FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For fiscal year ended June 30, 1995

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from

Commission file number (0-16123)

Bethel 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.)

489 Congress Street, Portland, Maine	04101
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (207) 772-8587

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $1.00 par value

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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by nonaffiliates of the registrant, as of September 20, 1995, was $12,321,563. Although directors and executive officers of the registrant and its subsidiaries were assumed to be "affiliates" of the registrant for the purposes of this calculation, this classification is not to be interpreted as an admission of such status.

As of September 20, 1995, 547,625 shares of the registrant's common stock were issued and outstanding.

DOCUMENTS INCORPORATED
BY REFERENCE

The following documents, in whole or in part, are specifically incorporated by reference in the indicated Part of this Annual Report on Form 10-K:

Document	Part
Proxy Statement for the 1995 Annual Meeting of Shareholders	III

PART I

Item 1. Business

(a) General Development of Business

The Registrant, Bethel Bancorp (The "Company") is a Maine Corporation chartered in April 1987 for the purpose of becoming a multi-savings and loan holding company. The Company is the parent of Bethel Savings Bank, F.S.B. ("Bethel"), a federally - chartered savings bank with its principal place of business in Bethel, Maine and Brunswick Federal Savings, F.A. ("Brunswick"), a federally - chartered savings association with its principal place of business in Brunswick, Maine.

In October 1990, the Company issued 45,454 shares of Series A Preferred Stock to Square Lake Holding Corporation ("Square Lake") at an aggregate purchase price of $1,000,000, or $22.00 per share. The Series A Preferred Stock is convertible into shares of the Company's common stock on a one-for-one basis and carries a dividend rate equal to 2% below First National Bank of Boston prime rate with a minimum of 7%. Square Lake is a Maine corporation which is owned by a Canadian corporation of which Ronald Goguen of Moncton, New Brunswick is a principal. Ronald Goguen is also currently serving as a director of the Company.

In May of 1992, the Company entered into a Stock Purchase Agreement with Square Lake and, on February 9, 1994, following receipt of regulatory and shareholder approval, the Company issued 71,428 shares of a newly designated Series B convertible preferred stock to Square Lake at an aggregate price of approximately $1 million, or $14.00 per share. As part of the transaction, the Company also issued Square Lake a warrant with a term of seven years to purchase 116,882 shares of the Company's common stock at a price of $14.00 per share. The Series B Preferred Stock is convertible into shares of the Company's common stock on a one-for-one basis and carries a dividend rate equal to 2% below the prime rate of The First National Bank of Boston, not to be less than 7%. The rights and preferences of the Series B Preferred Stock issued pursuant to this transaction are similar to, and on a parity with, the Company's Series A Preferred Stock.

In fiscal year 1993, the Company moved its headquarters from Bethel, Maine to Portland, Maine. The Company also acquired a controlling interest in ASI Data Services, Inc., an existing company which provides sales and service of computer related hardware and software, as well as a full line of data processing support systems. The primary activity is for ASI to provide data support for the Company.

During the fiscal year ended June 30, 1995, Bethel and Brunswick (collectively, the "Banks") continued their operations in line with the past and anticipate no significant change in their operations during the next fiscal year. During the fiscal year, there have been no bankruptcy, receivership or similar proceedings with respect to the Company or the Banks. During the year the Company acquired four branches from Key Bank of Maine. See Management's Discussion and Analysis.

(b) Financial Information About Industry Segments

Not applicable.

(c) Narrative Description of Business

General

The Company is a savings and loan holding company whose primary assets are its subsidiaries, the Banks.

Bethel is a federally-chartered stock savings bank. It was organized in 1872 as a Maine-chartered mutual savings bank and received its federal charter in 1984. Bethel is headquartered in Bethel, Maine.

Brunswick is a federally-chartered savings association and is headquartered in Brunswick, Maine. Brunswick was chartered in 1988.

In connection with its conversion to a federal stock savings bank in 1984, Bethel retained its then-authorized powers as a Maine-chartered mutual savings bank. Under applicable federal regulations, Bethel may exercise any authority it was allowed to exercise as a mutual savings bank under state law and regulation at the time of its conversion to a federal savings bank. In exercising such "grandfathered" powers, Bethel may continue to comply with applicable state laws and regulations in effect at the time of its conversion to federal charter except as otherwise determined by the Office of Thrift Supervision (the "OTS"). Bethel, however, may not use its grandfathered powers to engage in activities to a greater degree than would be allowed under the most liberal construction of either state or federal law or regulations.

Historically, Maine-chartered savings banks have had certain lending, investment and other powers only recently authorized for federal institutions, including commercial lending authority and the ability to offer personal checking and negotiable order of withdrawal (NOW) accounts. Bethel also has broader securities investment authority than other federal thrift institutions (i.e. savings banks and savings and loan associations) as a result of its retention of state powers.

The Banks' primary business has historically consisted of attracting savings deposits from the general public and applying these funds primarily to the origination and retention of first mortgage loans on residential real estate. Over the past several years, the Banks have concentrated their lending efforts on the origination of loans that are shorter-term or interest rate sensitive. Of the Banks' loan portfolios at June 30, 1995, 84% was invested in real estate loans (including residential, construction and commercial mortgage loans), 7% in commercial loans and 9% in consumer loans.

The deposits of the Banks are insured by the Federal Deposit Insurance Corporation, through the Bank Insurance Fund in the case of Bethel and the Savings Association Insurance Fund in the case of Brunswick. The Banks are members of the Federal Home Loan Bank of Boston (the "FHLB").

At June 30, 1995, the legal lending limits of Bethel and Brunswick were approximately $1,350,000 and $1,200,000, respectively. When, on occasion, customers' credit needs exceed the Banks' lending limits, the Banks may seek participations of such loans with other banks.

Market Area and Competition

Bethel is headquartered in Bethel, Maine with full service branches in Harrison, South Paris, Buckfield and Mechanic Falls, Maine. Bethel has centralized its position for servicing the area known as Oxford Hills. This area of Western Maine is characterized by a diversified economy and a strong emphasis on the tourist industry.

Brunswick is headquartered in Brunswick, Maine with full service branches in Richmond and Lisbon Falls, Maine. Brunswick serves the south-central region of the coast of Maine. This area also has a diversified economy with a strong emphasis on the tourist industry.

The banking business in the Banks' market areas has become increasingly competitive over the past several years. The Banks' major competitors in attracting deposits and lending funds consist principally of other Maine-based banks, and regional and money center and nonbank financial institutions. Many of the Banks' competitors are larger in size and possess greater financial resources.

The principal factors in competing for deposits are convenient office locations, flexible hours, interest rates and services, while those relating to loans are interest rates, the range of lending services offered and lending fees. Additionally, the Banks believe that the local character of their businesses and their "community bank" management philosophy enable them to compete successfully in their market areas.

