



## Northeast Bank Reports Second Quarter Results and Declares Dividend

January 26, 2022

PORTLAND, Maine, Jan. 26, 2022 (GLOBE NEWSWIRE) -- Northeast Bank (the "Bank") (NASDAQ: NBN), a Maine-based full-service bank, today reported net income of \$11.4 million, or \$1.42 per diluted common share, for the quarter ended December 31, 2021, compared to net income of \$8.2 million, or \$0.98 per diluted common share, for the quarter ended December 31, 2020. Net income for the six months ended December 31, 2021 was \$21.3 million, or \$2.63 per diluted common share, compared to \$16.0 million, or \$1.92 per diluted common share, for the six months ended December 31, 2020.

The Board of Directors declared a cash dividend of \$0.01 per share, payable on February 24, 2022, to shareholders of record as of February 10, 2022.

"We reported strong results and net loan growth in our second fiscal quarter," said Rick Wayne, Chief Executive Officer. "Our National Lending Division generated a record \$260.5 million in originations and purchases for the quarter, growing the National Lending portfolio by \$112.6 million, or 11.4%, over September 30, 2021, and \$151.1 million, or 15.9%, over June 30, 2021. The originated yield and purchased return for the quarter was 6.5% and 9.0%, respectively. We continued to benefit from our correspondent arrangement with The Loan Source, Inc. and NEWITY (formerly ACAP SME, LLC), generating \$6.0 million of correspondent fee income during the quarter. For the quarter, we earned \$1.42 per diluted common share, a return on average equity of 18.8%, a return on average assets of 2.9% and repurchased 354 thousand shares at a weighted average price of \$33.94."

As of December 31, 2021, total assets were \$1.46 billion, a decrease of \$714.4 million, or 32.9%, from total assets of \$2.17 billion as of June 30, 2021, primarily due to the \$844.3 million, or 83.6%, decrease in cash and short-term investments, as discussed below. The principal components of the changes in the balance sheet follow:

1. Cash and short-term investments decreased by \$844.3 million, or 83.6%, from June 30, 2021, primarily due to the timing of a large deposit account related to U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") elevated loan payoff collections at June 30, 2021. 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 and six months ended December 31, 2021:

	Loan Portfolio Changes			
	Three Months Ended December 31, 2021			
	December 31, 2021 Balance	September 30, 2021 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 484,513	\$ 432,083	\$ 52,430	12.13%
National Lending Originated	619,223	559,080	60,143	10.76%
SBA National	35,682	38,482	(2,800)	(7.28%)
Community Banking	41,766	44,702	(2,936)	(6.57%)
<b>Total</b>	<b>\$ 1,181,184</b>	<b>\$ 1,074,347</b>	<b>\$ 106,837</b>	<b>9.94%</b>
	Six Months Ended December 31, 2021			
	December 31, 2021 Balance	June 30, 2021 Balance	Change (\$)	Change (%)
	(Dollars in thousands)			
National Lending Purchased	\$ 484,513	\$ 429,054	\$ 55,459	12.93%
National Lending Originated	619,223	523,535	95,688	18.28%
SBA National	35,682	39,549	(3,867)	(9.78%)
Community Banking	41,766	48,486	(6,720)	(13.86%)
<b>Total</b>	<b>\$ 1,181,184</b>	<b>\$ 1,040,624</b>	<b>\$ 140,560</b>	<b>13.51%</b>

Loans generated by the Bank's National Lending Division for the quarter ended December 31, 2021 totaled \$260.5 million, which consisted of \$92.1 million of purchased loans, at an average price of 98.7% of unpaid principal balance, and \$168.4 million of originated loans.

