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 December 31, 1996

or

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

For the transition period from _______________ to _______________

Commission File Number 0 - 16123

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.)
158 Court Street, Auburn, Maine	04210
(Address of principal executive offices)	(Zip Code)

(207) 777 -5950

Registrant's telephone number, including area code

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 periods 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 ___

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE
PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Not Applicable

APPLICABLE ONLY TO CORPORATE ISSUERS

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 February 10, 1997: 1,234,749 of common stock, $1.00 par value per share.

NORTHEST BANCORP AND SUBSIDIARY
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NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Balance Sheets
(Unaudited)

	December 31, 1996	June 30, 1996
Assets		
Cash and due from banks	$ 3,708,584	$ 3,386,263
Interest bearing deposits in other banks	341,553	650,430
Federal Home Loan Bank overnight deposits	5,262,000	7,529,435
Trading account securities at market	35,753	197,621
Available for sale securities	28,896,205	29,650,319
Federal Home Loan Bank stock	3,433,200	2,656,200
Loans held for sale	123,405	448,475
Loans	188,691,754	170,140,264
Less deferred loan origination fees	210,767	289,340
Less allowance for loan losses	2,483,000	2,549,000
Net loans	185,997,987	167,301,924
Bank premises and equipment, net	3,719,385	3,576,386
Real estate held for investment	457,675	459,820
Other real estate owned	635,736	513,831
Goodwill (net of accumulated amortization of $1,088,246 at 12/31/96 and $940,059 at 6/30/96)	2,409,726	2,557,913
Other assets	3,437,836	3,360,998
Total Assets	238,459,045	222,289,615
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	$ 142,959,996	$ 145,195,369
Repurchase Agreements	5,213,846	3,762,966
Advances from Federal Home Loan Bank	68,663,634	52,123,000
Notes payable	1,375,000	1,502,192
Other Liabilities	1,503,491	1,554,846
Total Liabilities	219,715,967	204,138,373
Shareholders' Equity		
Preferred stock, Series A, 45,454 shares issued and outstanding	999,988	999,988
Preferred stock, Series B, 71,428 shares issued and outstanding	999,992	999,992
Common stock, par value $1, 1,234,577 and 1,234,010 shares issued at 12/31/96 and 6/30/96, respectively. 1,231,547 and 1,229,910 shares outstanding at 12/31/96 and 6/30/96, respectively	1,234,577	1,234,010
Additional paid in capital	5,462,231	5,455,852
Retained earnings	10,795,426	10,351,031
	19,492,214	19,040,873
Net unrealized loss on available for sale securities	(710,501)	(837,354)
Treasury Stock at cost 3,030 shares at 12/31/96 and 4,100 shares at 6/30/96	(38,635)	(52,277)
Total Shareholders' Equity	18,743,078	18,151,242
Total Liabilities and Shareholders' Equity	$ 238,459,045	$ 222,289,615

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Income
(Unaudited)

	Three Months Ended December 31, 1996	Three Months Ended December 31, 1995
Interest and Dividend Income		
Interest on FHLB overnight deposits	$ 81,122	$ 174,511
Interest on loans & loans held for sale	4,209,837	4,078,736
Interest on investment securities & available for sale securities	568,645	222,578
Dividends on Federal Home Loan Bank stock	50,384	36,887
Other Interest Income	7,601	11,978
Total Interest Income	4,917,589	4,524,690
Interest Expense		
Deposits	1,533,721	1,652,178
Repurchase agreements	54,686	48,880
Other borrowings	929,928	592,950
Total Interest Expense	2,518,335	2,294,008
Net Interest Income	2,399,254	2,230,682
Provision for loan losses	144,443	147,708
Net Interest Income after Provision for Loan Losses	2,254,811	2,082,974
Other Income		
Service charges	246,741	235,211
Available for sale securities gains (losses)	46,117	85,791
Gain (Loss) on trading account	(11,241)	7,006
Other	110,439	222,470
Total Other Income	392,056	550,478
Other Expenses		
Salaries and employee benefits	970,327	952,595
Net occupancy expense	140,505	126,373
Equipment expense	183,916	175,814
Goodwill amortization	74,094	74,335
FDIC Insurance Assessment	(83,140)	--
Other	533,311	606,554
Total Other Expenses	1,819,013	1,935,671
Income Before Income Taxes	827,854	697,781
Income tax expense	299,694	254,345
Net Income	$ 528,160	$ 443,436
Earnings Per Share		
Primary	$ 0.37	$ 0.32
Fully Diluted	$ 0.33	$ 0.29

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Income
(Unaudited)