Regional Economic Environment

The state of Maine's economy, including Cumberland, Androscoggin and Sagadahoc counties where Brunswick is located, has stabilized with moderate to flat growth, although the state of economy in Oxford county, the location of Bethel continues to remain weak due to high unemployment and a soft real estate market. Management of the Company believes that the regional real estate decline has impacted the financial condition and operations of the Company. The amount of the Company's non-performing loans at June 30, 1995 was $2,266,000. Other real estate owned at June 30, 1995 was $1,372,686. At June 30, 1995, the Company's ratio of non-performing loans to total loans was 1.33%. At June 30, 1995, the Company's allowance for loan losses was $2,396,000, which represented 106% of non-performing loans at the same date. The Banks have traditionally placed more emphasis on residential real estate mortgages and loan volume continues to increase in this lower credit risk area due to the Banks continuing to enhance their loan products as well as offering customers competitively priced mortgage packages. Based on the different economic positions in the Bank's market areas, management of the Company continues to carefully monitor the Bank's exposure to credit risk and can give no assurance that the regional real estate decline will not, in the future, have a material negative impact on the financial condition or operations of the Company.

Subsidiaries

The Company acquired a wholly-owned subsidiary, ASI Data Services, Inc.

through two stock purchases during 1993-1994 for an aggregate purchase price of $465,840. ASI Data Services, Inc. functions as the Company's and its subsidiaries' data processing company. Management's objective is for ASI to continue to provide internal data processing efficiencies and to support future growth and expansion opportunities.

Bethel has one wholly-owned subsidiary, Bethel Service Corporation, which was organized in 1982. Through Bethel Service Corporation, Bethel has participated in certain real estate development projects. While Bethel does not actively pursue such projects, several projects of varying sizes have been undertaken in the past few years. Any proposed development project is examined for its profit potential and its ability to enhance the communities served by Bethel. There are no definitive plans for additional real estate development projects at the present time. At June 30, 1995, investment in and loans to its subsidiary constituted 1% of Bethel's total assets.

In addition, Bethel invested $75,000 of capital in Bankers Cooperative Mortgage, Company, Inc. ("Bankers Cooperative") in 1987 along with other thrift institutions. Bankers Cooperative is operated by independent management and originates mortgage loans. Bankers Cooperative originates mortgages for sale in the secondary market and provides servicing for loans. Bethel has not provided Bankers Cooperative with any financing or purchased loans from or sold loans to Bankers Cooperative. Bethel refers customers to and accepts applications for Bankers Cooperative from individuals desiring fixed-rate mortgage loans.

Bethel Service Corporation invested $375,000 of capital and now owns 62.5% of First New England Benefits, Inc. First New England is an employee benefits consulting firm which specializes in the design and administration of qualified retirement and 401(k) plans.

Brunswick has one wholly-owned subsidiary, Brunswick Service Corporation, which was organized during the 1995 fiscal year. The purpose of the service corporation is to support Brunswick's non-banking financial services through its affiliation with Independent Financial Marketing Group, a fully licensed New York securities firm.

Employees

As of June 30, 1995, the Company and its consolidated subsidiaries had 104 full-time and 23 part-time employees. The Company's employees are not represented by any collective bargaining unit. Relations between the Company and its employees are considered good.

Regulation

General

Savings banks and savings and loan holding companies are subject to extensive supervision and regulation. The Banks are subject to regulation and supervision by the OTS.

The Company, as a savings and loan holding company, is subject to regulation, examination and supervision by the OTS under the Home Owners Loan Act. The Company is also deemed a Maine financial institution holding company. As such, the Company is registered with the Maine Superintendent of Banking (the "Superintendent") and will be subject to periodic examinations and reporting requirements of the Superintendent.

Recent Developments in Savings Institution Regulation

Federal Deposit Insurance Corporation Improvement Act of 1991

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), which was enacted on December 19, 1991, contains various provisions intended to recapitalize the Bank Insurance Fund ("BIF") and also effects a number of regulatory reforms that will impact all insured depository institutions, regardless of the insurance fund in which they participate, including the Banks. 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. The OTS adopted final rules on applications, delegations of authority and capital maintenance requirements effective March 15, 1993. 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. Since both the Banks exceeded all capital requirements at June 30, 1995, these new provisions are not expected to have any significant impact on their operations. Other provisions of FDICIA increase the premiums to be paid by the Banks for deposit insurance and make the institutions subject to special assessments to maintain the insurance fund. See "Savings Institution Regulation -- Insurance of Deposits."

Financial Institutions Reform, Recovery and Enforcement Act of 1989

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (the "FIRRE Act"), which was enacted on August 9, 1989, abolished the Federal Home Loan Bank Board (the "FHLBB") and the Federal Savings and Loan Insurance Corporation (the "FSLIC") and significantly changed the federal regulatory framework for savings institutions and their holding companies. The FHLBB's regulatory responsibilities over savings institutions and their holding companies were transferred to the Director of the OTS, and a new insurance fund, the Savings Association Insurance Fund (the "SAIF"), was established to insure the deposit accounts of savings institutions. All savings institutions that were insured by the FSLIC immediately prior to the enactment of the FIRRE Act automatically became members of the SAIF upon enactment of the FIRRE Act. The SAIF is administered by the FDIC, which also administers the BIF, the separate insurance pool for banks. Bethel's deposits are insured under the BIF and Brunswick's deposits are insured under the SAIF. The FDIC, in its capacity as administrator of the SAIF, has the authority generally to regulate savings institutions to the extent necessary to ensure the safety and soundness of the SAIF. The Director of the OTS serves as a member of the FDIC's Board of Directors. The FIRRE Act provides that all orders, resolutions, determinations and regulations issued by the FHLBB or the FSLIC and in effect on the date of enactment of the FIRRE Act will continue in effect and be enforceable by the appropriate successor-in-interest to the FHLBB or the FSLIC under the FIRRE Act, until modified, terminated, set aside or superseded in accordance with applicable law.

The Federal Home Loan ("FHL") Banks continue to serve as central credit facilities for member savings institutions. However, the FHL Banks no longer have any supervisory or regulatory authority over savings institutions.

Upon dissolution of the FSLIC, all of the assets and liabilities of the FSLIC were transferred to the FSLIC Resolution Fund ("FRF"), which is managed by the FDIC but maintained separate and apart from the SAIF and the BIF. The FRF will be dissolved upon satisfaction of all its debts and liabilities and sale of all assets acquired in connection with resolutions of savings institutions that failed prior to January 1, 1989. The FIRRE Act also provides for the creation of the Resolution Funding Corporation ("REFCORP"), which issues debt obligations, the proceeds of which are used to fund the case resolution activities of the Resolution Trust Corporation (the "RTC"). The RTC is primarily responsible for the disposition of savings institutions that fail after January 1, 1989 but prior to the third anniversary of the FIRRE Act. Funds for the operations of REFCORP and repayment of the principal amount of REFCORP obligations are provided, in the first instance, by contributions from the FHL Banks. The FHL Banks continue to be obligated to make contributions to the Financing Corporation ("FICO"), the entity previously created under the Competitive Equality Banking Act of 1987 ("CEBA"), as the vehicle to recapitalize the FSLIC, to cover the operating expenses of FICO and repayment of FICO obligations.

