SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 - Q

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

For the quarter ended September 30, 1998

or

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

For the transition period from ____________ to ____________

Commission File Number 0 - 14588

Northeast Bancorp

(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.)
232 Center Street, Auburn, Maine	04210
(Address of principal executive offices)	(Zip Code)

(207) 777 - 6411

Registrant's telephone number, including area code

Not Applicable

Former name, former address and former fiscal year,if changed since last report

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 subject to such filing requirements for the past 90 days. Yes _X_ No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
Shares outstanding as of November 06, 1998: 2,618,684 of common stock, $1.00 par value per share.

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Balance Sheets
(Unaudited)

	September 30, 1998	June 30, 1998

Assets		
Cash and due from banks	$ 4,916,299	$ 6,821,574
Interest bearing deposits in other banks	311,017	421,392
Federal Home Loan Bank overnight deposits	6,006,000	4,909,000
Trading account securities at market	-	50,000
Available for sale securities	12,486,127	13,608,823
Federal Home Loan Bank stock	5,680,500	5,680,500
Loans held for sale	435,650	369,500
Loans	290,056,925	282,030,950
Less allowance for loan losses	2,870,000	2,978,000
Net loans	287,186,925	279,052,950
Bank premises and equipment, net	4,706,732	4,473,885
Assets acquired through foreclosure	135,622	381,288
Goodwill (net of accumulated amortization of $1,606,902 at 9/30/98 and $1,532,808 at 6/30/98)	1,849,821	1,923,915
Other assets	4,946,380	4,839,767
Total Assets	328,661,073	322,532,594
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	$ 195,394,972	$ 184,024,097
Repurchase Agreements	5,532,249	5,205,594
Advances from Federal Home Loan Bank	99,003,912	104,439,952
Notes payable	916,667	993,055
Other Liabilities	2,104,371	2,730,369
Total Liabilities	302,952,171	297,393,067
Shareholders' Equity		
Preferred stock, Series A, 45,454 shares issued and outstanding	999,988	999,988
Common stock, par value $1, 2,618,384 and 2,614,285 shares issued and outstanding at 9/30/98 and 6/30/98, respectively	2,618,384	2,614,285
Additional paid in capital	9,290,192	9,258,107
Retained earnings	12,811,559	12,331,595
	25,720,123	25,203,975
Accumulated other comprehensive income (loss)	(11,221)	(64,448)
Total Shareholders' Equity	25,708,902	25,139,527
Total Liabilities and Shareholders' Equity	$ 328,661,073	$ 322,532,594

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30, 1998	1997
Interest and Dividend Income		
Interest on FHLB overnight deposits	$ 116,234	$ 142,093
Interest on loans & loans held for sale	6,309,260	5,172,282
Interest on available for sale securities	194,387	488,483
Dividends on Federal Home Loan Bank stock	90,203	69,836
Other Interest Income	5,072	4,783
Total Interest Income	6,715,156	5,877,477
Interest Expense		
Deposits	2,129,744	1,883,484
Repurchase agreements	52,744	48,438
Other borrowings	1,437,078	1,180,294
Total Interest Expense	3,619,566	3,112,216
Net Interest Income	3,095,590	2,765,261
Provision for loan losses	204,931	162,500
Net Interest Income after Provision for Loan Losses	2,890,659	2,602,761
Other Income		
Service charges	253,385	276,405
Net securities gains	10,791	107,996
Net gain on trading securities	5,612	1,797
Other	236,733	168,866
Total Other Income	506,521	555,064
Other Expenses		
Salaries and employee benefits	1,196,731	1,163,615
Net occupancy expense	219,761	221,386
Equipment expense	182,003	219,686
Goodwill amortization	74,094	74,094
Other	730,068	598,440
Total Other Expenses	2,402,657	2,277,221
Income Before Income Taxes	994,523	880,604
Income tax expense	358,486	310,039
Net Income	$ 636,037	$ 570,565

Earnings Per Share

Primary	$	0.24	$	0.24
Diluted	$	0.23	$	0.21

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Changes in Shareholders' Equity
Three Months Ended September 30, 1998 and 1997
(Unaudited)

	Preferred Stock	Common Stock at $1.00 Par	Common Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at June 30, 1997	1,999,980	1,462,909	7,699,882	11,266,984	(334,175)	--	22,095,580
Net income for three months ended September 30, 1997	--	--	--	570,565	--	--	570,565
Other comprehensive income, net of tax:							
Adjustment of valuation reserve for securities available for sale	--	--	--	--	61,827	--	61,827
Comprehensive income	--	--	--	--	--	--	632,392
Cash dividends declared on common stock	--	--	--	(103,371)	--	--	(103,371)
Cash dividends declared on preferred stock	--	--	--	(34,999)	--	--	(34,999)
Common stock issued in connection with employee benefit and stock option plans	--	18,673	69,077	--	--	(44,988)	42,762
Treasury Stock Purchased	--	--	--	--	--	44,988	44,988