	Six Months Ended December 31, 1996	Six Months Ended December 31, 1995
Interest and Dividend Income		
Interest on FHLB overnight deposits	$ 169,187	$ 356,076
Interest on loans & loans held for sale	8,197,097	8,176,899
Interest on investment securities & available for sale securities	1,151,229	383,158
Dividends on Federal Home Loan Bank stock	96,793	73,737
Other Interest Income	19,917	17,476
Total Interest Income	9,634,223	9,007,346

Interest Expense		
Deposits	3,073,287	3,287,660
Repurchase agreements	92,956	82,793
Other borrowings	1,784,774	1,192,909
Total Interest Expense	4,951,017	4,563,362
Net Interest Income	4,683,206	4,443,984
Provision for loan losses	289,257	295,563
Net Interest Income after Provision for Loan Losses	4,393,949	4,148,421
Other Income		
Service charges	513,690	516,820
Available for sale securities gains (losses)	74,417	206,383
Gain (Loss) on trading account	50,124	7,006
Other	258,509	434,563
Total Other Income	896,740	1,164,772
Other Expenses		
Salaries and employee benefits	1,994,852	1,995,844
Net occupancy expense	267,475	248,269
Equipment expense	360,943	344,102
Goodwill amortization	148,187	148,669
FDIC Insurance Assessment	296,860	--
Other	1,094,525	1,214,711
Total Other Expenses	4,162,842	3,951,595
Income Before Income Taxes	1,127,847	1,361,598
Income tax expense	416,426	496,525
Net Income	$ 711,421	$ 865,073
Earnings Per Share		
Primary	$ 0.48	$ 0.64
Fully Diluted	$ 0.45	$ 0.58

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Changes in Shareholders' Equity
Six Months Ended December 31, 1996 and 1995
(Unaudited)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings	Net Unrealized Gains(Losses) on Available for Sale Securities	Treasury Stock	Total
Balance at June 30, 1995	$ 547,502	$1,999,980	$4,643,059	$ 10,180,244	$ (95,507)	$ 0	$17,275,278
Net income for six months ended December 31, 1995	--	--	--	865,073	--	--	865,073
Dividends paid on common stock	--	--	--	(91,629)	--	--	(91,629)
Dividends paid on preferred stock	--	--	--	(70,000)	--	--	(70,000)
Issuance of common stock	241	--	4,999	--	--	--	5,240
Common stock warrants exercised	50,000	--	650,000	--	--	--	700,000
Stock Split effected in the form of a dividend	597,743	--	--	(597,743)	--	--	0
Stock options exercised	8,000	--	32,000	--	--	--	40,000
Net change in unrealized losses on securities available for sale	--	--	--	--	59,588	--	59,588
Balance December 31, 1995	$ 1,203,486	$1,999,980	$5,330,058	$ 10,285,945	$ (35,919)	$ 0	$18,783,550
Balance at June 30, 1996	1,234,010	1,999,980	5,455,852	10,351,031	(837,354)	(52,277)	18,151,242
Net income for six months ended December 31, 1996	--	--	--	711,421	--	--	711,421
Dividends paid on common stock	--	--	--	(197,027)	--	--	(197,027)
Dividends paid on preferred stock	--	--	--	(69,999)	--	--	(69,999)

Issuance of common stock	567	--	6,379	--	--	13,642	20,588
Net change in unrealized losses on securities available for sale	--	--	--	--	126,853	--	126,853
Balance December 31, 1996	$ 1,234,577	$1,999,980	$5,462,231	$ 10,795,426	$ (710,501)	$ (38,635)	$18,743,078

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

	Six Months Ended December 31, 1996	1995
Cash provided by operating activities	$ 1,628,641	$ 759,572
Cash flows from investing activities:		
FHLB stock purchased	(777,000)	(150,000)
Available for sale securities purchased	(10,958,967)	(19,088,597)
Available for sale securities principal reductions	1,020,478	400,237
Available for sale securities sold	10,959,817	16,628,443
New loans, net of repayments & charge offs	(19,458,012)	(280,874)
Net capital expenditures	(392,526)	(195,644)
Real estate owned sold	341,067	471,184
Real estate held for investment purchased	--	(56,096)
Real estate held for investment sold	--	40,000
Net cash provided by (used in) investing activities	(19,265,143)	(2,231,347)
Cash flows from financing activities:		
Net change in deposits	(2,235,372)	2,215,404
Net change in repurchase agreements	1,450,880	1,179,285
Dividends paid	(267,026)	(161,629)
Proceeds from stock issuance	20,588	745,240
Net increase in advances from Federal Home Loan Bank of Boston	16,540,634	5,400,000
Net change in notes payable	(127,193)	(255,443)
Net cash provided by financing activities	15,382,511	9,122,857
Net (decrease) increase in cash and cash equivalents	(2,253,991)	7,651,082
Cash and cash equivalents, beginning of period	11,566,128	14,740,070
Cash and cash equivalents, end of period	$ 9,312,137	$ 22,391,152