In addition to restructuring the federal regulatory system for savings institutions, the FIRRE Act included provisions which, among other things, increased the deposit insurance premiums payable by savings institutions, authorized the Director of the OTS to make assessments against savings institutions to cover the operating expenses of the OTS, significantly raised the regulatory capital requirements for savings institutions, and altered the investments and activities permitted for savings institutions. These provisions of the FIRRE Act may increase the cost of doing business for savings institutions. Additionally, the contributions which the FHL Banks were required by the FIRRE Act to make to REFCORP and to FICO will reduce the amount of dividends paid on FHL Bank stock and may increase the costs charged member savings institutions for FHL Bank services, thereby further increasing savings institutions' cost of doing business. Implementing regulations were required to be adopted within various time periods after the effective date of the FIRRE Act.

Savings and Loan Holding Company Regulation

General.

Under the Home Owners Loan Act, as amended by the FIRRE Act (the "HOLA"), the Director of the OTS has succeeded to the jurisdiction of the FHLBB, as operating head of the FSLIC, over savings and loan holding companies. Thus, the Company, as a savings and loan holding company within the meaning of the HOLA, is now subject to regulation, supervision and examination by, and the reporting requirements of, the Director of the OTS.

The HOLA prohibits a savings and loan holding company such as the Company, directly or indirectly, or through one or more subsidiaries, from (i) acquiring control of, or acquiring by merger with or purchase of the assets of, another savings institution or a savings and loan holding company without the prior written approval of the Director of the OTS; (ii) acquiring more than 5% of the issued and outstanding shares of voting stock of another savings institution or savings and loan holding company, except as part of an acquisition of control approved by the Director of the OTS, as part of an acquisition of stock issued by an undercapitalized savings institution or its holding company approved by the Director of the OTS or except under certain specified conditions (such as an acquisition of stock in a fiduciary capacity) which negate a finding of control; or (iii) acquiring or retaining control of a financial institution that does not have SAIF or BIF insurance of accounts. The HOLA also allows the Director of the OTS to approve transactions resulting in the creation of multiple savings and loan holding companies controlling savings institutions located in more than one state in both supervisory and nonsupervisory transactions, subject to the requirement that, in nonsupervisory transactions, the law of the state in which the savings institution to be acquired is located must specifically authorize the proposed acquisition, by language to that effect and not merely by implication. As a result, the Company may, with the prior approval of the Director of the OTS, acquire control of a savings institution located in a state other than Maine if the acquisition is expressly permitted by the laws of the state in which the savings institution to be acquired is located. No director, officer, or controlling shareholder of the Company may, except with the prior approval of the Director of the OTS, acquire control of any savings institution which is not a subsidiary of the Company. Restrictions relating to service as an officer or director of an unaffiliated holding company or savings institution are applicable to the directors and officers of the Company and its savings institution subsidiaries under the Depository Institution Management Interlocks Act.

Pursuant to amendments to the HOLA enacted as part of the FIRRE Act, transactions engaged in by a savings association or one of its subsidiaries with affiliates of the savings association generally are subject to the affiliate transaction restrictions contained in Sections 23A and 23B of the Federal Reserve Act in the same manner and to the same extent as such restrictions now apply to transactions engaged in by a member bank or one of its subsidiaries with affiliates of the member bank. Section 23A of the Federal Reserve Act imposes both quantitative and qualitative restrictions on transactions engaged in by a member bank or one of its subsidiaries with an affiliate, while Section 23B of the Federal Reserve Act requires, among other things, that all transactions with affiliates be on terms substantially the same, and at least as favorable to the member bank or its subsidiary, as the terms that would apply to, or would be offered in, a comparable transaction with an unaffiliated party. Exemptions from, and waivers, of, the provisions of Sections 23A and 23B of the Federal Reserve Act may be granted only by the Federal Reserve Board, but the FIRRE Act authorizes the Director of the OTS to impose additional restrictions on transactions with affiliates if the Director determines such restrictions are necessary to ensure the safety and soundness of any savings institution.

Restrictions on Activities of Multiple Savings and Loan Holding Companies

As a multiple savings and loan holding company following the acquisition of Brunswick, the Company, and its noninsured subsidiaries, are prohibited from engaging in any activities other than (i) furnishing or providing management services for the Banks; (ii) conducting an insurance agency or escrow business; (iii) holding, managing or liquidating assets owned or acquired from the Banks; (iv) holding or managing properties used or occupied by the Banks; (v) acting as trustee under deeds of trust; (vi) engaging in any other activity in which multiple savings and loan holding companies were authorized by regulation to engage as of March 5, 1987; and (vii) engaging in any activity which the Federal Reserve Board by regulation has determined to be permissible for bank holding companies under Section 4(c) of Bank Holding Company Act (the "BHCA") (unless the Director of the OTS, by regulation, prohibits or limits any such activity for savings and loan holding companies). The activities in which multiple savings and loan holding companies were authorized by regulation to engage as of March 5, 1987 consist of activities similar to those permitted for service corporations of federally chartered savings institutions and include, among other things, various types of lending activities, furnishing or performing clerical, accounting and internal audit services primarily for affiliates, certain real estate development and leasing activities and underwriting credit life or credit health and accident insurance in connection with extension of credit by savings institutions or their affiliates. The activities which the Federal Reserve Board by regulation has permitted for bank holding companies under Section 4(c) of the BHCA generally consist of those activities that the Federal Reserve Board has found to be so closely related to banking or managing or controlling banks as to be a proper incident thereto, and include, among other things, various lending activities, certain real and personal property leasing activities, certain securities brokerage activities, acting as an investment or financial advisor subject to certain conditions, and providing management consulting to depository institutions, subject to certain conditions. OTS regulations do not limit the extent to which savings and loan holding companies and their nonsavings institution subsidiaries may engage in activities permitted for bank holding companies pursuant to section 4(c)(8) of the BHCA, although prior OTS approval is required to commence any such activity.

The Company is currently a multiple savings and loan holding company and, therefore, is currently subject to the foregoing activities restrictions. The Company could be prohibited from engaging in any activity (including those otherwise permitted under the HOLA) not allowed for bank holding companies if any savings institution subsidiary fails to constitute a qualified thrift lender. See "Regulation -- Savings Institution Regulation -- Qualified Thrift Lender Requirement."