Balance September 30, 1997	$ 1,999,980	$1,481,582	$7,768,959	$ 11,699,179	$ (272,348)	$ 0	$22,677,352
Balance at June 30, 1998	999,988	2,614,285	9,258,107	12,331,595	(64,448)	--	25,139,527
Net income for three months ended September 30, 1998	--	--	--	636,037	--	--	636,037
Other comprehensive income, net of tax:							
Adjustment of valuation reserve for securities available for sale	--	--	--	--	53,227	--	53,227
Comprehensive income	--	--	--	--	--	--	689,264
Cash dividends declared on common stock	--	--	--	(138,573)	--	--	(138,573)
Cash dividends declared on preferred stock	--	--	--	(17,500)	--	--	(17,500)
Common stock issued in connection with employee benefit and stock option plans	--	4,099	32,085	--	--	--	36,184
Balance September 30, 1998	$ 999,988	$2,618,384	$9,290,192	$ 12,811,559	$ (11,221)	$ 0	$25,708,902

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Cash Flow
(Unaudited)

	Three Months Ended September 30, 1998	1997
Cash provided by operating activities	$ (210,989)	$ 589,087
Cash flows from investing activities:		
FHLB stock purchased	--	(243,000)
Available for sale securities purchased	(532,917)	(4,293,677)
Available for sale securities principal reductions	291,994	472,238

Available for sale securities matured	1,350,000	250,000
Available for sale securities sold	49,669	3,409,863
New loans, net of repayments & charge offs	(7,867,188)	(2,627,669)
Net capital expenditures	(376,651)	(58,377)
Assets acquired through foreclosure sold	262,219	87,038
Real estate held for investment sold	50,000	63,793
Net cash used in investing activities	(6,772,874)	(2,939,791)
Cash flows from financing activities:		
Net change in deposits	11,370,876	363,286
Net change in repurchase agreements	326,655	(258,247)
Dividends paid	(156,073)	(138,370)
Proceeds from stock issuance	36,184	87,750
Net decrease (increase) in advances from Federal Home Loan Bank of Boston	(5,436,040)	513,413
Net change in notes payable	(76,389)	(76,389)
Net cash provided by financing activities	6,065,213	491,443
Net decrease in cash and cash equivalents	(918,650)	(1,859,261)
Cash and cash equivalents, beginning of period	12,151,966	18,774,345
Cash and cash equivalents, end of period	$ 11,233,316	$ 16,915,084
Cash and cash equivalents include cash on hand, amounts due from banks, interest bearing deposits and federal funds sold		
Supplemental schedule of noncash investing activities:		
Net decrease in valuation for unrealized market value adjustments on available for sale securities	53,227	61,827
Net transfer (to) from Loans to Other Real Estate Owned	--	56,325
Supplemental disclosure of cash paid during the period for:		
Income taxes paid, net of refunds	206,000	5,000
Interest paid	3,615,158	3,129,301

NORTHEAST BANCORP AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 1998

1. Basis of Presentation

The accompanying unaudited condensed and consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended September 30, 1998 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 1999. For further information, refer to the audited consolidated financial statements and footnotes thereto for the fiscal year ended June 30, 1998 included in the Company's Annual Report on Form 10-K.

2. Reporting Comprehensive Income

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting and displaying comprehensive income, which is defined as all changes to equity except investments by and distributions to stockholders. Net income is a component of comprehensive income, with all other components referred to in the aggregate as other comprehensive income. Such components of total comprehensive income for the Company are net income and net unrealized gains (losses) on securities available for sale, net of tax. The Company has adopted SFAS No. 130 effective for the current quarter ended September 30, 1998.

3. Securities

Securities available for sale at cost and approximate market values are summarized below.

	September 30, 1998		June 30, 1998	
	Cost	Market Value	Cost	Market Value
Debt securities issued by the U.S. Treasury and other U.S. Government corporations and agencies	$ 3,596,487	$ 3,602,648	$ 4,696,659	$ 4,698,266
Corporate bonds	202,691	209,042	202,952	203,484
Mortgage-backed securities	7,426,950	7,557,956	7,723,843	7,714,332
Equity securities	1,277,000	1,116,481	1,083,018	992,741
	$12,503,128	$12,486,127	$13,706,472	$13,608,823