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 increase (decrease) in valuation for unrealized market value adjustments on available for sale securities	126,853	59,588
Net transfer (to) from Loans to Other Real Estate Owned	551,264	(158,173)
Supplemental disclosure of cash paid during the period for:		
Income taxes paid, net of refunds	13,000	433,700
Interest paid	4,866,038	4,566,224

NORTHEAST BANCORP AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 1996

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 six month period ended December 31, 1996 are not necessarily indicative of the results that may be expected for the year ending June 30, 1997. For further information, refer to the audited consolidated financial statements and footnotes thereto for the fiscal year ended June 30, 1996 included in the Company's annual report on Form 10-K.

2. Securities

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

	December 31, 1996		June 30, 1996	
	Cost	Market Value	Cost	Market Value
Debt securities issued by the U.S. Treasury and other U.S. Government corporations and agencies	$ 1,499,942	$ 1,457,605	$ 1,497,111	$ 1,424,690
Corporate bonds	149,670	145,172	149,646	139,005
Mortgage-backed securities	27,649,529	26,719,550	28,810,113	27,646,294
Equity securities	673,581	573,878	462,167	440,330
	$29,972,722	$28,896,205	$30,919,037	$29,650,319

	December 31, 1996		June 30, 1996	
	Cost	Market Value	Cost	Market Value
Due in one year or less	$ 249,942	$ 249,942	$ 247,111	$ 246,790
Due after one year through five years	250,000	242,350	250,000	237,900
Due after five years through ten years	149,670	145,172	149,646	139,005
Due after ten years	1,000,000	965,313	1,000,000	940,000
Mortgage-backed securities (including securities with interest rates ranging from 5.15% to 10.0% maturing September 2003 to December 2026)	27,649,529	26,719,550	28,810,113	27,646,294
Equity securities	673,581	573,878	462,167	440,330
	$29,972,722	$28,896,205	$30,919,037	$29,650,319

3. Allowance for Loan Losses

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

	Six Months Ended December 31, 1996	1995
Balance at beginning of year	$ 2,549,000	$ 2,396,000
Add provision charged to operations	289,257	295,563
Recoveries on loans previously charged off	31,703	20,776
	2,869,960	2,712,339
Less loans charged off	386,960	318,339
Balance at end of period	$ 2,483,000	$ 2,394,000

4. Advances from Federal Home Loan Bank

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

December 31, 1996		
Principal	Interest	Maturity

Amounts	Rates	Dates
$ 42,850,000	5.17% - 6.87%	1997
18,717,241	4.97% - 6.39%	1998
2,800,000	5.75% - 5.96%	1999
1,888,226	6.21% - 6.49%	2001
2,408,167	6.36% - 6.67%	2003
$ 68,663,634		

June 30, 1996		
Principal Amounts	Interest Rates	Maturity Dates
$ 31,400,000	5.17% - 8.30%	1997
5,573,000	4.97% - 6.86%	1998
14,500,000	5.64% - 6.35%	1999
325,000	6.40%	2001
325,000	6.61%	2003
$ 52,123,000		

5. New Accounting Pronouncements

On March 31, 1995, FASB issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of" ("Statement 121"). Statement 121 provides guidance for recognition and measurement of impairment of long-lived assets, certain identifiable intangibles and goodwill related both to assets to be held and used and assets to be disposed of. Statement 121 requires entities to perform separate calculations for assets to be held and used to determine whether recognition of an impairment loss is required and, if so, to measure the impairment. Statement 121 requires long-lived assets and certain identifiable intangibles to be disposed of to be reported at the lower of carrying amount or fair value less cost to sell, except for assets covered by the provisions of APB Opinion No. 31. Statement 121 is effective for financial statements issued for fiscal years beginning after December 15, 1995. The Company adopted Statement 121 on July 1, 1996; the effect of adopting the new rules did not have a significant effect on the financial condition, liquidity, or results of operations of the Company.

