

NORTHEAST BANCORP /ME/
Form 10-Q
May 12, 2015
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**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 March 31, 2015

Commission File Number: 1-14588

Northeast Bancorp

(Exact name of registrant as specified in its charter)

Maine

(State or other jurisdiction of incorporation or organization)

01-0425066

(I.R.S. Employer Identification No.)

500 Canal Street, Lewiston, Maine

(Address of Principal executive offices)

04240

(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 April 30, 2015 the registrant had outstanding 8,894,721 shares of voting common stock, \$1.00 par value per share and 911,488 shares of non-voting common stock, \$1.00 par value per share.

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PART 1- FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

NORTHEAST BANCORP AND SUBSIDIARY**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(Dollars in thousands, except share data)

	March 31, 2015	June 30, 2014
Assets		
Cash and due from banks	\$ 2,496	\$ 3,372
Short-term investments	102,577	78,887
Total cash and cash equivalents	105,073	82,259
Available-for-sale securities, at fair value	105,523	113,881
Loans held for sale	4,439	11,945
Loans	579,193	516,416
Less: Allowance for loan losses	1,741	1,367
Loans, net	577,452	515,049
Premises and equipment, net	8,095	9,135
Real estate owned and other repossessed collateral, net	3,694	1,991
Federal Home Loan Bank stock, at cost	4,102	4,102
Intangible assets, net	2,338	2,798
Bank owned life insurance	15,165	14,836
Other assets	7,047	5,935
Total assets	\$ 832,928	\$ 761,931
Liabilities and Stockholders Equity		
Liabilities		
Deposits:		
Demand	\$ 50,870	\$ 50,140
Savings and interest checking	98,050	98,340
Money market	163,004	83,901
Time	343,253	341,948
Total deposits	655,177	574,329
Federal Home Loan Bank advances	30,216	42,824
Wholesale repurchase agreements	10,077	10,199
Short-term borrowings	2,861	2,984
Junior subordinated debentures issued to affiliated trusts	8,578	8,440
Capital lease obligation	1,416	1,558
Other liabilities	12,116	9,531
Total liabilities	720,441	649,865

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Commitments and contingencies

Stockholders' equity

Preferred stock, \$1.00 par value, 1,000,000 shares authorized; no shares issued and outstanding at March 31, 2015 and June 30, 2014		
Voting common stock, \$1.00 par value, 25,000,000 shares authorized; 8,908,121 and 9,260,331 shares issued and outstanding at March 31, 2015 and June 30, 2014, respectively	8,908	9,260
Non-voting common stock, \$1.00 par value, 3,000,000 shares authorized; 911,488 and 880,963 shares issued and outstanding at March 31, 2015 and June 30, 2014, respectively	911	881
Additional paid-in capital	87,348	90,914
Retained earnings	16,968	12,294
Accumulated other comprehensive loss	(1,648)	(1,283)
Total stockholders' equity	112,487	112,066
Total liabilities and stockholders' equity	\$ 832,928	\$ 761,931

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 March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Interest and dividend income:				
Interest and fees on loans	\$ 10,619	\$ 8,403	\$ 32,487	\$ 27,142
Interest on available-for-sale securities	222	253	697	797
Other interest and dividend income	72	61	218	208
Total interest and dividend income	10,913	8,717	33,402	28,147
Interest expense:				
Deposits	1,271	1,022	3,681	3,048
Federal Home Loan Bank advances	257	324	845	975
Wholesale repurchase agreements	71	93	216	285
Short-term borrowings	5	6	21	17
Junior subordinated debentures issued to affiliated trusts	171	140	566	525
Obligation under capital lease agreements	18	20	56	63
Total interest expense	1,793	1,605	5,385	4,913
Net interest and dividend income before provision for loan losses				
	9,120	7,112	28,017	23,234
Provision for loan losses	44	180	477	407
Net interest and dividend income after provision for loan losses	9,076	6,932	27,540	22,827
Noninterest income:				
Fees for other services to customers	303	385	1,089	1,246
Gain on sales of loans held for sale	355	265	1,384	1,145
Gain on sales of portfolio loans	425	373	950	603
Gain recognized on real estate owned and other repossessed collateral, net	357	165	303	50
Bank-owned life insurance income	110	108	329	342
Other noninterest income	4	12	23	46
Total noninterest income	1,554	1,308	4,078	3,432
Noninterest expense:				
Salaries and employee benefits	4,316	3,759	13,586	12,624
Occupancy and equipment expense	1,278	1,450	3,662	4,075
Professional fees	386	366	1,153	1,115
Data processing fees	361	257	1,029	770
Marketing expense	54	86	203	225
Loan acquisition and collection expense	409	440	1,096	1,203
FDIC insurance premiums	137	127	371	354
Intangible asset amortization	128	162	460	582
Legal settlement recovery				(250)
Other noninterest expense	816	869	2,272	2,284