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

National Lending Portfolio					
Three Months Ended December 31,					
2021			2020		
Purchased	Originated	Total	Purchased	Originated	Total
(Dollars in thousands)					

Loans purchased or originated during the period:

Unpaid principal balance	\$ 93,379	\$ 168,398	\$ 261,777	\$ 97,759	\$ 84,607	\$ 182,366
Net investment basis	92,136	168,398	260,534	91,284	84,607	175,891

Returns on loan portfolio during the period:

Yield	8.92%	6.48%	7.53%	9.06%	6.87%	7.89%
Total Return on Purchased Loans (1)	8.96%	N/A	8.96%	9.06%	6.87%	7.89%

Six Months Ended December 31,

2021		2020			
Purchased	Originated	Total	Purchased	Originated	Total

(Dollars in thousands)

Loans purchased or originated during the period:

Unpaid principal balance	\$ 130,413	\$ 262,884	\$ 393,297	\$ 103,588	\$ 125,515	\$ 229,103
Net investment basis	127,492	262,884	390,376	95,862	125,515	221,377

Returns on loan portfolio during the period:

Yield	9.08%	6.43%	7.58%	9.08%	6.95%	7.93%
Total Return on Purchased Loans (1)	9.07%	N/A	9.07%	9.08%	6.95%	7.93%

Total loans as of period end:

Unpaid principal balance	\$ 518,175	\$ 619,223	\$ 1,137,398	\$ 456,524	\$ 478,423	\$ 934,947
Net investment basis	484,513	619,223	1,103,736	418,584	478,423	897,007

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on asset sales, gains on real estate owned and other noninterest income recorded during the period divided by the average invested balance, which includes 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 \$709.2 million, or 38.1%, from June 30, 2021, attributable to decreases in demand deposits of \$655.9 million, or 67.5%, time deposits of \$101.5 million, or 36.5%, and money market accounts of \$29.4 million, or 10.3%, partially offset by an increase in savings and interest-bearing checking accounts of \$77.6 million, or 23.9%. 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 six months ended December 31, 2021.

4. Shareholders' equity increased by \$6.8 million, or 3.0%, from June 30, 2021, primarily due to net income of \$21.3 million and stock-based compensation of \$480 thousand, partially offset by the repurchase of 456 thousand shares of voting common stock at a weighted average price per share of \$33.04, which resulted in a \$15.1 million decrease in shareholders' equity.

Net income increased by \$3.2 million to \$11.4 million for the quarter ended December 31, 2021, compared to net income of \$8.2 million for the quarter ended December 31, 2020.

1. Net interest and dividend income before provision for loan losses increased by \$4.7 million to \$20.1 million for the quarter ended December 31, 2021, compared to \$15.4 million for the quarter ended December 31, 2020. The increase was primarily due to the following:

- An increase in interest income earned on loans of \$3.1 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, partially offset by lower rates earned on both portfolios;
- A decrease in deposit interest expense of \$1.3 million, primarily due to lower interest rates and a repositioning of the Bank's deposit portfolio; and
- A decrease in interest expense on subordinated debt of \$282 thousand, as the Bank redeemed its \$15.1 million subordinated debt in full at par plus accrued interest on July 1, 2021; partially offset by,
- A decrease of \$117 thousand in interest income earned on securities, due to lower rates earned and lower average balances.

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

Interest Income and Yield on Loans						
Three Months Ended December 31,						
2021			2020			
Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield	

(Dollars in thousands)

Community Banking	\$ 42,728	\$ 556	5.16%	\$ 57,801	\$ 658	4.52%
SBA National	36,027	635	6.99%	48,953	616	4.99%

SBA PPP	628	2	1.26%	-	-	0.00%
National Lending:						
Originated	601,394	9,827	6.48%	450,698	7,801	6.87%
Purchased	452,644	10,175	8.92%	395,692	9,033	9.06%
Total National Lending	1,054,038	20,002	7.53%	846,390	16,834	7.89%
Total	\$ 1,133,421	\$ 21,195	7.42%	\$ 953,144	\$ 18,108	7.54%