Savings Institution Regulation

General.

As federally chartered institutions, the Banks are subject to supervision and regulation by the Director of the OTS, the FHLBB's successor under the FIRRE Act. In connection with its conversion to a federal mutual savings bank in 1984, Bethel retained its then-authorized powers as a Maine-chartered mutual savings bank. Under OTS regulations, the Banks are required to obtain audits by independent accountants and to be examined periodically by the Director of the OTS. These examinations must be conducted no less frequently than every twelve (12) months. The Banks are subject to assessments by the OTS and the FDIC to cover the costs of such examinations. The OTS may revalue assets of the Banks, based upon appraisals, and require the establishment of specific reserves in amounts equal to the difference between such revaluation and the book value of the assets. The Director of the OTS is also authorized to promulgate regulations to ensure the safe and sound operations of savings institutions and may impose various requirements and restrictions on the activities of savings institutions. The FIRRE Act requires that all regulations and policies of the Director of the OTS for the safe and sound operations of savings institutions be no less stringent than those established by the Office of the Comptroller of the Currency (the "OCC") for national banks. In November 1993, the OTC, as well as the Office of the Comptroller of the Currency and the FDIC, acting under FDICIA, issued a notice of proposed rulemaking in which it requested public comment on proposed safety and soundness regulations. These regulations relate to (i) internal controls, information systems, and internal audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) interest rate exposure; (v) asset growth; and (vi) compensation and benefit standards for officers, directors, employees and principal shareholders. No final action has been taken. The Banks are also subject to regulation and supervision by the FDIC, in its capacity as insurer of deposits in the Banks, to ensure the safety and soundness of the BIF and the SAIF. See "Regulation -- Savings Institution Regulation -- Insurance of Deposits."

Capital Requirements.

As required by amendments of the HOLA enacted as part of the FIRRE Act, the Director of the OTS has adopted capital standards which require savings institutions to maintain (i) "core capital" in an amount of not less than 3% of total assets, (ii) "tangible capital" in an amount not less than 1.5% of total assets and (iii) a level of risk-based capital equal to 8.0% of risk-weighted assets. The capital standards established for savings institutions must generally be no less stringent than those applicable to national banks and must use all relevant substantive definitions used in the capital standards for national banks. Under the OTS regulations, the term "core capital" includes common stockholders equity, noncumulative perpetual preferred stock and related surplus, and minority interests in the equity accounts of consolidated subsidiaries, less intangible assets, other than certain amounts of supervisory goodwill, and up to 90% of the fair market value of readily marketable purchased mortgage servicing rights ("PMSRs") (subject to certain conditions). The term "tangible capital," for purposes of the HOLA, is defined as core capital minus intangible assets (as defined by the OCC for national banks), provided, however, that savings institutions may include up to 90% of the fair market value of readily marketable PMSRs as tangible capital (subject to certain conditions, including any limitations imposed by the FDIC on the maximum percentage of the tangible capital requirement that may be satisfied with such servicing rights). In determining compliance with capital standards, a savings institution must deduct from capital its entire investment in and loans to any subsidiary engaged as principal in activities not permissible for a national bank, other than subsidiaries (i) engaged in such nonpermissible activities solely as agent for their customers; (ii) engaged in mortgage banking activities, or (iii) that are themselves savings institutions, or companies the only investment of which is another savings institution, acquired prior to May 1, 1989. With respect to investments in and loans to subsidiaries engaged as of April 12, 1989 in activities not permitted for national banks, the required deduction from capital was to be phased-in over a period ending June 30, 1995.

In determining total risk-weighted assets for purposes of the risk-based requirement, (i) each off-balance sheet asset must be converted to its on-balance sheet credit equivalent amount by multiplying the face amount of each such item by a credit conversion factor ranging from 0% to 100% (depending upon the nature of the asset), (ii) the credit equivalent amount of each off-balance sheet asset and the book value of each on-balance sheet asset must be multiplied by a risk factor ranging from 0% to 100% (again depending upon the nature of the asset) and (iii) the resulting amounts are added together and constitute total risk-weighted assets. Total capital, for purposes of the risk-based capital requirement, equals the sum of core capital plus supplementary capital (which, as defined, includes, among other items, perpetual preferred stock, not counted as core capital, limited life preferred stock, subordinated debt, and general loan and lease loss allowances up to 1.25% of risk-weighted assets), less certain deductions. The amount of supplementary capital that may be counted towards satisfaction of the total capital requirement may not exceed 100% of core capital, and OTS regulations require the maintenance of a minimum ratio of core capital to total risk-weighted assets of at least 4.0%.

In August 1993, the OTS issued a final ruling adding an interest rate risk component for purposes of risk-based capital requirements. The interest rate risk component now takes into account, for risk-based capital purposes, the effect that a change in interest rates would have on the value of a savings institution's portfolio. The final rule and amendments became effective July 1, 1994.

Any insured depository institution which falls below the minimum capital standards must submit a capital restoration plan. In general, undercapitalized institutions will be precluded from increasing their assets, acquiring other institutions, establishing additional branches, or engaging in new lines of business without an approved capital plan and an agency determination that such actions are consistent with the plan. Savings institutions that are significantly undercapitalized or critically undercapitalized are subject to additional restrictions and may be required to (i) raise additional capital; (ii) limit asset growth; (iii) limit the amount of interest paid on deposits to the prevailing rate of interest in the region where the institution is located; (iv) divest or liquidate any subsidiary which the OTS determines poses a significant risk; (v) order a new election for members of the board of directors; (vi) require the dismissal of a director or senior executive officer, or (vii) take such other action as the OTS determines is appropriate. Under FDICIA, the OTS is required to appoint a conservator or receiver for a critically undercapitalized institution no later than 9 months after the institution becomes critically undercapitalized, subject to a limited exception for institutions which are in compliance with an approved capital plan and which the OTS and the FDIC certify are not likely to fail.

FDICIA prohibits any depository institution that is not well capitalized from accepting deposits through a deposit broker. Previously, only troubled institutions were prohibited from accepting brokered deposits. The FDIC may allow adequately capitalized institutions to accept brokered deposits for successive periods of up to 90 days. FDICIA also prohibits undercapitalized institutions from offering rates of interest on insured deposits that significantly exceed the prevailing rate in their normal market area or the area in which the deposits would otherwise be accepted.

Capital requirements higher than the generally applicable minimum requirement may be established for a particular savings institution if the OTS determines that the institution's capital was or may become inadequate in view of its particular circumstances. Individual minimum capital requirements may be appropriate where the savings institution is receiving special supervisory attention, has a high degree of exposure to interest rate risk, or poses other safety or soundness concerns.

Qualified Thrift Lender Requirement.