	September 30, 1998		June 30, 1998	
	Cost	Market Value	Cost	Market Value
Due in one year or less	$ 247,070	$ 247,070	$ 347,253	$ 347,253
Due after one year through five years	302,938	304,385	452,952	450,984
Due after five years through ten years	1,249,753	1,259,610	1,100,000	1,103,200
Due after ten years	1,999,417	2,000,625	2,999,406	3,000,313

Mortgage-backed securities (including securities with interest rates ranging from 5.15% to 9.0% maturing September 2003 to February 2026)	7,426,950	7,557,956	7,723,843	7,714,332
Equity securities	1,277,000	1,116,481	1,083,018	992,741
	$12,503,128	$12,486,127	$13,706,472	$13,608,823

4. Allowance for Loan Losses

The following is an analysis of transactions in the allowance for loan losses:

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997
Balance at beginning of year	$ 2,978,000	$ 2,741,809
Add provision charged to operations	204,931	162,500
Recoveries on loans previously charged off	25,523	72,872
	3,208,454	2,977,181
Less loans charged off	338,454	185,861
Balance at end of period	$ 2,870,000	$ 2,791,320

5. Advances from Federal Home Loan Bank

A summary of borrowings from the Federal Home Loan Bank is as follows:

September 30, 1998

Principal Amounts	Interest Rates	Maturity Dates
$ 36,500,000	5.55% - 5.96%	1999
4,000,000	5.88% - 6.27%	2000
4,256,961	5.38% - 6.40%	2001
11,246,951	5.69% - 6.67%	2003
9,000,000	5.25% - 6.65%	2005
34,000,000	4.89% - 5.68%	2008
$ 99,003,912		

June 30, 1998

Principal Amounts	Interest Rates	Maturity Dates
$ 43,745,440	5.55% - 6.00%	1999
4,000,000	5.88% - 6.27%	2000
1,212,676	5.56% - 6.40%	2001
1,138,627	6.21% - 6.49%	2002
9,631,854	5.69% - 6.64%	2003
1,711,355	6.36% - 6.67%	2004
9,000,000	5.25% - 6.65%	2005
34,000,000	4.89% - 5.68%	2008
$ 104,439,952		

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

General

This Management's Discussion and Analysis of Financial Condition and Results of Operations presents a review of the material changes in the financial condition of the Company from June 30, 1998 to September 30,1998, and the results of operations for the quarters ended September 30, 1998 and 1997. This discussion and analysis is intended to assist in understanding the financial condition and results of operations of the Company. Accordingly, this section should be read in conjunction with the condensed consolidated financial statements and the related notes contained herein.

Certain statements contained herein are not based on historical facts and are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements relating to financial condition and future prospects, loan loss reserve adequacy, year 2000 readiness, simulation of changes in interest rates, prospective results of operations, capital spending and financing sources, and revenue sources. Forward-looking statements, which are based on various assumptions (some of which are beyond the Company's control), may be identified by reference to a future period or periods, or by the use of forward-looking terminology; such as "may", "will", "believe", "expect", "estimate", "anticipate", "continue", or similar terms or variations on those terms, or the negative of those terms. Such forward-looking statements reflect the current view of management and are based on information currently available to them, and upon current expectations, estimates, and projections regarding the Company and its industry, management's belief with respect there to, and certain assumptions made by management. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors. Accordingly, actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, those related to the economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset/liability management, changes in technology, changes in the securities markets, and the availability of and the costs associated with sources of liquidity.

Description of Operations

Northeast Bancorp (the "Company"), is a unitary savings and loan holding company and is primarily regulated by the Office of Thrift Supervision ("OTS"). The Company has one wholly-owned subsidiary, Northeast Bank, FSB (the "Bank"), which has branches located in Auburn, Augusta, Bethel, Harrison, South Paris, Buckfield, Mechanic Falls, Brunswick, Richmond and Lisbon Falls, Maine.

Financial Condition

Total consolidated assets were $328,661,073 on September 30, 1998, which represents an increase of $6,128,479 from June 30, 1998. Total net loans increased by $8,133,975, from June 30, 1998 to September 30, 1998, while cash equivalents and securities decreased by $918,650 and $1,172,696, respectively, during the same period. Total deposits and repurchase agreements increased by $11,697,530, while Federal Home Loan Bank ("FHLB") borrowings decreased by $5,436,040 from June 30, 1998 to September 30, 1998.

The funds available from the decrease in cash equivalents, scheduled maturities of securities available for sale and the increase in deposits were utilized to support the increase in the loan portfolio and to repay FHLB borrowings from June 30, 1998 to September 30, 1998.

