

NORTHEAST BANCORP /ME/  
Form 10-Q  
November 09, 2016  
Table Of Contents

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

**Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**

**For the quarterly period ended September 30, 2016**

**Commission File Number: 1-14588**

**Northeast Bancorp**

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**(Exact name of registrant as specified in its charter)**

**Maine** **01-0425066**  
**(State or other jurisdiction of incorporation or organization)** **(I.R.S. Employer Identification No.)**

**500 Canal Street, Lewiston, Maine** **04240**  
**(Address of Principal executive offices)** **(Zip Code)**

**(207) 786-3245**

**Registrant's telephone number, including area code**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No \_\_\_

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one): Large accelerated filer \_\_\_ Accelerated filer Non-accelerated filer \_\_\_ Smaller Reporting Company \_\_\_

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of November 2, 2016, the registrant had outstanding 7,487,552 shares of voting common stock, \$1.00 par value per share and 1,343,683 shares of non-voting common stock, \$1.00 par value per share.

Table Of Contents

<b>Part I. <u>Financial Information</u></b>	3
<b>Item 1. <u>Financial Statements (unaudited)</u></b>	3
<u>Consolidated Balance Sheets September 30, 2016 and June 30, 2016</u>	3
<u>Consolidated Statements of Income Three Months Ended September 30, 2016 and 2015</u>	4
<u>Consolidated Statements of Comprehensive Income Three Months Ended September 30, 2016 and 2015</u>	5
<u>Consolidated Statements of Changes in Shareholders' Equity Three Months Ended September 30, 2016 and 2015</u>	6
<u>Consolidated Statements of Cash Flows Three Months Ended September 30, 2016 and 2015</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
<b>Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	28
<b>Item 3. <u>Quantitative and Qualitative Disclosure about Market Risk</u></b>	39
<b>Item 4. <u>Controls and Procedures</u></b>	40
<b>Part II. <u>Other Information</u></b>	40
<b>Item 1. <u>Legal Proceedings</u></b>	40
<b>Item 1A. <u>Risk Factors</u></b>	40
<b>Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	41
<b>Item 3. <u>Defaults Upon Senior Securities</u></b>	41
<b>Item 4. <u>Mine Safety Disclosures</u></b>	41
<b>Item 5. <u>Other Information</u></b>	41
<b>Item 6. <u>Exhibits</u></b>	41

Table Of Contents

## PART 1- FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited)

**NORTHEAST BANCORP AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS**

(Unaudited)

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

	September 30, 2016	June 30, 2016
Assets		
Cash and due from banks	\$ 3,574	\$ 2,459
Short-term investments	122,675	148,698
Total cash and cash equivalents	126,249	151,157
Available-for-sale securities, at fair value	94,583	100,572
Residential real estate loans held for sale	4,623	6,449
SBA loans held for sale	2,630	1,070
Total loans held for sale	7,253	7,519
Loans		
Commercial real estate	449,553	426,568
Residential real estate	110,223	113,962
Commercial and industrial	156,110	145,956
Consumer	5,532	5,950
Total loans	721,418	692,436
Less: Allowance for loan losses	2,506	2,350
Loans, net	718,912	690,086
Premises and equipment, net	7,452	7,801
Real estate owned and other repossessed collateral, net	3,774	1,652
Federal Home Loan Bank stock, at cost	2,408	2,408
Intangible assets, net	1,623	1,732
Bank owned life insurance	15,839	15,725
Other assets	7,475	7,501
Total assets	\$ 985,568	\$ 986,153
Liabilities and Shareholders' Equity		
Liabilities		

Deposits		
Demand	\$ 74,249	\$ 66,686
Savings and interest checking	107,365	107,218
Money market	302,079	275,437
Time	321,716	351,091
Total deposits	805,409	800,432
Federal Home Loan Bank advances	30,046	30,075
Subordinated debt	23,393	23,331
Capital lease obligation	1,066	1,128
Other liabilities	14,101	14,596
Total liabilities	874,015	869,562
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at September 30, 2016 and June 30, 2016	-	-
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 7,487,552 and 8,089,790 shares issued and outstanding at September 30, 2016 and June 30, 2016, respectively	7,487	8,089
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; 1,343,683 and 1,227,683 shares issued and outstanding at September 30, 2016 and June 30, 2016, respectively	1,344	1,228
Additional paid-in capital	76,765	83,020
Retained earnings	27,818	26,160
Accumulated other comprehensive loss	(1,861 )	(1,906 )
Total shareholders' equity	111,553	116,591
Total liabilities and shareholders' equity	\$ 985,568	\$ 986,153

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

Table Of Contents**NORTHEAST BANCORP AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited)

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

	Three Months Ended September 30,	
	2016	2015
Interest and dividend income:		
Interest and fees on loans	\$11,803	\$10,790
Interest on available-for-sale securities	239	228
Other interest and dividend income	215	95
Total interest and dividend income	12,257	11,113
Interest expense:		
Deposits	1,754	1,365
Federal Home Loan Bank advances	255	260
Wholesale repurchase agreements	-	67
Short-term borrowings	-	9
Subordinated debt	459	154
Obligation under capital lease agreements	14	17
Total interest expense	2,482	1,872
Net interest and dividend income before provision for loan losses	9,775	9,241
Provision for loan losses	193	169
Net interest and dividend income after provision for loan losses	9,582	9,072
Noninterest income:		
Fees for other services to customers	408	408
Gain on sales of residential loans held for sale	542	560
Gain on sales of SBA loans	743	675
Loss recognized on real estate owned and other repossessed collateral, net	(14	) (59
Bank-owned life insurance income	114	112
Other noninterest income	15	9
Total noninterest income	1,808	1,705
Noninterest expense:		
Salaries and employee benefits	5,314	4,256
Occupancy and equipment expense	1,229	1,290