Six Months Ended December 31,

	2021			2020		
	Average Balance (1)	Interest Income	Yield	Average Balance (1)	Interest Income	Yield
	(Dollars in thousands)					
Community Banking	\$ 43,383	\$ 1,131	5.17%	\$ 61,620	\$ 1,502	4.84%
SBA National	38,168	1,271	6.61%	48,444	1,171	4.80%
SBA PPP	1,006	13	2.56%	8,608	81	1.87%
National Lending:						
Originated	574,343	18,612	6.43%	451,721	15,830	6.95%
Purchased	440,224	20,161	9.08%	384,946	17,629	9.08%
Total National Lending	1,014,567	38,773	7.58%	836,667	33,459	7.93%
Total	\$ 1,097,124	\$ 41,188	7.45%	\$ 955,339	\$ 36,213	7.52%

(1) Includes loans held for sale.

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 December 31, 2020, regularly scheduled interest and accretion for the quarter ended December 31, 2021 increased by \$463 thousand due to the increase in average balances and transactional income increased by \$728 thousand. The total return on purchased loans for the quarter ended December 31, 2021 was 9.0%, a decrease from 9.1% for the quarter ended December 31, 2020. The following table details the total return on purchased loans:

	Total Return on Purchased Loans			
	Three Months Ended December 31,			
	2021		2020	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 7,576	6.64%	\$ 7,113	7.13%
Transactional income:				
Gain on real estate owned	49	0.04%	-	0.00%
Accelerated accretion and loan fees	2,599	2.28%	1,920	1.93%
Total transactional income	2,648	2.32%	1,920	1.93%
Total	\$ 10,224	8.96%	\$ 9,033	9.06%

	Six Months Ended December 31,			
	2021		2020	
	Income	Return (1)	Income	Return (1)
	(Dollars in thousands)			
Regularly scheduled interest and accretion	\$ 14,557	6.56%	\$ 13,677	7.05%
Transactional income:				
Loss on real estate owned	(25)	(0.01%)	-	0.00%
Accelerated accretion and loan fees	5,604	2.52%	3,952	2.03%
Total transactional income	5,579	2.51%	3,952	2.03%
Total	\$ 20,136	9.07%	\$ 17,629	9.08%

(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on asset sales 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. Provision (credit) for loan losses decreased by \$1.4 million to a credit of \$1.1 million for the quarter ended December 31, 2021, from a \$365 thousand provision in the quarter ended December 31, 2020. The decrease in the provision (credit) for loan losses reflects decreases in certain qualitative factors during the current quarter as a result of continued improvements relative to the COVID-19 pandemic, as compared to increases in certain qualitative factors during the quarter ended December 31, 2020 as a result of impacts from the COVID-19 pandemic.

3. Noninterest income decreased by \$4 thousand for the quarter ended December 31, 2021, compared to the quarter ended December 31, 2020, primarily due to the following:

- An increase in gain on real estate owned ("REO") of \$260 thousand, due to the gain on sale of a REO property during the

current quarter, as compared to a large write-down on an existing REO property and a net loss on the sale of two REO properties during the quarter ended December 31, 2020; partially offset by,

- A decrease in fees for other customers of \$184 thousand, due to lower commercial loan servicing fees due to SBA loan payoffs;
- An increase in unrealized loss on equity securities of \$37 thousand; and
- A decrease in correspondent fee income of \$41 thousand from the recognition of correspondent fees and net servicing income. Correspondent income for the quarters ended December 31, 2021 and 2020 is comprised of the following components:

	Three Months Ended December 31,	
	2021	2020
	(In thousands)	
Correspondent Fee	\$ 1,087	\$ 1,061
Amortization of Purchased Accrued Interest	1,614	613
Earned Net Servicing Interest	3,340	4,408
Total	<u>\$ 6,041</u>	<u>\$ 6,082</u>

In addition to the net servicing interest income, a summary of PPP loans purchased by 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 <sup>(3)</sup>	Correspondent Fee	Purchased Accrued Interest <sup>(1)</sup>	Total <sup>(2)</sup>
		(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 Q2 FY 22	(1,087)	(1,614)	(2,701)
	Less amounts recognized in previous quarters	(5,168)	(4,579)	(9,747)
	Amount remaining to be recognized	<u>\$ 2,650</u>	<u>\$ 4,367</u>	<u>\$ 7,017</u>