At September 30, 1998, the carrying value of securities available for sale by the Company was $12,486,127, which is $17,001 less than the cost of the underlying securities. The difference between the carrying value and the cost of the securities was primarily attributable to the decline in the market value of equity securities from the prices at the time of purchase. Management attributes the reduction in the market value of equity securities to the decline of the stock market, which had a greater affect on the market value of the Company's investments in high-tech stocks. Management reviews the portfolio of investments on an ongoing basis to determine if there has been an other-than-temporary decline in value. Some of the considerations management makes in the determination are market valuations of particular securities and economic analysis of the securities' sustainable market values based on the underlying companies' profitability.

Total loans increased by $8,025,975 for the three months ended September 30, 1998. The loan portfolio growth was in 1-4 family mortgages, consumer installment and commercial loans. In the September 1998 quarter, the Bank purchased approximately $5,900,000 of 1-4 family mortgages. The purchase consisted of 1-4 family fixed rate mortgages secured by property located primarily in the State of New York. The continued expansion into new markets diversifies the credit risk and the potential economic risks of the credits held in the Bank's purchased loan portfolio, such that the portfolio is not effected solely by the local State of Maine economy. The Bank's local market, as well as the secondary market, continues to be very competitive for loan origination volume. The local competitive environment and customer response to favorable secondary market rates have affected the Bank's ability to increase the loan portfolio. In an effort to increase loan volume, the Bank's offering rates for its loan products have been reduced to compete in the various markets. The Bank will experience some margin compression due to decreased loan rates.

The loan portfolio contains elements of credit and interest rate risk. The Bank primarily lends within its local market areas, which management believes helps them to better evaluate credit risk. As the Bank expands its purchase of loans in other states, management researches the strength of the economy in the respective state and underwrites every loan before purchase. These steps are taken to better evaluate and minimize the credit risk of out-of-state purchases. The Bank also maintains a well collateralized position in real estate mortgages.

At September 30, 1998, residential real estate mortgages made up 60% of the total loan portfolio, in which 51% of the residential loans are variable rate products, as compared to 65% and 53%, respectively, at September 30, 1997. Although the Bank has purchased fixed rate loans, it is management's intent, where market opportunities arise, to increase the volume in variable rate residential loans to reduce the interest rate risk in this area.

At September 30, 1998, 17% of the Bank's total loan portfolio balance is commercial real estate mortgages. Commercial real estate loans have minimal interest rate risk as 88% of the portfolio consists of variable rate products. At September 30, 1997, commercial real estate mortgages made up 18% of the total loan portfolio, in which 88% of the commercial real estate loans were variable rate products. The Bank tries to mitigate credit risk by lending in its local market area as well as maintaining a well collateralized position in real estate.

Commercial loans make up 10% of the total loan portfolio, of which 57% are variable rate instruments at September 30, 1998. At September 30, 1997 commercial loans made up 8% of the total loan portfolio, of which 69% were variable rate instruments. The credit loss exposure on commercial loans is highly dependent on the cash flow of the customer's business. The Bank mitigates losses by strictly adhering to the Company's underwriting and credit policies.

Consumer and other loans make up 13% of the loan portfolio as of September 30, 1998 which compares to 8% at September 30, 1997. Since these loans are primarily fixed rate products, they have interest rate risk when market rates increase. These loans also have credit risk with minimal security. The increase in consumer loans was primarily due to the volume generated from the automobile dealer finance department. This department underwrites all the automobile dealer finance loans to protect credit quality. The Bank primarily pays a nominal one time origination fee on the loans. The fees are deferred and amortized over the life of the loans as a yield adjustment. Management attempts to mitigate credit and interest rate risk by keeping the products offered short-term, receiving a rate of return commensurate with the risk, and lending to individuals in the Bank's known market areas.

The Bank's allowance for loan losses was $2,870,000 as of September 30, 1998 versus $2,978,00 as of June 30, 1998, representing 0.99% and 1.06% of total loans, respectively. The Bank had non-performing loans totaling $1,771,000 at September 30, 1998 compared to $2,248,000 at June 30, 1998. Non-performing loans represented 0.54% and 0.70% of total assets at September 30, 1998 and June 30, 1998, respectively. The Bank's allowance for loan losses was equal to

162% and 132% of the total non-performing loans at September 30, 1998 and June 30, 1998, respectively. At September 30, 1998, the Bank had approximately $983,000 of loans classified substandard, exclusive of the non-performing loans stated above, that could potentially become non-performing due to delinquencies or marginal cash flows. These substandard loans increased by $883,000 when compared to the $100,000 at June 30, 1998. The increase was attributed to management downgrading certain loans during its internal review process.