In order for the Banks to exercise the powers granted to federally chartered savings institutions, and maintain full access to FHL Bank advances, each must constitute a "qualified thrift lender" ("QTL"). Pursuant to recent amendment effected by FDICIA, a savings institution will constitute a QTL if the institution's qualified thrift investments continue to equal or exceed 65% of the savings association's portfolio assets on a monthly average basis in 9 out of every 12 months. As amended by FDICIA, qualified thrift investments generally consist of (i) various housing related loans and investments (such as residential construction and mortgage loans, home improvement loans, mobile home loans, home equity loans and mortgage-backed securities), (ii) certain obligations of the FSLIC, the FDIC, the FSLIC Resolution fund and the RTC (for limited periods of time), and (iii) shares of stock issued by any Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association. In addition, the following assets may be categorized as qualified thrift investments in an amount not to exceed 20% in the aggregate of portfolio assets: (i) 50% of the dollar amount of residential mortgage loans originated and sold within 90 days of origination; (ii) investments in securities of a service corporation that derives at least 80% of its income from residential housing finance; (iii) 200% of loans and investments made to acquire, develop or construct starter homes or homes in credit needy areas (subject to certain conditions); (iv) loans for the purchase or construction of churches, schools, nursing homes and hospitals; and (v) consumer loans (in an amount up to 20% of portfolio assets). For purposes of the QTL test, as amended by FDICIA, the term "portfolio assets" means the savings institution's total assets minus goodwill and other intangible assets, the value of property used by the savings institution to conduct its business, and liquid assets held by the savings institution in an amount up to 20% of its total assets.

OTS regulations provide that any savings institution that fails to meet the new QTL test must either convert to a national bank charter or limit its future investments and activities (including branching and payments of dividends) to those permitted for both savings institutions and national banks. Additionally, any such savings institution that does not convert to a bank charter will be ineligible to receive further FHL Bank advances and, beginning three years after the loss of QTL status, will be required to repay all outstanding FHL Bank advances and dispose of or discontinue any pre-existing investments and activities not permitted for both savings institutions and national banks. Further, within one year of the loss of QTL status, the holding company of a savings institution that does not convert to a bank charter must register as a bank holding company and will be subject to all statutes applicable to bank holding companies.

These penalties do not apply to a federal savings association, such as Bethel, which existed as a federal savings association on August 9, 1989 but was chartered before October 15, 1982 as a savings bank under state law.

Liquidity.

Under OTS regulations, savings institutions are required to maintain an average daily balance of liquid assets (including cash, certain time deposits, certain bankers' acceptances, certain corporate debt securities and highly rated commercial paper, securities of certain mutual funds and specified United States government, state or federal agency obligations) equal to a monthly average of not less than a specified percentage of the average daily balance of the savings institution's net withdrawable deposits plus short-term borrowings. Under the HOLA, this liquidity requirement may be changed from time to time by the Director of the OTS to any amount within the range of 4% to 10%, depending upon economic conditions and the deposit flows of member institutions, and the required ratio currently is 5%. OTS regulations also require each savings institution to maintain an average daily balance of short term liquid assets at a specified percentage (currently 1%) of the total of the average daily balance of its net withdrawable deposits and short-term borrowings.

Loans to One Borrower Limitations.

The HOLA, as amended by the FIRRE Act, generally requires savings institutions to comply with the loans to one borrower limitations applicable to national banks. National banks generally may not make loans to a single borrower in excess of 15% to 25% of their unimpaired capital and unimpaired surplus (depending upon the type of loans and the collateral therefor). The HOLA, as amended by the FIRRE Act, provides exceptions from the generally applicable national bank limits, under which a savings institution may make loans to one borrower in excess of such limits under one of the following circumstances: (i) for any purpose, in an amount not to exceed $500,000; (ii) to develop domestic residential housing units, in an amount not to exceed the lesser of $30 million or 30% of the savings institution's unimpaired capital and unimpaired surplus, provided other conditions are satisfied; or (iii) to finance the sale of real property which it owns as a result of foreclosure, in an amount not to exceed 50% of the savings institution's unimpaired capital and unimpaired surplus. In addition, further restrictions on a savings institution's loans to one borrower may be imposed by the Director of the OTS if necessary to protect the safety and soundness of the savings institution. The new loans to one borrower limits apply prospectively to loan commitments issued after the date of enactment of the FIRRE Act, and legally binding loan commitments issued prior to that date in compliance with the pre-FIRRE Act limits may be funded even if the amount of the loan would cause the institution to exceed the FIRRE Act limits.

Pursuant to its authority to impose more stringent requirements on savings associations to protect safety and soundness, however, the OTS has promulgated a rule limiting loans to one borrower to finance the sale of real property acquired in satisfaction of debts to 15% of unimpaired capital and surplus. The rule provides that purchase money mortgages received by a savings association to finance the sale of such real property do not constitute "loans" (provided that the savings association is not placed in a more detrimental position holding the note than holding the real estate) and, therefore, are not subject to the loan-to-one-borrower limitations.

Commercial Real Property Loans.

Another of the FIRRE Act amendments to the HOLA limits the aggregate amount of commercial real estate loans that a federal savings institution may make to an amount not in excess of 400% of the savings institution's capital (as compared with the 40% of assets limitation in effect prior to the enactment of the FIRRE Act). However, the new limit does not require the divestiture of loans made prior to enactment of the FIRRE Act. The OTS is given the authority to grant exceptions to the limit if the additional amount will not pose a significant risk to the safe or sound operation of the savings institution involved, and is consistent with prudent operating practices.

Regulatory Restrictions on the Payment of Dividends by Savings Institutions.

OTS regulations establish uniform treatment for all capital distributions by savings associations (including dividends, stock repurchases and cash-out mergers). Under the rules, a savings association is classified as a tier 1 institution, a tier 2 institution or a tier 3 institution, depending on its level of regulatory capital both before and after giving effect to a proposed capital distribution. A tier 1 institution (i.e., one that both before and after a proposed capital distribution has net capital equal to or in excess of its fully phased-in regulatory capital requirement) is allowed, subject to any otherwise applicable statutory or regulatory requirements or agreements entered into with regulators, to make capital distributions in any calendar year up to 100% of its net income to date during the capital year plus the amount that would reduce by one-half its surplus capital ratio (i.e., the percentage by which (x) its ratio of capital to assets exceeds (y) the ratio of its fully phased-in capital requirement to assets) as of the beginning of the calendar year, adjusted to reflect current earnings. No regulatory approval of the capital distribution is required, but prior notice has to be given to the OTS. A tier 2 institution (i.e., one that both before and after a proposed capital distribution has net capital equal to its then-applicable minimum capital requirement but would fail to meet its fully phased-in capital requirement either before or after the distribution) may make only limited capital distributions without prior regulatory approval. A tier 3 institution (i.e., one that either before or after a proposed capital distribution fails to meet its then-applicable minimum capital requirement) may not make any capital distributions without prior OTS approval. In addition, the OTS may prohibit a proposed capital distribution, which otherwise would be permitted by the regulation, if the OTS determines that such a distribution would constitute an unsafe or unsound practice. Also, an institution meeting the tier 1 criteria which has been notified that it needs more than normal supervision will be treated as a tier 2 or tier 3 institution, unless the OTS deems otherwise.