(1) - Northeast Bank's share

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

(3) - Loan Source's ending PPP loan balance was \$4.64 billion as of December 31, 2021

4. Noninterest expense increased by \$759 thousand for the quarter ended December 31, 2021 compared to the quarter ended December 31, 2020, primarily due to the following:

- An increase in salaries and employee benefits expense of \$1.4 million, primarily due to increases in regular employee compensation, bonus, and stock compensation expense; and
- An increase in other noninterest expense of \$42 thousand, primarily due to increases in insurance expense, travel and meals and entertainment expense, and correspondent banking fees during the quarter ended December 31, 2021 compared to December 31, 2020; partially offset by,
- A decrease in loan expense of \$613 thousand, due to a decrease in PPP and SBA 7(a) expenses of \$424 thousand, and decreases in REO and collection expense due to collection reimbursements during the quarter ended December 31, 2021; and
- A decrease in occupancy and equipment expense of \$183 thousand, primarily due to the closure of an office location during the quarter ended December 31, 2020.

5. Income tax expense increased by \$2.1 million to \$5.0 million, or an effective tax rate of 30.6%, for the quarter ended December 31, 2021, compared to \$2.9 million, or an effective tax rate of 26.3%, for the quarter ended December 31, 2020. The increase was primarily due to higher pre-tax income, which increased by \$5.3 million during the quarter ended December 31, 2021 compared to the quarter ended December 31, 2020. The increase in effective tax rate was primarily due to \$472 thousand of tax benefits arising from the exercise of stock options during the quarter ended December 31, 2021, as compared to only \$44 thousand of tax benefits in the quarter ended December 31, 2021.

As of December 31, 2021, nonperforming assets totaled \$21.3 million, or 1.46% of total assets, as compared to \$20.4 million, or 0.94% of total assets, as of June 30, 2021. The increase was primarily due to five National Lending Division loans totaling \$4.3 million that were placed on nonaccrual during the six months ended December 31, 2021, partially offset by the sale of three REO properties totaling \$1.8 million, and paydowns of \$1.4 million on nonaccrual loans.

As of December 31, 2021, past due loans totaled \$14.6 million, or 1.23% of total loans, as compared to past due loans totaling \$11.3 million, or 1.08%

of total loans as of June 30, 2021. The increase was primarily due to three National Lending Division loans totaling \$4.3 million becoming past due during the six months ended December 31, 2021, partially offset by two purchased loans totaling \$1.1 million that became current.

As of December 31, 2021, the Bank's Tier 1 leverage capital ratio was 15.2%, compared to 13.6% at June 30, 2021, and the Total capital ratio was 20.8% at December 31, 2021, 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, will host a **conference call to discuss second quarter earnings and business outlook at 10:00 a.m. Eastern Time on Thursday, January 27<sup>th</sup>**. Investors can access the call by dialing 800.773.2954 and entering the following passcode: 50273456. The call will be available via live webcast, which can be viewed by accessing the Bank's website at [www.northeastbank.com](http://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](http://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 eight 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](http://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. We may also make forward-looking statements in other documents we file with 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, the ongoing disruption due to the COVID-19 pandemic and measures taken to contain its spread on our employees, customers, business operations, credit quality, financial position, liquidity and results of operations; changes in employment levels, 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 political, business and economic conditions or legislative or regulatory initiatives; 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, increases in 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; changes in legislation or regulation and accounting principles, policies and guidelines; 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; reputational risk relating to its participation in the Paycheck Protection Program and other pandemic-related legislative and regulatory initiatives and programs; 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 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)

	December 31, 2021	June 30, 2021
Assets		
Cash and due from banks	\$ 2,424	\$ 2,850
Short-term investments	163,785	1,007,641