The following table represents the Bank's non-performing loans as of September 30, 1998 and June 30, 1998, respectively:

Description	September 30, 1998	June 30, 1998
1-4 Family Mortgages	$ 710,000	$ 783,000
Commercial Mortgages	691,000	956,000
Commercial Loans	310,000	509,000
Consumer Installment	60,000	0
Total non-performing	$ 1,771,000	$ 2,248,000

The following table reflects the quarterly trend of total delinquencies 30 days or more past due, including non-performing loans, for the Bank as a percentage of total loans:

12-31-97	03-31-98	06-30-98	09-30-98
1.72%	1.44%	1.09%	0.89%

At September 30, 1998, loans classified as non-performing included approximately $378,000 of loan balances that are current and paying as agreed, but which the Bank maintains as non-performing until the borrower has demonstrated a sustainable period of performance. Excluding these loans, the Bank's total delinquencies 30 days or more past due, as a percentage of total loans, would be 0.76% as of September 30, 1998.

The level of the allowance forloan losses as a percentage of total loans has decreased due to the increase of loan volume as well as a reduction in the allowance for loan losses balance due to the charge-off of a commercial real estate loan, while the level of allowance for loan losses as a percentage of non-performing loans increased at September 30, 1998, when compared to June 30, 1998. Based on reviewing the credit risk and collateral of delinquent, non-performing and classified loans, management considers the allowance for loan losses to be adequate.

On a regular and ongoing basis, management evaluates the adequacy of the allowance for loan losses. The process to evaluate the allowance involves a high degree of management judgement. The methods employed to evaluate the allowance for loan losses are quantitative in nature and consider such factors as the loan mix, the level of non-performing loans, delinquency trends, past charge-off history, loan reviews and classifications, collateral, and the current economic climate.

While management uses its best judgement in recognizing loan losses in light of available information, there can be no assurance that the Company will not have to increase its provision for loan losses in the future as a result of changing economic conditions, adverse markets for real estate or other factors. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance for loan losses based on their judgements about information available to them at the time of their examination. The Bank's most recent examination by the OTS was on September 22, 1997. At the time of the exam the regulators proposed no additions to the allowance for loan losses.

The bank's premises and equipment increased by $232,847 from June 30, 1998 to September 30, 1998. The increase was due to the purchase and replacement of the Bank's mainframe and software.

Capital Resources and Liquidity

Cash provided by operating activities in the consolidated statements of cash flow decreased by $800,076 from September 30, 1997 to September 30, 1998 as a result of reduction in other liabilities due to transaction timing differences.

The Bank continues to attract new local deposit relationships. The Bank utilizes, as alternative sources of funds, brokered certificate of deposits ("C.D.s") when national deposit interest rates are less than the interest rates on local market deposits. Brokered C.D.s are also used to supplement the growth in earning assets. Brokered C.D.s carry the same risk as local deposit C.D.s, in that both are interest rate sensitive with respect to the Bank's ability to retain the funds. The Bank also utilizes FHLB advances, as alternative sources of funds, when the interest rates of the advances are less than market deposit interest rates. FHLB advances are also used to fund short-term liquidity demands.

Total deposits were $195,394,972 and securities sold under repurchase agreements were $5,532,249 as of September 30, 1998. These amounts represent an increase of $11,370,875 and $326,655, respectively, compared to June 30, 1998. The increase in deposits was primarily due to the $6,000,000 increase in NOW demand deposits. The increase in NOW deposits was attributable to the development of a demand account where the interest rate increases as deposit balances increase. Brokered deposits represented $10,340,009 of the total deposits at September 30, 1998, which increased by $2,765,299 compared to the $7,574,710 balance as of June 30, 1998. Cross selling strategies are employed by the Bank to develop deposit growth. Even though deposit interest rates have remained competitive, the rates of return are much higher at other financial instruments such as mutual funds and annuities. Like other companies in the banking industry, the Bank will be challenged to maintain and or increase its core deposits.

Total advances from the FHLB were $99,003,912 as of September 30, 1998, a decrease of $5,436,040 compared to June 30, 1998. The cash received from the increase in the Bank's deposits was utilized to repay FHLB advances. The Bank has unused borrowing capacity from the FHLB through its advances program. The

Bank's current advance availability, subject to the satisfaction of certain conditions, is approximately $22,000,000 over and above the September 30, 1998 advances. Mortgages, free of liens, pledges and encumbrances are required to be pledged to secure FHLB advances. The Bank's ability to access principal sources of funds is immediate and with the borrowing capacity at the Federal Home Loan Bank, the normal growth in bank deposits and repurchase agreements and the immediate availability of the Bank's cash equivalents as well as securities available for sale, management believes that the Company's available liquidity resources are sufficient to support the Company's needs.