Activities of Subsidiaries.

The FIRRE Act requires a savings institution seeking to establish a new subsidiary, acquire control of an existing company (after which it would be a subsidiary), or conduct a new activity through a subsidiary, to provide 30 days prior notice to the FDIC and the Director of the OTS and conduct any activities of the subsidiary in accordance with regulations and orders of the Director of the OTS. The Director of the OTS has the power to require a savings institution to divest any subsidiary or terminate any activity conducted by a subsidiary that the Director of the OTS determines is a serious threat to the financial safety, soundness or stability of such savings institution or is otherwise inconsistent with sound banking practices.

Insurance of Deposits.

Federal deposit insurance is required for all federal savings institutions. Federal savings institutions' deposits are insured to a maximum of $100,000 for each insured depositor by the BIF or the SAIF. As FDIC-insured institutions, the Banks are subject to regulation and supervision by the FDIC, to the extent deemed necessary by the FDIC to ensure the safety and soundness of the BIF and the SAIF. The FDIC is entitled to have access to reports of examination of the Banks made by the Director of the OTS and all reports of condition filed by the Banks with the Director of the OTS, and may require the Banks to file such additional reports as the FDIC determines to be advisable for insurance purposes. The FDIC may determine by regulation or order that any specific activity poses a serious threat to the BIF or the SAIF and that no BIF or SAIF member may engage in the activity directly. The FDIC is also authorized to issue and enforce such regulations or orders as it deems necessary to prevent actions of savings institutions that pose a serious threat to the BIF or SAIF.

SAIF insurance premiums were increased commencing January 1, 1991 to 0.23% of the assessment base. The FDIC has the authority to further increase premiums in order to cover expenses and to recapitalize the deposit insurance funds. The current FDIC proposal for SAIF insurance premiums is discussed in the management discussion and analysis section, provided in Item 7, under the heading Regulatory Matters. On September 5, 1995, the FDIC announced that the BIF was fully recapitalized at the end of May 1995. As a result, the premium rates for the healthiest banks (1A category) will decrease from 0.23% to 0.04% of the assessment base and will be retroactive to June 1, 1995. Bethel and Brunswick are 1A category banks. All of Bethel's total deposits and approximately 18% of Brunswick's total deposits, at June 30, 1995, are BIF insured.

As required by the FDICIA, the FDIC adopted a final rule on a permanent system of risk-based premiums effective January 1, 1994. Under the risk-based assessment system, the FDIC will be required to calculate a savings institution's semiannual assessment based on (i) the probability that the insurance fund will incur a loss with respect to the institution (taking into account the institution's asset and liability concentration), (ii) the potential magnitude of any such loss, and (iii) the revenue and reserve needs of the insurance fund. Until December 31, 1997, the minimum semiannual assessments for SAIF members under the risk-based assessment system must equal or exceed the assessments that would have applied prior to enactment of the FDICIA. The semiannual assessments imposed on an institution may be higher depending on SAIF revenue and expense levels, and the risk classification applied to the institution. Effective January 1, 1998, the FDIC is required to set SAIF semiannual assessments rates in an amount sufficient to increase the reserve ratio of the SAIF to 1.25% of insured deposits over no more than a 15-year period. The FDICIA also gives the FDIC the authority to establish a higher reserve ratio.

Insurance of deposits may be terminated by the FDIC after notice and hearing, upon finding by the FDIC that the savings institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, rule, regulation, order or condition imposed by, or written agreement with, the FDIC. Additionally, if insurance termination proceedings are initiated against a savings institution, the FDIC may temporarily suspend insurance on new deposits received by an institution under certain circumstances.

Under the Federal Deposit Insurance Act, as amended by the FIRRE Act, a savings institution may be held liable to the FDIC for any loss incurred by the FDIC in connection with the default of a commonly controlled savings institution or in connection with the provision of assistance by the FDIC to a commonly controlled savings institution in danger of default. Bethel and Brunswick may be deemed to be commonly controlled for purposes of this provision. Thereafter, if a receiver, conservator or other legal custodian is appointed for one of the institutions, or if the FDIC is required to provide financial assistance to one of the institutions, the other institutions could be held liable to the FDIC for any loss incurred in connection with such appointment or assistance.

Effective December 19, 1992, FDICIA requires any company that controls an undercapitalized savings institution, in connection with the submission of a capital restoration plan by the savings institution, to guarantee that the institution will comply with the plan and to provide appropriate assurances of performance. The aggregate liability of any such controlling company under such guaranty is limited to the lesser of (i) 5% of the savings institution's assets at the time it became undercapitalized; or (ii) the amount necessary to bring the savings institution into capital compliance as of the time the institution fails to comply with the terms of its capital plan.

Federal Home Loan Bank System

The Federal Home Loan Bank System consists of 12 regional FHL Banks, each subject to supervision and regulation by the Federal Housing Finance Board (the "FHFB"), a new agency established pursuant to the FIRRE Act. The FHL Banks provide a central credit facility for member savings institutions. The Banks, as members of the FHL Bank of Boston, are required to own shares of capital stock in that FHL Bank in an amount at least equal to 1% of the aggregate principal amount of their unpaid residential mortgage loans, home purchase contracts and similar obligations at the beginning of each year, or 1/20 of their advances (borrowings) from the FHL Bank, whichever is greater. The Banks are in compliance with this requirement. The maximum amount which the FHL Bank of Boston will advance fluctuates from time to time in accordance with changes in policies of the FHFB and the FHL Bank of Boston, and the maximum amount generally is reduced by borrowings from any other source. In addition, the amount of FHL Bank advances that a savings institution may obtain will be restricted in the event the institution fails to constitute a QTL. See "Regulation -- Savings Institution Regulation -- Qualified Thrift Lender Requirement."

Federal Reserve Board

Pursuant to the Depository Institutions Deregulation and Monetary Control Act of 1980 (the "Deregulation Act"), Federal Reserve Board regulations require savings institutions to maintain reserves against their net transaction accounts (primarily NOW accounts), subject to certain exemptions. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy liquidity requirements imposed by the OTS. Because required reserves must be maintained in the form of vault cash or a non-interest bearing account at a Federal Reserve Bank, the effect of this reserve requirement is to reduce the institution's interest-earning assets.