In May 1995, FASB issued Statement No. 122, Accounting for Mortgage Servicing Rights, an amendment of FASB Statement No. 65, ("Statement 122"). Statement 122 is effective for fiscal years beginning after December 15, 1995. The Company adopted Statement 122 in its first quarter of fiscal year 1997. Statement 122 requires that a mortgage banking enterprise recognize as separate assets the rights to service mortgage loans for others. Statement 122 also requires the assessment of capitalized mortgage servicing rights for impairment to be based on the current fair value of those rights. This assessment includes servicing rights capitalized prior to adoption of Statement 122. The adoption of Statement 122 was not material to the Company's financial position, liquidity, or results of operations.

In October 1995, FASB issued Statement No. 123, Accounting for Stock-Based Compensation ("Statement 123"), which became effective on July 1, 1996 for the Company. Statement 123 established a fair value based method of accounting for stock-based compensation plans under which compensation cost is measured at the grant date based on the value of the award and is recognized over the service period. However, the statement allows a company to continue to measure compensation cost for such plans under Accounting Principles Board (APB)Opinion No. 25, Accounting for Stock Issued to Employees. Under APB Opinion No. 25, no compensation cost is recorded if, at the grant date, the exercise price of the options is equal to the fair market value of the Company's common stock. The Company has elected to continue to follow the accounting under APB Opinion No. 25. Statement 123 requires companies which elect to continue to follow APB Opinion No. 25 to disclose in the notes to their annual financial statements pro forma net income and earnings per share as if the value based method of accounting had been applied.

In June 1996, FASB issued Statement No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities ("Statement 125"). Statement 125 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. Those standards are based on consistent application of a financial-components approach that focuses on control. Under that approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. Statement 125 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. Statement 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occuring after December 31, 1996. The adoption of Statement 125 was not material to the Company's financial position, liquidity, or results of operations.

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

Financial Condition

Total consolidated assets were $238,459,045 on December 31, 1996, which represents an increase of $16,169,430 from June 30, 1996. Total loans increased by $18,696,063 while loans held for sale decreased by $325,070. Federal Home Loan Bank ("FHLB") stock increased by $777,000, while securities and cash equivalents decreased by $915,982 and $2,253,991, respectively, during the same period. Total deposits decreased by $2,235,373, while total repurchase agreements and FHLB borrowings increased by $1,450,880 and $16,540,634, respectively from June 30, 1996 to December 31, 1996.

The decrease in cash equivalents, FHLB overnight deposits and securities was utilized to support the increase in the loan portfolio from June 30, 1996 to December 31, 1996. FHLB stock increased due to the increased levels of FHLB advances during the same time period. The FHLB requires institutions to hold a certain level of FHLB stock based on advances outstanding.

Total loans increased by $18,696,063 for the six months ended December 31, 1996, which was a $15,494,855 improvement from September 30, 1996. The loan portfolio growth was in 1-4 family mortgages, commercial real estate and commercial loans. On December 4, 1996, the Company purchased approximately $10,000,000 of 1-4 family mortgages. The loans purchased were all one year adjustable rate mortgages secured by property located in the state of Maine. By January 31, 1997, the Company had committed to purchasing an additional $10,000,000 of 1-4 family adjustable rate mortgages secured by property located in the state of Maine. The Company's local market as well as the secondary market has become and continues to be very competitive for loan volume. The local competitive environment and customer's response to favorable secondary market rates has affected the Company's ability to increase the loan portfolio. In the effort to increase loan volume, the Company's offering rates for its loan products have been reduced to compete in the various markets. While loan volume has increased in the six months of this fiscal year, the Company will experience some margin compression due to decreased loan rates. Loans held for sale decreased by $325,070 due to the increased volume of mortgage loans sold to Freddie Mac and Fannie Mae. The increased volume was due to favorable secondary market rates during the Company's December 31, 1996 quarter.

The loan portfolio contains elements of credit and interest rate risk. The Company primarily lends within its local market areas, which management believes helps them to better evaluate credit risk. The Company also maintains a well collateralized position in real estate mortgages. Residential real estate mortgages make up 69% of the total loan portfolio, in which 49% of the residential loans are variable rate products. It is management's intent to increase the volume in variable rate residential loans, by selling fixed rate loans to the secondary market and maintaining portfolio variable rate loans, to reduce the interest rate risk in this area.

Fifteen percent of the Company's total loan portfolio balance is commercial real estate mortgages. Similar to the residential mortgages, the Company tries to mitigate credit risk by lending in its local market area as well as maintaining a well collateralized position in the real estate. Commercial real estate loans have minimal interest rate risk as 89% of the portfolio consists of variable rate products.

Commercial loans make up 9% of the total loan portfolio, in which 83% of its balance is variable rate instruments. The credit loss exposure on commercial loans is highly dependent on the cash flow of the customer's business. The Company's subsidiary, Northeast Bank, FSB (the "Bank"), attempts to mitigate losses in commercial loans through lending in accordance to the Company's credit policy guidelines established by the Bank's Board of Directors.