Total equity of the Company was $25,708,902 as of September 30, 1998 versus $25,139,527 at June 30, 1998. Book value per common share was $9.44 as of September 30, 1998 versus $9.23 at June 30, 1998. The total equity to total assets ratio of the Company was 7.82% as of September 30, 1998 and 7.79% at June 30, 1998.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), contains various provisions intended to capitalize the Bank Insurance Fund ("BIF") and also affects a number of regulatory reforms that impact all insured depository institutions, regardless of the insurance fund in which they participate. Among other things, FDICIA grants the OTS broader regulatory authority to take prompt corrective action against insured institutions that do not meet capital requirements, including placing undercapitalized institutions into conservatorship or receivership. FDICIA also grants the OTS broader regulatory authority to take corrective action against insured institutions that are otherwise operating in an unsafe and unsound manner.

FDICIA defines specific capital categories based on an institution's capital ratios. The OTS has issued regulations requiring a minimum regulatory tangible capital equal to 1.5% of adjusted total assets, core capital of 3.0%, leverage capital of 4.0% and a risk-based capital standard of 8.0%. The prompt corrective action regulations define specific capital categories based on an institution's capital ratios. The capital categories, in declining order, are "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized", and "critically undercapitalized". As of September 30, 1998, the most recent notification from the OTS categorized the Bank as well capitalized. There are no conditions or events since that notification that management believes has changed the institution's category.

At September 30, 1998, the Bank's regulatory capital was in compliance with regulatory capital requirements as follows:

	Actual		For Capital Adequacy Purposes		To Be "Well Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in Thousands)						
As of September 30, 1998:						
Tier 1 (Core) capital (to risk weighted assets)	$ 23,386	10.46%	$ 8,946	4.00%	$ 13,419	6.00%

Tier 1 (Core) capital (to total assets)	$ 23,386	7.16%	$ 13,065	4.00%	$ 16,332	5.00%
Total Capital (to risk weighted assets)	$ 24,796	11.09%	$ 17,892	8.00%	$ 22,365	10.00%

Results of Operations

Net income for the quarter ended September 30, 1998 was $636,037 or basic earnings per share of $0.24 and diluted earnings per share of $0.23. This compares to earnings of $570,565 or basic earnings per share of $0.24 and diluted earnings per share of $0.21 for the quarter ended September 30, 1997. The Company anticipates earnings to steadily increase in the near future, but the instability of the current economy could effect the predictability of the Company's anticipated short term earnings.

On September 30, 1998, the Company adopted FASB Statement No. 130, "Reporting Comprehensive Income". Comparative financial information in the Statements of Changes in Shareholders' Equity for earlier periods have been reclassified in accordance with the requirement of Statement No. 130.

The Company's net interest income was $3,095,590 for the three months ended September 30, 1998, versus $2,765,261 for the three months ended September 30, 1997, an increase of $330,329. Total interest income increased $837,679 during the three months ended September 30, 1998 compared to the three months ended September 30, 1997. The increase in net income was due primarily from an increase in the volume of loans offset in part by a decrease in rates. The increase in total interest expense of $507,350 for the three months ended September 30, 1998 was due primarily from the increased volume of deposits and borrowings.

The changes in net interest income are presented in the schedule below.

Northeast Bancorp
Rate/Volume Analysis for the three months ended
September 30, 1998 versus September 30, 1997

	Difference Due to Volume	Rate	Total
Investments	$ (245,503)	$ (27,741)	$ (273,244)
Loans	1,348,258	(211,279)	1,136,979
FHLB & Other Deposits	(26,973)	917	(26,056)
Total	1,075,782	(238,103)	837,679
Deposits	163,617	82,643	246,260
Repurchase Agreements	5,489	(1,183)	4,306
Borrowings	322,846	(66,062)	256,784
Total	491,952	15,398	507,350

Net Interest Income	$ 583,830	$ (253,501)	$ 330,329

Rate/Volume amounts spread proportionately between volume and rate.

The majority of the Company's income is generated from the Bank. Management believes that the Bank is slightly asset sensitive based on its own internal analysis which categorizes its core deposits as long term liabilities which are then matched to long term assets. As a result, the Bank will generally experience a contraction in its net interest margins during a period of falling rates. Management believes that the maintenance of a slight asset sensitive position is appropriate since historically interest rates tend to rise faster than they decline.

Approximately 21% of the Bank's loan portfolio is comprised of floating rate loans based on a prime rate index. Interest income on these existing loans will increase as the prime rate increases, as well as on approximately 31% of other loans in the Bank's portfolio that are based on short-term rate indices such as the one-year treasury bill. An increase in short-term interest rates will also increase deposit and FHLB advance rates, increasing the Company's interest expense. Although the Company has experienced some net interest margin compression, the impact on net interest income will depend on, among other things, actual rates charged on the Bank's loan portfolio, deposit and advance rates paid by the Bank and loan volume.