The Deregulation Act also gives savings institutions authority to borrow from the appropriate Federal Reserve Bank's "discount window." Current Federal

Reserve regulations require savings institutions to exhaust all FHLB sources before borrowing from the Federal Reserve Bank. The FDICIA places limitations upon a Federal Reserve Bank's ability to extend advances to undercapitalized and critically undercapitalized depository institutions. The FDICIA provides that a Federal Reserve bank generally may not have advances outstanding to an undercapitalized institution for more than 60 days in any 120-day period.

Maine Law

Under Maine law, a Maine financial institution holding company such as the Company may not engage in any activity other than managing or controlling financial institutions, or other activities deemed permissible by the Superintendent. The Superintendent has by regulation determined that, with the prior approval of the Superintendent, a financial institution holding company may engage in those activities deemed closely related pursuant to Section 408 of the National Housing Act, unless that activity is prohibited by the Maine Banking Code or regulations.

Securities and Exchange Commission

The Company has registered its common stock with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended. As a result of such registration, the proxy and tender offer rules, periodic reporting requirements, insider trading restrictions and reporting requirements, as well as certain other requirements, of such Act are applicable.

Restrictions on the Payment of Dividends

The Maine Business Corporation Act (the "Business Corporation Act") permits the Company to pay dividends on its capital stock only from its unreserved and unrestricted earned surplus or from its net profits for the current fiscal year and the next preceding fiscal year taken as a single period.

Applicable rules further prohibit the payment of a cash dividend if the effect thereof would cause their net worth to be reduced below either the amount required for the liquidation account or the net worth requirements imposed by federal laws or regulations. The Banks are prohibited from paying dividends on their capital stock if they are in default in the payment of any assessment to the FDIC.

In connection with the Company's acquisition of Brunswick in 1990, the Company, Brunswick and the OTS executed a Dividend Limitation Agreement which provides that, for a period of ten years, the Company will neither accept nor cause Brunswick to pay any dividend or make any other distribution that would (i) cause Brunswick's capital to fall below its currently required capital level; (ii) cause Brunswick's capital to fall below its fully phased-in capital requirement, except with prior OTS approval; or (iii) provided that Brunswick's capital remains above its fully phased-in capital requirement, cause Brunswick to have paid out in excess of 100% of its cumulative net income for the preceding eight quarters, taking into account all other dividends paid during such period. The restrictions of this Agreement are in addition to, and not in exception to, any other statutory or regulatory restrictions on Brunswick's payment of dividends.

Earnings appropriated to bad debt reserves for losses and deducted for federal income tax purposes are not available for dividends without the payment of taxes at the current income tax rates on the amount used.

Restrictions on the Acquisition of the Company

The savings and loan holding company provisions of the HOLA (the "Holding Company Provisions") provide that no company, "directly or indirectly or acting in concert with one or more persons, or through one or more subsidiaries, or through one or more transactions, may acquire "control" of an insured savings institution at any time without the prior approval of the OTS. In addition, any company that acquires such control becomes a "savings and loan holding company" subject to registration, examination and regulation under the Holding Company Provisions and the regulations promulgated thereunder. "Control" in this context means ownership, control of, or holding proxies representing more than 25% of the voting shares of, an insured institution, the power to control in any manner the election of a majority of the directors of such institution or the power to exercise a controlling influence over the management or policies of the institution.

In addition, the Change in Bank Control Act (the "Control Act") provides that no "person," acting directly or indirectly or through or in concert with one or more other persons, may acquire "control" of an insured institution unless at least 60 days' prior written notice has been given to the OTS and the OTS has not objected to the proposed acquisition. "Control" is defined for this purpose as the power, directly or indirectly, to direct the management or policies of an insured institution or to vote 25% or more of any class of voting securities of an insured institution. Under both the Holding Company Provisions and the Control Act (as well as the regulations referred to below) the term "insured institutions" includes state and federally chartered SAIF-insured institutions, federally chartered savings banks insured under the BIF and holding companies thereof.

OTS regulations establish a uniform set of regulations under both the Control Act and the Holding Company Provisions. Under these regulations, prior to obtaining control of an insured institution, a person (under the Control Act) must give 60 days notice to the OTS and have received no OTS objection to such acquisition of control, and a company (under the Holding Company Provisions) must apply for and receive OTS approval of the acquisition. "Control," for purposes of the regulations, means the acquisition of 25% or more of the voting stock (or irrevocable proxies for 25% of more of the voting stock) of the institution, control in any manner of the election of a majority of the institution's directors, or a determination by the OTS that the acquiror has the power to direct, or directly or indirectly to exercise a controlling influence over, the management or policies of the institution. Acquisition of more than 10% of an institution's voting stock, if the acquiror also is subject to any one of eight "control factors," constitutes a rebuttable determination of control under the new regulations. The determination of control may be rebutted by submission to the OTS, prior to the acquisition of stock or the occurrence of any other circumstance giving rise to such determination, of a statement setting forth facts and circumstances which would support a finding that no control relationship will exist and containing certain undertakings. The regulations provide that persons or companies which acquire beneficial ownership exceeding 10% or more of any class of an insured institution's stock after the effective date of the regulations must file with the OTS a certification that the holder is not in control of such institution, is not subject to a rebuttable determination of control and will take no action which would result in a determination or rebuttable determination of control without prior notice to or approval of the OTS, as applicable.

Other Regulations

The policies of regulatory authorities, including the Federal Reserve Board, the OTS, and the FDIC, have had a significant effect on the operating results of financial institutions in the past and are expected to do so in the future. Policies of these agencies may be influenced by many factors, including inflation, unemployment, short-term and long-term changes in the international trade balance and fiscal policies of the United States government. Supervision, regulation or examination of the Company and the Banks by such regulatory agencies is not intended for the protection of the Company's shareholders.

The United States Congress has periodically considered and adopted legislation which has resulted and could result in further deregulation of both banks and other financial institutions. Such legislation could relax or eliminate geographic restrictions on banks and bank holding companies and could place the Company in more direct competition with other financial institutions, including mutual funds, securities brokerage firms and investment banking firms.

Statistical Disclosure

The additional statistical disclosure describing the business of the Company and the Banks required by Industry Guide 3 under the Securities Exchange Act of 1934, as amended, is provided in Item 8 b.

(d) Financial Information About Foreign and Domestic Operations and Export Sales

Not applicable.

Item 2. Properties

The only real property which the Company owns is the real estate in Auburn, Maine on which various operational functions are performed for the Banks. It utilizes the premises and equipment of the Banks with no payment of any rental fee to the Banks.

Bethel owns its main office and its branch offices in Harrison, Buckfield, Mechanic Falls, Maine. The branch office of Bethel in South Paris, Maine is leased. Brunswick owns its main office and its branch offices in Richmond and Lisbon Falls, Maine.