Total cash and cash equivalents	166,209	1,010,491
Available-for-sale debt securities, at fair value	57,323	59,737
Equity securities, at fair value	7,194	7,230
Total investment securities	64,517	66,967
Loans:		
Commercial real estate	830,095	725,287
Commercial and industrial	289,387	257,604
Residential real estate	60,825	56,591
Consumer	877	1,142
Total loans	1,181,184	1,040,624
Less: Allowance for loan losses	6,040	7,313
Loans, net	1,175,144	1,033,311
Premises and equipment, net	9,977	11,271
Real estate owned and other repossessed collateral, net	53	1,639
Federal Home Loan Bank stock, at cost	1,279	1,209
Loan servicing rights, net	1,645	2,061
Bank-owned life insurance	17,710	17,498
Other assets	23,421	29,955
Total assets	<u>\$ 1,459,955</u>	<u>\$ 2,174,402</u>
Liabilities and Shareholders' Equity		
Deposits:		
Demand	\$ 316,556	\$ 972,495
Savings and interest checking	402,689	325,062
Money market	257,593	287,033
Time	176,357	277,840
Total deposits	1,153,195	1,862,430
Federal Home Loan Bank advances	15,000	15,000
Subordinated debt	-	15,050
Lease liability	5,266	6,061
Other liabilities	47,257	43,470
Total liabilities	1,220,718	1,942,011
Commitments and contingencies		
Shareholders' equity		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at December 31, 2021 and June 30, 2021	-	-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 7,815,566 and 8,150,480 shares issued and outstanding at December 31, 2021 and June 30, 2021, respectively	7,816	8,151
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; no shares issued and outstanding at December 31, 2021 and June 30, 2021	-	-
Additional paid-in capital	50,440	64,420
Retained earnings	182,248	161,132
Accumulated other comprehensive loss	(1,267)	(1,312)
Total shareholders' equity	239,237	232,391
Total liabilities and shareholders' equity	<u>\$ 1,459,955</u>	<u>\$ 2,174,402</u>

(Unaudited)

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

	Three Months Ended December		Six Months Ended December 31,	
	2021	2020	2021	2020
Interest and dividend income:				
Interest and fees on loans	\$ 21,195	\$ 18,108	\$ 41,188	\$ 36,213
Interest on available-for-sale securities	76	193	170	483
Other interest and dividend income	118	54	292	142
Total interest and dividend income	<u>21,389</u>	<u>18,355</u>	<u>41,650</u>	<u>36,838</u>
Interest expense:				
Deposits	1,184	2,529	2,492	5,587
Federal Home Loan Bank advances	127	126	255	250
Paycheck Protection Program Liquidity Facility	-	-	-	2
Subordinated debt	-	282	-	563
Obligation under capital lease agreements	23	30	49	55
Total interest expense	<u>1,334</u>	<u>2,967</u>	<u>2,796</u>	<u>6,457</u>
Net interest and dividend income before provision for loan losses	20,055	15,388	38,854	30,381
Provision (credit) for loan losses	(1,069)	365	(1,295)	742
Net interest and dividend income after provision for loan losses	<u>21,124</u>	<u>15,023</u>	<u>40,149</u>	<u>29,639</u>
Noninterest income:				
Fees for other services to customers	304	488	761	988
Gain on sales of PPP loans	-	4	86	1,114
Gain on sales of residential loans held for sale	-	19	-	102
Net unrealized loss on equity securities	(53)	(16)	(74)	(16)
Gain (loss) on real estate owned, other repossessed collateral and premises and equipment, net	73	(187)	(1)	(344)
Correspondent fee income	6,041	6,082	13,872	10,829
Bank-owned life insurance income	106	106	212	212
Other noninterest income	22	1	36	28
Total noninterest income	<u>6,493</u>	<u>6,497</u>	<u>14,892</u>	<u>12,913</u>
Noninterest expense:				
Salaries and employee benefits	7,406	5,971	14,968	12,322
Occupancy and equipment expense	864	1,047	1,752	1,974
Professional fees	394	443	915	806
Data processing fees	1,099	1,066	2,174	2,090
Marketing expense	158	120	350	161
Loan acquisition and collection expense	211	824	2,459	1,513
FDIC insurance expense	120	64	200	112
Other noninterest expense	935	893	1,708	1,383
Total noninterest expense	<u>11,187</u>	<u>10,428</u>	<u>24,526</u>	<u>20,361</u>
Income before income tax expense	16,430	11,092	30,515	22,191
Income tax expense	5,027	2,916	9,236	6,221
Net income	<u>\$ 11,403</u>	<u>\$ 8,176</u>	<u>\$ 21,279</u>	<u>\$ 15,970</u>
Weighted-average shares outstanding:				
Basic	7,952,938	8,244,068	8,012,106	8,220,604
Diluted	8,041,476	8,309,252	8,096,728	8,312,330
Earnings per common share:				
Basic	\$ 1.43	\$ 0.99	\$ 2.66	\$ 1.94
Diluted	1.42	0.98	2.63	1.92
Cash dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02