Total non-interest income was $506,521 for the three months ended September 30, 1998 versus $555,064 for the three months ended September 30, 1997. Service fee income was $253,385 for the three months ended September 30, 1998 versus $276,405 for the three months ended September 30, 1997. The $23,020 service fee decrease for the three months ended September 30, 1998 was primarily due to a reduction in loan servicing and deposit fee income. Gains from available for sale securities were $10,791 for the three months ended September 30, 1998 versus $107,996 for the three ended September 30, 1997. The Company sold some of its available for sale securities during the three month period ended September 30, 1997, taking advantage of the fluctuation in market prices in the mortgage-backed security portfolio.

Other income was $236,733 for the three month period ended September 30, 1998, which was an increase of $67,867 when compared to other income of $168,866 for the three months ended September 30, 1997. The increase in other income in the three months ended September 30,1998, was primarily due to gains from the sale of 1-4 family mortgages, other real estate owned and real estate held for investment.

Total non-interest expense, for the Company was $2,402,657 for the three months ended September 30, 1998 versus $2,277,221 for the three months ended September 30, 1997. A portion of the increase in non-interest expense was due to an increase in compensation expense of $33,116, for the three month period ended September 30, 1998, attributable primarily to normal salary and benefit increases. Other expenses increased by $131,627 for the three months ended September 30, 1998, compared to September 30, 1997. The increase in other expenses during the three month period was principally due to the following: (i) an increase of $28,000 in processing fees due to the Bank outsourcing its check processing to a third party, (ii) an increase of $17,000 in advertising expense (which continues the Company's strategy to increase market exposure), (iii) an increase of $39,000 in loan servicing fees due to the increase in purchased loans, (iv) an increase of $17,000 in supplies expense due to timing differences in purchasing, and (v) an increase of $21,000 in year 2000 expenses. The non-interest expense increase above was offset by the reduction of $39,308 in occupancy and equipment expense due to reductions in maintenance contracts.

Impact of Inflation

The consolidated financial statements and related notes herein have been presented in terms of historic dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike industrial companies, substantially all of the assets and virtually all of the liabilities of the Company are monetary in nature. As a result, interest rates have a more significant impact on the Company's performance than the general level of inflation. Over short periods of time, interest rates may not necessarily move in the same direction or in the same magnitude as inflation.

Year 2000

The Company is currently addressing the Year 2000 issue. Many existing computer programs and hardware configurations use only two digits to identify a year in the date field. Since these programs did not take into consideration the upcoming change in the century, many computer applications could create erroneous results by the year 2000 if not corrected. The Year 2000 issue will affect this Company and it will affect virtually all companies and organizations, including the Company's borrowers. The Company has organized a Year 2000 committee to research, develop and implement a plan that will correct this issue before the year 2000. The OTS, which primarily regulates thrifts, savings and loan associations, and savings and loan holding companies, has issued a formal regulation and comprehensive plan concerning the Year 2000 issue for such financial institutions. The Company has adopted the regulatory comprehensive plan which has the following phases:

Awareness Phase

This phase consists of defining the Year 2000 problem; developing the resources necessary to perform compliance work, establishing a Year 2000 program committee and developing an overall strategy that encompasses in-house systems, service bureaus for systems that are outsourced, vendors, auditors, customers, and suppliers (including correspondents). This phase has been completed by the Company's committee.

Assessment Phase

This phase consists of assessing the size and complexity of the problem and detailing the magnitude of the effort necessary to address the Year 2000 issue. This phase must identify all hardware, software, networks, automated teller machines, other various processing platforms, and customer and vendor interdependencies affected by the Year 2000 date change. The assessment must go beyond information systems and include environmental systems that are dependent on embedded microchips, such as security systems, elevators and vaults. During this phase management also must evaluate the Year 2000 effect on other strategic business initiatives. The assessment should consider the potential effect that mergers and acquisitions, major system development, corporate alliances, and system interdependencies will have on existing systems and/or the potential Year 2000 issues that may arise from acquired systems. The financial institution or vendor should also identify resource needs, establish time frames and sequencing of Year 2000 efforts. Resource needs include appropriately skilled personnel, contractors, vendor support, budget allocations, and hardware capacity. This phase should clearly identify corporate accountability throughout the project, and policies should define reporting, monitoring, and notification requirements. Finally, contingency plans should be developed to cover unforeseen obstacles during the renovation and validation phases and include plans to deal with lesser priority systems that would be fixed later in the renovation phase.