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Total noninterest expense	7,885	7,516	23,832	22,982
Income from continuing operations before income tax expense	2,745	724	7,786	3,277
Income tax expense	993	287	2,810	1,119
Net income from continuing operations	1,752	437	4,976	2,158
(Loss) income from discontinued operations before tax (benefit) expense				(12)
Income tax (benefit) expense				(4)
Net (loss) income from discontinued operations				(8)
Net income	\$ 1,752	\$ 437	\$ 4,976	\$ 2,150
Weighted-average shares outstanding:				
Basic	9,833,033	10,432,494	10,049,983	10,435,300
Diluted	9,833,033	10,432,494	10,049,983	10,435,300
Earnings per common share:				
Basic:				
Income from continuing operations	\$ 0.18	\$ 0.04	\$ 0.50	\$ 0.21
Income from discontinued operations				
Net Income	\$ 0.18	\$ 0.04	\$ 0.50	\$ 0.21
Diluted:				
Income from continuing operations	\$ 0.18	\$ 0.04	\$ 0.50	\$ 0.21
Income from discontinued operations				
Net income	\$ 0.18	\$ 0.04	\$ 0.50	\$ 0.21
Cash dividends declared per common share	\$ 0.01	\$ 0.09	\$ 0.03	\$ 0.27

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 March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Net income	\$ 1,752	\$ 437	\$ 4,976	\$ 2,150
Other comprehensive (loss) income, before tax:				
Available-for-sale securities:				
Change in net unrealized gain or loss on available-for-sale securities	571	579	834	449
Reclassification adjustment for net gains included in net income				
Total available-for-sale securities	571	579	834	449
Derivatives and hedging activities:				
Change in accumulated loss on effective cash flow hedges	(566)	(528)	(1,341)	56
Reclassification adjustments for net gains included in net income	(16)	(72)	(49)	(108)
Total derivatives and hedging activities	(582)	(600)	(1,390)	(52)
Total other comprehensive (loss) income, before tax	(11)	(21)	(556)	397
Income tax (benefit) expense related to other comprehensive (loss) income	(4)	(7)	(191)	135
Other comprehensive (loss) income, net of tax	(7)	(14)	(365)	262
Comprehensive income	\$ 1,745	\$ 423	\$ 4,611	\$ 2,412

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 STOCKHOLDERS EQUITY**

(Unaudited)

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

	Preferred Stock	Voting Common Stock	Non-voting Common Stock	Additional	Retained	Accumulated Other Comprehensive	Total
	Shares	Shares	Shares	Stock Paid-in Capital	Earnings	Loss	Stockholders Equity
Balance at June 30, 2013	\$ 9,565,680	\$ 9,566	880,963	\$ 881 \$ 92,745	\$ 12,524	\$ (1,914)	\$ 113,802
Net income					2,150		2,150
Other comprehensive income, net of tax						262	262
Dividends on common stock at \$0.27 per share					(2,818)		(2,818)
Stock-based compensation				612			612
Forfeiture of restricted common stock	(14,149)	(14)		14			
Balance at March 31, 2014	\$ 9,551,531	\$ 9,552	880,963	\$ 881 \$ 93,371	\$ 11,856	\$ (1,652)	\$ 114,008
Balance at June 30, 2014	\$ 9,260,331	\$ 9,260	880,963	\$ 881 \$ 90,914	\$ 12,294	\$ (1,283)	\$ 112,066
Net income					4,976		4,976
Other comprehensive loss, net of tax						(365)	(365)
Common stock repurchased	(479,936)	(480)		(3,912)			(4,392)
Conversion of voting common stock to non-voting common stock	(30,525)	(30)	30,525	30			
Dividends on common stock at \$0.03 per share					(302)		(302)
Stock-based compensation				504			504
Issuance of restricted common stock	174,000	174		(174)			
Forfeiture of restricted common stock	(15,749)	(16)		16			
Balance at March 31, 2015	\$ 8,908,121	\$ 8,908	911,488	\$ 911 \$ 87,348	\$ 16,968	\$ (1,648)	\$ 112,487

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

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(Unaudited)

(Dollars in thousands)

	Nine Months Ended March 31,	
	2015	2014
Operating activities:		
Net income	\$ 4,976	\$ 2,150
Adjustments to reconcile net income to net cash provided by (used in) by operating activities:		
Provision for loan losses	477	407
Gain on sale and impairment of real estate owned and other repossessed collateral, net	(303)	(50)
Accretion of fair value adjustments on loans, net	(9,149)	(5,048)
Accretion of fair value adjustments on deposits, net	(159)	(489)
Accretion of fair value adjustments on borrowings, net	(92)	(191)
Originations of loans held for sale	(68,734)	(62,911)
Net proceeds from sales of loans held for sale	77,624	62,823
Gain on sales of loans held for sale	(1,384)	(1,145)
Gain on sales of portfolio loans	(950)	(603)
Amortization of intangible assets	460	582
Bank-owned life insurance income, net	(329)	(342)
Depreciation of premises and equipment	1,259	1,540
Loss on sale of premises and equipment	23	16
Stock-based compensation	504	612
Amortization of securities, net	765	972
Changes in other assets and liabilities:		
Other assets	(687)	(1,978)
Other liabilities	1,197	(460)
Net cash provided by (used in) operating activities	5,498	(4,115)
Investing activities:		
Purchases of available-for-sale securities		(42,340)
Proceeds from maturities and principal payments on available-for-sale securities	8,427	50,682
Loan purchases	(57,896)	(46,267)
Proceeds from sales of portfolio loans	7,200	5,575
Loan originations, principal collections, and purchased loan paydowns, net	(4,434)	(33,757)
Purchases of premises and equipment	(385)	(703)
Proceeds from sales of premises and equipment	143	11
Proceeds from sales of real estate owned and other repossessed collateral	713	1,160
Net cash used in investing activities	(46,232)	