**NORTHEAST BANK**  
**AVERAGE BALANCE SHEETS AND ANNUALIZED YIELDS**

(Unaudited)

(Dollars in thousands)

	Three Months Ended December 31,					
	2021			2020		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
<b>Assets:</b>						
<b>Interest-earning assets:</b>						
Investment securities	\$ 65,444	\$ 76	0.46%	\$ 70,409	\$ 193	1.09%
Loans (1) (2) (3)	1,133,421	21,195	7.42%	953,144	18,108	7.54%
Federal Home Loan Bank stock	1,222	6	1.95%	1,390	13	3.71%
Short-term investments (4)	319,639	112	0.14%	143,272	41	0.11%
Total interest-earning assets	1,519,726	21,389	5.58%	1,168,215	18,355	6.23%
Cash and due from banks	2,734			3,058		
Other non-interest earning assets	61,013			46,730		
Total assets	<u>\$ 1,583,473</u>			<u>\$ 1,218,003</u>		
<b>Liabilities &amp; Shareholders' Equity:</b>						
<b>Interest-bearing liabilities:</b>						
NOW accounts	\$ 288,599	\$ 192	0.26%	\$ 128,337	\$ 113	0.35%
Money market accounts	264,731	197	0.30%	310,074	377	0.48%
Savings accounts	101,204	124	0.49%	37,301	12	0.13%
Time deposits	225,801	671	1.18%	388,669	2,027	2.07%
Total interest-bearing deposits	880,335	1,184	0.53%	864,381	2,529	1.16%
Federal Home Loan Bank advances	15,000	127	3.36%	15,000	126	3.33%
Subordinated debt	-	-	0.00%	14,981	282	7.47%
Lease liability	5,446	23	1.68%	6,501	30	1.83%
Total interest-bearing liabilities	900,781	1,334	0.59%	900,863	2,967	1.31%
<b>Non-interest bearing liabilities:</b>						
Demand deposits and escrow accounts	427,550			123,413		
Other liabilities	14,072			17,193		
Total liabilities	1,342,403			1,041,469		
Shareholders' equity	241,070			176,534		
Total liabilities and shareholders' equity	<u>\$ 1,583,473</u>			<u>\$ 1,218,003</u>		
Net interest income		<u>\$ 20,055</u>			<u>\$ 15,388</u>	
Interest rate spread			4.99%			4.92%
Net interest margin (5)			5.24%			5.23%
Cost of funds (6)			0.40%			1.31%

(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.