Consumer and other loans make up 7% of the loan portfolio. Since these loans are primarily fixed rate products, they have interest rate risk when market rates increase. These loans also have credit risk with, at times, minimal collateral security. Management attempts to mitigate these risks by keeping the products offered short-term, receiving a rate of return commensurate with the measured risks, and lending to individuals in the Company's known market areas.

The net increase in the Company's premises and equipment is primarily due to the construction of the new branch in Auburn, Maine.

Other real estate owned increased by $121,905 from June 30, 1996 to December 31,1996. This increase was attributable to foreclosures on loan collateral.

Cash provided by operating activities on the Company's Consolidated Statements of Cash Flows increased by $869,069 at December 31, 1996 compared to December 31, 1995. The increase was primarily due to the increased cash from the sale of trading securities and loans held for sale.

Total deposits were $142,959,996 and securities sold under repurchase agreements were $5,213,846 as of December 31, 1996. These amounts represent a decrease of $2,235,373 and an increase of $1,450,880, respectively, compared to June 30, 1996. Brokered deposits represented $4,820,113 of the total deposits for the quarter ended December 31, 1996 a decrease of $827,025 compared to June 30, 1996. The Company utilizes brokered CD's as alternative sources of funds. Brokered deposits are similar to local deposits, in that both are interest rate sensitive with respect to the Company's ability to retain the funds. Cross selling strategies are employed by the Bank to develop deposit growth. Even though deposit interest rates increased during 1996, the rate of return was much stronger in 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 deposit base.

Total advances from the FHLB were $68,663,634 as of December 31, 1996, an increase of $16,540,634 compared to June 30, 1996. The cash received from FHLB advances was utilized for the increase in the loan portfolio, during the quarter ended December 31, 1996. The Company's current advance availability, subject to the satisfaction of certain conditions, is approximately $33,200,000 greater than the December 31, 1996 advances reported. Mortgages, free of liens, pledges and encumbrances are required to be pledged to secure FHLB advances. The Company utilizes FHLB advances, as alternative sources of funds, when the interest rates of the advances are less than market deposit interest rates and to fund short-term liquidity demands for loan volume. 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 future budgeted growth.

Total equity of the Company was $18,743,078 as of December 31, 1996 versus $18,151,242 at June 30, 1996. Book value per common share was $13.60 as of December 31, 1996 versus $13.13 at June 30, 1996. Total equity to total assets of the Company as of December 31, 1996 was 7.86%.

At December 31, 1996, the Banks' regulatory capital was in compliance with regulatory capital requirements as follows:

	Northeast Bank, F.S.B.
Capital Requirements:	
Tangible capital	$ 3,545,000
Percent of tangible assets	1.50%
Core capital	$ 7,089,000
Percent of adjusted tangible assets	3.00%
Leverage capital	$ 9,452,000
Percent of adjusted leverage assets	4.00%
Risk-based capital	$ 11,644,000
Percent of risk-weighted assets	8.00%
Actual:	
Tangible capital	$ 16,623,000
Percent of adjusted total assets	7.03%
Excess of requirement	$ 13,078,000
Core capital	$ 16,623,000
Percent of adjusted tangible assets	7.03%
Excess of requirement	$ 9,534,000
Leverage capital	$ 16,623,000
Percent of adjusted leverage assets	7.03%
Excess of requirement	$ 7,171,000
Risk-based capital	$ 17,836,000
Percent of risk-weighted assets	12.25%
Excess of requirement	$ 6,192,000

The carrying value of securities available for sale by the Company was $28,896,205, which is $1,076,517 less than the cost of the underlying securities, at December 31, 1996. The difference from the carrying value and the cost of the securities was primarily attributable to the decline in market value of mortgage-backed securities, which was due to the change in current market prices from the prices at the time of purchase. The Company has primarily invested in mortgage-backed securities. Substantially all of the mortgage-backed securities are high grade government backed securities. As in any long term earning asset in which the earning rate is fixed, the market value of mortgage-backed securities will decline when market interest rates increase from the time of purchase. Since these mortgage-backed securities are backed by the U.S. government, there is little or no risk in loss of principal. Management believes that it would be advantageous to hold these securities until the market values recover and that the yields currently received on this portfolio are satisfactory.