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Professional fees	496	430
Data processing fees	421	349
Marketing expense	87	70
Loan acquisition and collection expense	227	451
FDIC insurance premiums	124	114
Intangible asset amortization	109	131
Other noninterest expense	619	719
Total noninterest expense	8,626	7,810
Income before income tax expense	2,764	2,967
Income tax expense	1,013	1,100
Net income	\$1,751	\$1,867

Weighted-average shares outstanding:

Basic	9,106,144	9,562,812
Diluted	9,133,383	9,562,812

Earnings per common share:

Basic	\$0.19	\$0.20
Diluted	0.19	0.20

Cash dividends declared per common share	\$0.01	\$0.01
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*The accompanying notes are an integral part of these unaudited consolidated financial statements.*

Table Of Contents**NORTHEAST BANCORP AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

(Dollars in thousands)

	Three Months Ended September 30,	
	2016	2015
Net income	\$1,751	\$1,867
Other comprehensive income (loss), before tax:		
Available-for-sale securities:		
Change in net unrealized (loss) gain on available-for-sale securities	(78 )	466
Derivatives and hedging activities:		
Change in accumulated gain (loss) on effective cash flow hedges	154	(838 )
Reclassification adjustments included in net income	-	-
Total derivatives and hedging activities	154	(838 )
Total other comprehensive income (loss), before tax	76	(372 )
Income tax (benefit) expense related to other comprehensive loss	31	(141 )
Other comprehensive income (loss), net of tax	45	(231 )
Comprehensive income	\$1,796	\$1,636

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



Table Of Contents**NORTHEAST BANCORP AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Unaudited)

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

	Preferred Stock		Voting Common Stock		Non-voting Common Stock		Additional		Accumulated		Shareholders' Total Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-in Capital	Retained Earnings	Other Comprehensive Loss		
Balance at June 30, 2015	-	\$ -	8,575,144	\$8,575	1,012,739	\$1,013	\$85,506	\$18,921	\$(1,288)	\$112,727	
Net income	-	-	-	-	-	-	-	1,867	-	1,867	
Other comprehensive loss, net of tax	-	-	-	-	-	-	-	-	(231)	(231)	
Common stock repurchased	-	-	(52,500)	(53)	-	-	(495)	-	-	(548)	
Conversion of voting common stock to non-voting common stock	-	-	(9,978)	(10)	9,978	10	-	-	-	-	
Dividends on common stock at \$0.01 per share	-	-	-	-	-	-	-	(95)	-	(95)	
Stock-based compensation	-	-	-	-	-	-	(16)	-	-	(16)	
Issuance of restricted common stock	-	-	97,500	98	-	-	(98)	-	-	-	
Cancellation and forfeiture of restricted common stock	-	-	(40,554)	(40)	-	-	40	-	-	-	
Balance at September 30, 2015	-	\$ -	8,569,612	\$8,570	1,022,717	\$1,023	\$84,937	\$20,693	\$(1,519)	\$113,704	

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Balance at June 30, 2016	-	-	8,089,790	\$8,089	1,227,683	\$1,228	\$83,020	\$26,160	\$(1,906)	)	\$116,591
Net income	-	-	-	-	-	-	-	1,751	-	-	1,751
Other comprehensive loss, net of tax	-	-	-	-	-	-	-	-	45	-	45
Common stock repurchased	-	-	(645,238)	(645)	-	-	(6,298)	-	-	-	(6,943)
Conversion of voting common stock to non-voting common stock	-	-	(116,000)	(116)	116,000	116	-	-	-	-	-
Dividends on common stock at \$0.01 per share	-	-	-	-	-	-	-	(93)	-	-	(93)
Stock-based compensation	-	-	-	-	-	-	202	-	-	-	202
Issuance of restricted common stock	-	-	160,000	160	-	-	(160)	-	-	-	-
Cancellation and forfeiture of restricted common stock	-	-	(1,000)	(1)	-	-	1	-	-	-	-
Balance at September 30, 2016	-	\$-	7,487,552	\$7,487	1,343,683	\$1,344	\$76,765	\$27,818	\$(1,861)	)	\$111,553

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

Table Of Contents**NORTHEAST BANCORP AND SUBSIDIARY****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(Dollars in thousands)

	Three Months Ended September 30,	
	2016	2015
Operating activities:		
Net income	\$1,751	\$1,867
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	193	169
Loss on sale and impairment of real estate owned and other repossessed collateral, net	13	53
Loss on sale and disposal of premises and equipment, net	1	6
Accretion of fair value adjustments on loans, net	(2,133 )	(2,248 )
Accretion of fair value adjustments on deposits, net	(1 )	(3 )
Accretion of fair value adjustments on borrowings, net	(29 )	(18 )
Amortization of subordinated debt issuance costs	62	-
Originations of loans held for sale	(33,459)	(26,877)
Net proceeds from sales of loans held for sale	33,758	35,318
Gain on sales of residential loans held for sale	(542 )	(560 )
Gain on sales of SBA loans held for sale	(743 )	(675 )
Amortization of intangible assets	109	131
Bank-owned life insurance income, net	(114 )	(112 )
Depreciation of premises and equipment	395	405
Stock-based compensation	202	(16 )
Amortization of available-for-sale securities, net	286	222
Changes in other assets and liabilities:		
Other assets	(15 )	521
Other liabilities	(345 )	(3,059 )
Net cash (used in) provided by operating activities	(611 )	5,124
Investing activities:		
Purchases of available-for-sale securities	(9,056 )	(5,000 )
Proceeds from maturities and principal payments on available-for-sale securities	14,681	