The assessment phase has been materially completed, but is considered an ongoing phase for the Company. The Company is in the process of developing its contingency plan. The Company has instituted a comprehensive plan to communicate with all its borrowers that the Company considers to be at risk concerning the Year 2000 issue. The Company considers this plan necessary to mitigate the risk associated with borrowers not having the ability to make loan payments due to a Year 2000 issue. The company has currently estimated the following costs associated with the Year 2000 issue, (i) computer hardware replacement $130,000, (ii) software replacement $72,000, (iii) testing and administrative costs $84,000, and (iv) potential contingency costs $60,000. As of September 30, 1998, the Company has incurred approximately $59,200 of cumulative Year 2000 expenses. These costs are under continuous review and will be revised as needed. There can be no assurance that actual costs will not exceed the Company's estimates. During the quarter ended September 30, 1998, the Company replaced its computer mainframe and software as planned to accommodate the growth of the Company through merger and acquisitions. The previous mainframe and software had been fully depreciated through the normal course of its depreciable life and the costs associated with the replacement of these items was in the Company's general business plan for fiscal 1999. The anticipated Year 2000 hardware and software costs indicated above are in addition to the Company's costs associated with the replacement of the mainframe and software.

Renovation Phase

This phase includes code enhancements, hardware and software upgrades, system replacements, vendor certification, and other associated changes. Work should be prioritized based on information gathered during the assessment phase. For institutions relying on outside servicers or third-party software providers, ongoing discussions and monitoring of vendor progress are necessary. The Company has limited out-side servicers and vendors. Each servicer and vendor has been contacted and has or will provide information to the Company concerning their efforts to comply with the Year 2000 issue. The Company anticipates completion of this phase by December 31, 1998. However, there can be no assurance that these servicers or vendors will become Year 2000 compliant in a timely manner or that their plan will be completed by December 31, 1998.

Validation Phase

Testing is a multifaceted process that is critical to the Year 2000 project and inherent in each phase of the project management plan. This process includes the testing of incremental changes to hardware and software components. In addition to testing upgraded components, connections with other systems must be verified, and all changes should be accepted by internal and external users. Management will establish controls to assure the effective and timely completion of all hardware and software testing prior to final implementation. As with the renovation phase, the Company will be in ongoing discussions with their vendors on the success of their validation efforts. The Company anticipates completion of this phase by December 31, 1998.

Implementation Phase

In this phase, systems should be certified as Year 2000 compliant and be accepted by the business users. For any system failing certification, the business effect must be assessed clearly and the organization's Year 2000 contingency plans should be implemented. Any potentially noncompliant mission-critical system should be brought to the attention of executive management immediately for resolution. In addition, this phase must ensure that any new systems or subsequent changes to verified systems are compliant with Year 2000 requirements. The Company anticipates completion of this phase by March 31, 1999.

In summary, the Company recognizes the Year 2000 as a global issue with potentially catastrophic results if not addressed. The Company has and will continue to undertake all the necessary steps to protect itself and its customers concerning the Year 2000 issue. Management is confident that all the instituted phases will be completed and in place prior to the year 2000. However, failure to meet the Year 2000 deadlines could have a material adverse effect on the Company.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There have been no material changes in the Company's market risk from June 30, 1998. For information regarding the Company's market risk, refer to the Company's Annual Report on Form 10-K dated as of June 30, 1998.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8 - K

(a) Exhibits

11 Statement regarding computation of per share earnings.

27 Financial data schedule

(b) Reports on Form 8 - K

No reports on Form 8-K have been filed during the quarter ended September 30, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 06, 1998 NORTHEAST BANCORP

By: /s/ James D. Delamater

James D. Delamater
President and CEO

By: /s/ Richard Wyman

Richard Wyman
Chief Financial Officer

NORTHEAST BANCORP
Index to Exhibits

EXHIBIT NUMBER	DESCRIPTION
11	Statement regarding computation of per share earnings
27	Financial data schedule

NORTHEAST BANCORP

Exhibit 11. Statement Regarding Computation of Per Share Earnings

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1997
EQUIVALENT SHARES:		
Weighted Average Shares Outstanding	2,615,515	2,218,051
Total Diluted Shares	2,791,569	2,702,738
Net Income	$ 636,037	$ 570,565
Less Preferred Stock Dividend	17,500	35,000
Income Available to Common Stockholders	$ 618,537	$ 535,565
Basic Earnings Per Share	$ 0.24	$ 0.24
Diluted Earnings Per Share	$ 0.23	$ 0.21

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3-MOS
JUN-30-1999
SEP-30-1998
4,916,299
6,317,017
0
0
12,486,127
0
0
290,056,925
2,870,000
328,661,073
195,394,972
42,337,805
2,104,371
63,115,023
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999,988
2,618,384
22,090,530
328,661,073
6,309,260
194,387
211,509
6,715,156
2,129,744
3,619,566
3,095,590
204,931
10,791
2,402,657
994,523
994,523
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636,037
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0.23
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185,294
982,905
2,978,000
338,454
25,523
2,870,000
342,474
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2,527,526