**(Unaudited)**  
**(Dollars in thousands)**

Six Months Ended December 31,

	2021			2020		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
<b>Assets:</b>						
<b>Interest-earning assets:</b>						
Investment securities	\$ 65,994	\$ 170	0.51%	\$ 71,275	\$ 483	1.34%
Loans (1) (2) (3)	1,097,124	41,188	7.45%	955,339	36,213	7.52%
Federal Home Loan Bank stock	1,216	13	2.12%	1,390	46	6.56%
Short-term investments (4)	381,543	279	0.15%	156,440	96	0.12%
Total interest-earning assets	1,545,877	41,650	5.34%	1,184,444	36,838	6.17%
Cash and due from banks	2,774			2,992		
Other non-interest earning assets	55,409			42,792		
Total assets	<u>\$ 1,604,060</u>			<u>\$ 1,230,228</u>		
<b>Liabilities &amp; Shareholders' Equity:</b>						
<b>Interest-bearing liabilities:</b>						
NOW accounts	\$ 279,316	\$ 367	0.26%	\$ 125,991	\$ 240	0.38%
Money market accounts	270,318	399	0.29%	311,173	912	0.58%
Savings accounts	86,432	193	0.44%	37,414	26	0.14%
Time deposits	242,887	1,533	1.25%	412,248	4,409	2.12%
Total interest-bearing deposits	878,953	2,492	0.56%	886,826	5,587	1.25%
Federal Home Loan Bank advances	15,000	255	3.37%	15,000	250	3.31%
PPPLF advances	-	-	0.00%	879	2	0.45%
Subordinated debt	-	-	0.00%	14,967	563	7.46%
Capital lease obligations	5,632	49	1.73%	5,404	55	2.02%
Total interest-bearing liabilities	899,585	2,796	0.62%	923,076	6,457	1.39%
<b>Non-interest bearing liabilities:</b>						
Demand deposits and escrow accounts	449,500			117,857		
Other liabilities	17,119			17,441		
Total liabilities	1,366,204			1,058,374		
Shareholders' equity	237,856			171,854		
Total liabilities and shareholders' equity	<u>\$ 1,604,060</u>			<u>\$ 1,230,228</u>		
Net interest income		<u>\$ 38,854</u>			<u>\$ 30,381</u>	
Interest rate spread			4.72%			4.78%
Net interest margin (5)			4.99%			5.09%
Cost of funds (6)			0.41%			1.23%

(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)

Three Months Ended

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Net interest income	\$ 20,055	\$ 18,799	\$ 18,102	\$ 18,603	\$ 15,388
Provision (credit) for loan losses	(1,069)	(226)	(1,926)	(211)	365
Noninterest income	6,493	8,399	19,650	39,469	6,497
Noninterest expense	11,187	13,338	9,427	9,636	10,428
Net income	11,403	9,877	21,370	34,162	8,176
Weighted-average common shares outstanding:					
Basic	7,952,938	8,132,131	8,318,689	8,344,797	8,244,068
Diluted	8,041,476	8,212,836	8,397,897	8,421,247	8,309,252
Earnings per common share:					
Basic	\$ 1.43	\$ 1.21	\$ 2.57	\$ 4.09	\$ 0.99
Diluted	1.42	1.20	2.54	4.06	0.98
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Return on average assets	2.86%	2.41%	4.55%	6.99%	2.66%
Return on average equity	18.77%	16.70%	37.97%	71.06%	18.37%
Net interest rate spread (1)	4.99%	4.46%	3.67%	3.79%	4.92%
Net interest margin (2)	5.24%	4.74%	3.99%	3.93%	5.23%
Net interest margin, excluding PPP (Non-GAAP) (3)	5.24%	4.75%	4.55%	4.64%	5.23%
Net interest margin, excluding PPP and collection account (Non-GAAP) (4)	6.44%	6.00%	5.56%	5.06%	5.23%
Efficiency ratio (non-GAAP) (5)	42.14%	49.04%	24.97%	16.59%	47.65%
Noninterest expense to average total assets	2.80%	3.26%	2.01%	1.97%	3.40%
Average interest-earning assets to average interest-bearing liabilities	168.71%	174.98%	173.30%	125.53%	129.68%
As of:					
	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Nonperforming loans:					
Originated portfolio:					
Residential real estate	\$ 611	\$ 619	\$ 696	\$ 643	\$ 6,676
Commercial real estate	7,963	6,644	5,756	4,790	8,329
Commercial and industrial	311	1,510	286	1,408	1,978
Consumer	20	39	43	23	30
Total originated portfolio	8,905	8,812	6,781	6,864	17,013
Total purchased portfolio	12,294	12,527	11,977	16,059	13,497
Total nonperforming loans	21,199	21,339	18,758	22,923	30,510
Real estate owned and other repossessed collateral, net	53	821	1,639	2,885	2,866
Total nonperforming assets	\$ 21,252	\$ 22,160	\$ 20,397	\$ 25,808	\$ 33,376
Past due loans to total loans	1.23%	1.39%	1.08%	1.67%	2.31%
Nonperforming loans to total loans	1.79%	1.99%	1.80%	2.29%	3.05%
Nonperforming assets to total assets	1.46%	1.60%	0.94%	1.51%	2.70%
Allowance for loan losses to total loans	0.51%	0.67%	0.70%	0.88%	0.99%
Allowance for loan losses to nonperforming loans	28.49%	33.58%	38.99%	38.48%	32.53%
Commercial real estate loans to total capital (6)	260.40%	232.10%	215.38%	223.09%	251.00%
Net loans to core deposits (7) (10)	102.53%	98.96%	55.71%	76.99%	101.86%
Purchased loans to total loans, including held for sale	41.02%	40.22%	41.23%	43.22%	41.79%
Equity to total assets	16.39%	17.32%	10.69%	12.65%	14.74%
Common equity tier 1 capital ratio	20.27%	22.03%	22.16%	21.07%	17.93%
Total capital ratio	20.79%	22.69%	24.29%	23.39%	20.37%
Tier 1 leverage capital ratio	15.19%	14.83%	13.63%	14.32%	15.07%
Total shareholders' equity	\$ 239,237	\$ 239,508	\$ 232,391	\$ 216,862	\$ 181,962
Less: Preferred stock	-	-	-	-	-