The Company's allowance for loan losses was $2,483,000 as of December 31, 1996 versus $2,549,000 as of June 30, 1996, representing 1.32% and 1.50% of total loans, respectively. The Company had non-performing loans totaling $2,221,000 at December 31, 1996 compared to $2,603,000 at June 30, 1996. Non-performing loans represented .93% and 1.17% of total assets at December 31 and June 30, 1996, respectively. The Company's allowance for loan losses was equal to 112% and 98% of the total non-performing loans at December 31, 1996 and June 30, 1996, respectively. At December 31, 1996, the Company had approximately $648,000 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. As of December 31, 1996, the amount of such loans had decreased from the June 30, 1996 amount by $1,893,000. This decrease was attributed to the reclassification of loans to lower risk classifications as a result of favorable changes to in the borrower's financial condition, indicating a decreased potential for these loans becoming non-performing assets. Along with non-performing and delinquent loans, management takes an aggressive posture in reviewing its loan portfolio to classify loans substandard. The following table represents the Company's non-performing loans as of December 31 and June 30, 1996, respectively:

Description	December 31, 1996	June 30, 1996
1-4 Family Mortgages	$ 1,339,000	$ 1,092,000
Commercial Mortgages	552,000	1,154,000
Commercial Installment	293,000	283,000
Consumer Installment	37,000	74,000
Total non-performing	$ 2,221,000	$ 2,603,000

The majority of the non-performing and substandard loans are seasoned loans located in the Oxford county area. This geographic area continues to have a depressed economy resulting in high unemployment and a soft real estate market. As a result, management has allocated substantial resources to collections in an effort to control the growth in non-performing, delinquent and substandard loans. The Company decreased its total delinquent accounts during the December 31, 1996 quarter. The reduction was largely due to collection efforts of the 30 and 60 day delinquent accounts as well as the transfer of $551,264 non-performing loans to real estate owned.

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

3-31-96	6-30-96	9-30-96	12-31-96
2.82%	2.77%	1.53%	1.24%

While the level of the allowance for loan losses as a percentage of total loans at December 31, 1996 decreased from June 30,1996, the level of the allowance for loan losses as a percentage of non-performing loans and total delinquencies as a percentage of total loans improved during the quarter ended December 31, 1996. Loans classified substandard decreased from June 30, 1996 to December 31, 1996. 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, Company 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.

The state of Maine's economy, in which the Bank operates, including the south central region of Cumberland, Androscoggin and Sagadahoc counties has stabilized with moderate growth, although the economy in the western region of Oxford county remains weak. Based on the different economic conditions in the Bank's market areas, management of the Company continues to carefully monitor the exposure to credit risk at the Bank.

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 Company's allowance for loan losses. Such agencies may require the Company 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 Company's most recent examination by the OTS was on August 19, 1996. At the time of the exam the regulators proposed no additions to the allowance for loan losses.

Results of Operations

Net income for the quarter ended December 31, 1996 was $528,160. Primary earnings per share was $.37 and fully diluted earnings per share was $.33 for the quarter ended December 31, 1996. This compares to earnings of $443,436 or a primary earnings per share of $.32 per share and a fully diluted earnings per share of $.29, for the quarter ended December 31, 1995. Net income for the six months ended December 31, 1996 was $711,421 versus $865,073 for the period ended December 31, 1995. Primary earnings per share was $.48 and fully diluted earnings per share was $.45 for the six month period ended December 31, 1996 versus primary earnings per share of $.64 and fully diluted earnings per share of $.58 for the period ended December 31, 1995. The 1995 earnings per share has been restated as a result of the Company's 100% stock dividend in December, 1995.

In September of 1996, Congress enacted comprehensive legislation amending the FDIC BIF-SAIF deposit insurance assessment on savings and loan institution deposits. The legislation imposed a one-time assessment on institutions holding SAIF deposits on March 31, 1995, in an amount necessary for the SAIF to reach its 1.25% Designated Reserve Ratio. Institutions with SAIF deposits were required to pay an assessment rate of 65.7 cents per $100 of domestic deposits held as of March 31, 1995. The Bank held approximately $57,900,000 of SAIF deposits as of March 31, 1995. This resulted in an expense of $380,000 which was reflected in the Company's September 30, 1996 quarter end financial statements. During the December 31, 1996 quarter, Congress issued final legislation which enabled certain qualifying institutions an ability to apply for a 20% discount on the special assessment. The Bank received a credit of $83,140 reducing the assessment expense in the December 31, 1996 quarter. The credit received from the FDIC increased the Company's Primary earnings per share by $.04 and the fully diluted earnings per share by $.03 for the quarter ended December 31, 1996. The net effect of the one time assessment was $296,860 and decreased the Company's primary earnings per share by $.15 and the fully diluted earnings per share by $.13 for the six months ended December 31, 1996. Commencing in 1997 and continuing through 1999, the Bank is required to pay an annual assessment of 1.29 cents for every $100 of domestic BIF insured deposits and 6.44 cents for every $100 of domestic SAIF insured deposits. At the Bank's current deposit level, the 1997 annual assessment would be approximately $64,000. Commencing in 2000 and continuing through 2017, banks would be required to pay a flat annual assessment of 2.43 cents for every $100 of domestic deposits. If there are no additional deposit assessments in the future, it is anticipated that the Company will save approximately $82,000 annually commencing in fiscal 1998.

