,391
Less: Preferred stock	-	-	-	-	-

Common shareholders' equity	248,321	247,469	239,237	239,508	232,391
Less: Intangible assets (8)	<u>(1,285)</u>	<u>(1,696)</u>	<u>(1,645)</u>	<u>(1,906)</u>	<u>(2,061)</u>
Tangible common shareholders' equity (non-GAAP)	<u>\$ 247,036</u>	<u>\$ 245,773</u>	<u>\$ 237,592</u>	<u>\$ 237,602</u>	<u>\$ 230,330</u>
Common shares outstanding	7,442,103	7,727,312	7,815,566	8,172,776	8,150,480
Book value per common share	\$ 33.37	\$ 32.03	\$ 30.61	\$ 29.31	\$ 28.51
Tangible book value per share (non-GAAP) (9)	33.19	31.81	30.40	29.07	28.26

(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) Net interest margin excluding PPP removes the effects of the following: PPP loan interest income of \$3 thousand, \$2 thousand, \$11 thousand, and \$884 thousand, PPPLF interest expense of \$0, \$0, \$0, and \$98 thousand, as well as PPP loan average balances of \$462 thousand, \$628 thousand, \$1.4 million, and \$172.8 million, for the quarters ended March 31, 2022, December 31, 2021, September 30, 2021, and June 30, 2021, respectively.

(4) Net interest margin excluding PPP and collection account removes the PPP impact above and removes the effects of the cash held by the Bank from the correspondent's collection account in short-term investments, which had an average balance of \$175.2 million, \$244.0 million, \$287.7 million, \$334.3 million, and \$405.9 million, and earned \$362 thousand, \$60 thousand, \$73 thousand, \$84 thousand, and \$100 thousand, in interest income for the quarters ended June 30, 2022, March 31, 2022, December 31, 2021, September 30, 2021, and June 30, 2021, respectively.

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

(6) 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.

(7) Core deposits include all non-maturity deposits and maturity deposits less than \$250 thousand. During the quarter ended June 30, 2022, the Bank changed its internal policy limit to calculate based on deposits, not core deposits. Ratio as of June 30, 2022 reflects loans to deposits. Loans include loans held for sale.

(8) Includes the loan servicing rights asset.

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

(10) Net loans and total loans exclude PPP loans held for sale.

For More Information:

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