Common shareholders' equity	239,237	239,508	232,391	216,862	181,962
Less: Intangible assets (8)	<u>(1,645)</u>	<u>(1,906)</u>	<u>(2,061)</u>	<u>(2,149)</u>	<u>(2,035)</u>
Tangible common shareholders' equity (non-GAAP)	<u>\$ 237,592</u>	<u>\$ 237,602</u>	<u>\$ 230,330</u>	<u>\$ 214,713</u>	<u>\$ 179,927</u>
Common shares outstanding	7,815,566	8,172,776	8,150,480	8,344,797	8,344,797
Book value per common share	\$ 30.61	\$ 29.31	\$ 28.51	\$ 25.99	\$ 21.81
Tangible book value per share (non-GAAP) (9)	30.40	29.07	28.26	25.73	21.56

(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 \$2 thousand, \$11 thousand, \$884 thousand, \$2.6 million, and \$81 thousand, PPPLF interest expense of \$0, \$0, \$98 thousand, \$300 thousand, and \$2 thousand, and brokered CD interest expense of \$0, \$0, \$0, \$99 thousand, and \$0, as well as PPP loan average balances of \$628 thousand, \$1.4 million, \$172.8 million, \$481.9 million, and \$314 thousand, for the quarters ended December 31, 2021, September 30, 2021, June 30, 2021, March 31, 2021, and December 31, 2020, 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 \$287.7 million, \$334.3 million, \$405.9 million, and \$121.7 million and earned \$73 thousand, \$84 thousand, \$100 thousand, and \$29 thousand in interest income for the quarters ended December 31, 2021, September 30, 2021, June 30, 2021, and March 31, 2021, respectively.

(5) The efficiency ratio represents noninterest expense divided by the sum of net interest income (before provision for loan losses) 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. 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, including loans held for sale, exclude PPP loans held for sale.

For More Information:

Jean-Pierre Lapointe, Chief Financial Officer  
Northeast Bank, 27 Pearl Street, Portland, ME 04101  
207.786.3245 ext. 3220  
[www.northeastbank.com](http://www.northeastbank.com)