The Company's net interest income was $2,399,254 for the quarter ended December 31, 1996 versus $2,230,682 for the quarter ended December 31, 1995, for an increase of $168,572. This increase was due to an increase of $392,899 in total interest income offset by an increase in total interest expense of $224,327.

The Company's net interest income was $4,683,206 for the six months ended December 31, 1996, versus $4,443,984 for the six months ended December 31, 1995, an increase of $239,222. Total interest income increased $626,877 during the six months ended December 31, 1996 compared to the six months ended December 31, 1995, resulting from the following items: (I) Interest income on loans and loans held for sale increased by $20,198 for the six months ended December 31, 1996 resulting from a $235,890 increase due to an increase in the volume of loans, which was offset by a decrease of $215,692 due to decreased rates on loans. (II) Interest income on investment securities increased by $791,127 resulting from a $761,753 increase due to an increase in volume as well as an increase of $29,374 due to increased rates on investments. (III) Interest income on short term liquid funds decreased by $184,448 resulting from a $151,828 decrease due to a decrease in volume as well as a decrease of $32,620 due to decreased rates on FHLB overnight deposits.

The increase in total interest expense of $387,655 for the six months ended December 31, 1996 resulted from the following items: (I) Interest expense on deposits decreased by $214,373 for the six months ended December 31, 1996 resulting from a $76,363 decrease due to a decrease in the volume of deposits as well as a decrease of $138,010 due to decreasing deposit rates. (II) Interest expense on repurchase agreements increased by $10,163 due to an increase of $19,615 in the volume of repurchase agreements offset by a decrease of $9,452 due to a decrease in rates. (III) Interest expense on borrowings increased by $591,865 for the six months ended December 31, 1996 resulting from an increase of $664,691 due to an increase in the volume of borrowings offset by a decrease of $72,826 due to a change in the mix of interest rates on borrowings. The changes in net interest income, as explained above, are also presented in the schedule below.

Northeast Bancorp
Rate/Volume Analysis for the six months ended
December 31, 1996 versus December 31, 1995

	Difference Due to Volume	Rate	Total
Investments	$ 761,753	$ 29,374	$ 791,127

Loans	235,890	(215,692)	20,198
FHLB & Other Deposits	(151,828)	(32,620)	(184,448)
Total	845,815	(218,938)	626,877
Deposits	(76,363)	(138,010)	(214,373)
Repurchase Agreements	19,615	(9,452)	10,163
Borrowings	664,691	(72,826)	591,865
Total	607,943	(220,288)	387,655
Net Interest Income	$ 237,872	$ 1,350	$ 239,222

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 considers its core deposits long term liabilities that are matched to long term assets; therefore, it 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 Company'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 35% of other loans in the Company'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. The Company is experiencing and anticipates additional net interest margin compression due to fluctuating rates. The impact on net interest income will depend on, among other things, actual rates charged on the Company's loan portfolio, deposit and advance rates paid by the Company and loan volume.

Total non-interest income was $392,056 and $896,740 for the three and six months ended December 31, 1996 versus $550,478 and $1,164,772 for the three and six months ended December 31, 1995. Service fee income was $246,741 and $513,690 for the three and six months ended December 31, 1996 versus $235,211 and $516,820 for the three and six months ended December 31, 1995. The $3,130 service fee decrease for the six months ended December 31, 1996 was primarily due to the reduction in loan fee income. Income from available for sale securities gains was $46,117 and $74,417 for the three and six months ended December 31, 1996 versus $85,791 and $206,383 for the three and six months ended December 31, 1995. Gains from the sale of securities decreased in the six months ended December 31, 1996 by $131,966 compared to the six months ended December 31, 1995. The Company sold some of its available for sale securities during the six month period ended December 31, 1995, taking advantage of the fluctuation in market prices in the mortgage-backed security portfolio. Income from trading account securities was $(11,241) and $50,124 for the three and six month periods ended December 31, 1996 versus $7,006 for each of the three and six months ended December 31, 1995. The gain on trading account, in the three and six month period ended December 31, 1996, was due to the sale and appreciation in the market values of the securities classified as trading.

Other income was $110,439 and $258,509 for the three and six months ended December 31, 1996, which was a decrease of $112,031 and a decrease of $176,054 from other income of $222,470 and $434,563 for the three and six months ended December 31, 1995. The reduction in other income was primarily due to the decrease in gains on the sale of loans held for sale, which amounted to $9,326 and $29,205 for the three and six months ended December 31, 1995 versus $40,342 and $123,158 for the three and six months ended December 31, 1995. The reduction in gains from the sale of loans was due to decreased secondary market activity. Other income was also impacted by losses on the sale of other real estate owned, which was $22,787 and $24,009 for the three and six months ended December 31, 1996.

Total operating expense, or non-interest expense, for the Company was $1,819,013 and $4,162,842 for the three and six months ended December 31, 1996 versus $1,935,671 and $3,951,595 for the three and six months ended December 31, 1995. The increase in compensation, occupancy and equipment expense for the three and six months ended December 31, 1996 was due to normal growth and maintenance. Other expenses decreased by $73,243 and $120,186 for the three and six months ended December 31, 1996, compared to December 31, 1995. The decrease in other expenses was primarily due to the reduction in loan and deposit expenses. As previously discussed above, the Company's operating expenses, for the six months ended December 31, 1996, increased primarily due to the FDIC-SAIF deposit insurance assessment of $296,860. Excluding the deposit assessment, the Company's operating expenses were $3,865,982 for the six months ended December 31, 1996, which was a decrease of $85,613 when compared to the six months ended December 31, 1995.

On July 1, 1996 the Company adopted the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 122, Accounting for Mortgage Servicing Rights, ("Statement 122"). Statement 122 requires that a mortgage banking enterprise recognize as separate assets the rights to service mortgage loans for others. Statement 122 also requires the assessment of capitalized mortgage servicing rights for impairment to be based on the current fair value of those rights. This assessment includes servicing rights capitalized prior to adoption of Statement 122. The adoption of Statement 122 was not material to the Company's financial position, liquidity, or results of operations.

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 many 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.

NORTHEAST BANCORP AND SUBSIDIARY
Part II - Other Information

Item 1. Legal Proceedings

Not Applicable.

Item 2. Changes in Securities

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

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

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits and Reports on Form 8 - K

(a) Exhibits

Not Applicable.

11 Statement regarding computation of per share.

27 Financial data schedule

(b) Reports on Form 8 - K

No reports on Form 8 - K have been filed during the quarter ended December 31, 1996.

NORTHEAST BANCORP AND SUBSIDIARY
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.

NORTHEAST BANCORP

(Registrant)

/s/ James D. Delamater

James D. Delamater
President and CEO

/s/ Richard Wyman

Richard Wyman
Chief Financial Officer

Date: February 11, 1997

NORTHEAST BANCORP AND SUBSIDIARY
Index to Exhibits

EXHIBIT NUMBER	DESCRIPTION
11	Statement regarding computation of per share earnings
27	Finanacial Data Schedule

NORTHEAST BANCORP AND SUBSIDIARY

Exhibit 11. Statement Regarding Computation of Per Share Earnings

	Three Months Ended December 31, 1996	Three Months Ended December 31, 1995
EQUIVALENT SHARES:		
Average Shares Outstanding	1,231,547	1,195,685
Total Equivalent Shares	1,231,547	1,195,685
Total Primary Shares	1,338,846	1,293,424
Total Fully Diluted Shares	1,575,787	1,529,798
Net Income	$ 528,160	$ 443,436
Less Preferred Stock Dividend	35,000	35,000
Net Income after Preferred Dividend	$ 493,160	$ 408,436
Primary Earnings Per Share	$ 0.37	$ 0.32
Fully Diluted Earnings Per Share	$ 0.33	$ 0.29

	Six Months Ended December 31, 1996	Six Months Ended December 31,1995
EQUIVALENT SHARES:		
Average Shares Outstanding	1,231,421	1,157,967
Total Equivalent Shares	1,231,421	1,157,967
Total Primary Shares	1,334,738	1,252,857
Total Fully Diluted Shares	1,575,661	1,492,080
Net Income	$ 711,421	$ 865,073
Less Preferred Stock Dividend	69,999	69,999
Net Income after Preferred Dividend	$ 641,422	$ 795,074
Primary Earnings Per Share	$ 0.48	$ 0.64
Fully Diluted Earnings Per Share	$ 0.45	$ 0.58

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NORTHEAST BANCORP
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6-MOS
JUN-30-1997
JUL-01-1996
DEC-31-1996
3,708,584
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