Item 3. Legal Proceedings

There are no pending legal proceedings to which the Company is a party or any of its property is the subject. There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business of banking, to which the Banks is a party or of which any of the Banks' property is the subject. There are no material pending legal proceedings to which any director, officer or affiliate of the Company, any owner of record beneficially of more than five percent of the common stock of the Company, or any associate of any such director, officer, affiliate of the Company or any security holder is a party adverse to the Company or has a material interest adverse to the Company or the Banks.

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

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The common stock of Bethel Bancorp trades on The Nasdaq Stock Exchange under the symbol BTHL. The number of shares of Bethel Bancorp common stock outstanding as of June 30, 1995 was 547,625. The number of stockholders of record, as of September 8, 1995 was approximately 400.

The following lists the high and low sales prices of the Company's common shares during each quarter for fiscal years ending June 30, 1994 and 1995.

1994-1995	High	Low	1993-1994	High	Low
July 1-Sept.30	23.50	21.25	July 1-Sept.30	17.50	15.25
Oct.1-Dec.31	22.00	21.00	Oct.1-Dec.31	24.00	17.50
Jan.1-March 31	23.00	21.00	Jan.1-March 31	23.50	20.00
April 1-June 30	22.50	21.50	April 1-June 30	23.00	20.00

For each and every quarter of the fiscal years ending June 30, 1995, an $.08 dividend was paid on each share of common stock of Bethel Bancorp.

Bethel Bancorp has 45,454 shares of Series A preferred stock outstanding. The Series A preferred stock is convertible into common stock on a one-for-one basis and carries a dividend rate of two percent below the prime rate of the First National Bank of Boston, but in no event to be less than 7% per annum. There is no trading market for the Series A preferred stock.

Bethel Bancorp has 71,428 shares of Series B preferred stock outstanding. The Series A preferred stock is convertible into common stock on a one-for-one basis and carries a dividend rate of two percent below the prime rate of the First National Bank of Boston, but in no event to be less than 7% per annum. There is no trading market for the Series B preferred stock.

Item 6. Selected Financial Data

	Years Ended June 30,				
	1995	1994	1993	1992	1991
	(Dollars in thousands)				
Interest income	$ 16,923	$ 14,036	$ 14,359	$ 13,987	$ 14,262
Interest expense	8,053	6,479	7,155	8,208	9,383
Net interest income	8,870	7,557	7,204	5,779	4,879

Provision for loan loss	641	1,021	852	733	487
Other operating income 1	1,697	2,111	1,342	694	580
Net securities gains (losses)	419	347	108	183	146
Other operating expenses 2	7,988	7,011	5,734	4,192	3,793
Writedowns on equity and debt securities	0	84	61	11	366
Income before income taxes	2,358	1,899	2,008	1,720	959
Income tax expense	869	698	786	655	403
Cumulative effect of change in accounting principle	-	260	-	-	-
Net income	$ 1,489	$ 1,461	$ 1,222	$ 1,065	$ 556
Primary earnings per share	$ 2.20	$ 2.25	$ 2.13	$ 1.82	$ 0.97
Fully diluted earnings per share	$ 2.04	$ 2.16	$ 2.13	$ 1.82	$ 0.97
Cash dividends per common share	$ 0.32	$ 0.32	$ 0.32	$ 0.32	$ 0.32
Common dividend payout ratio	15.69%	14.81%	15.02%	17.58%	33.00%

	At June 30,				
	1995	1994	1993	1992	1991
Total assets	$207,509	$190,600	$178,914	$164,165	$145,634
Total loans	169,836	158,461	150,756	141,431	121,849
Total deposits	147,120	124,306	122,497	121,517	108,609
Total borrowings	37,710	48,420	40,500	29,079	24,296
Total stockholder equity	17,275	15,756	14,067	12,840	11,988
Return on assets (net income/average assets)	0.73%	0.80%	0.72%	0.69%	0.39%
Return on equity (net income/average net worth)	9.08%	9.72%	9.01%	8.49%	4.90%
Average equity/average assets	8.02%	8.23%	7.85%	8.30%	8.11%

1 Includes fees for services to customers and gains on sale of loans.
2 Includes salaries, employee benefits and occupancy.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Description of Operations

Bethel Bancorp (the "Company") is a multi-savings and loan holding company with the Office of Thrift Supervision (OTS) as its primary regulator. Bethel Savings Bank, F.S.B. is headquartered in Bethel, Maine and has branches in Harrison, South Paris, Buckfield, and Mechanic Falls. Bethel Savings Bank, F.S.B. deposits are BIF-insured. Brunswick Federal Savings, F.A. is headquartered in Brunswick, Maine and has branches in Richmond and Lisbon Falls. Brunswick Federal Savings, F.A. deposits are primarily SAIF-insured. Deposits that are originated at Brunswick Federal Savings, F.A.'s Richmond and Lisbon Falls branches, which represent 18% of Brunswick Federal Savings, F.A. total deposits at June 30, 1995, are BIF-insured. Both Banks were recently examined by the OTS and given satisfactory ratings.

ASI Data Services, Inc. is a wholly - owned subsidiary of Bethel Bancorp located in Lewiston, Maine. ASI Data Services performs data and item processing for the Company and its subsidiaries. ASI also has the ability to sell computer hardware and software to third parties. ASI did not actively sell hardware and software to third parties during the fiscal year 1995.

Financial Condition

Management believes that the financial statements, notes and tables included in this annual report represents, in light of the current economic conditions in the Company's market areas, a good year for the Company and contributed positively to the overall financial strength of the Company. The operating results of the Company are largely dependent on the results of its insured subsidiaries, Bethel Savings Bank, F.S.B. and Brunswick Federal Savings, F.A. (the "Banks"). Both Banks, in the opinion of management, are financially sound.

The overall strategy of the Company is to increase the core earnings of both subsidiary Banks by the development of strong net interest margins, non-interest fee income, and by increased volume from exposure to a larger market area.

The banking business in the Banks' market areas, of western and south central Maine, has become increasingly competitive over the past several years. The Banks' major competitors for deposits and loans consist primarily of other Maine-based banks, regional and money center banks, and non-bank financial institutions. Many of the Banks' competitors are larger in size and, consequently, possess greater financial resources. The principal factors in competing for deposits are convenient office locations, flexible hours, interest rates and services, while those relating to loans are interest rates, the range of lending services offered and lending fees. Additionally, the Banks believe that the local character of their businesses and their "community bank" management philosophy enable them to compete successfully in their market areas. The Company has greatly enhanced its ability to compete by providing a range of financial services such as loans, deposits, investments through its affiliation with the Independent Financial Group, trust services through the Bethel Trust Company, employee retirement benefits through First New England Benefits and leasing services through its affiliation with LGIC Leasing. The state of Maine's economy, including Cumberland, Androscoggin and Sagadahoc counties where Brunswick Federal Savings. F.A. is located, has stabilized with moderate to flat growth, although the state of the economy in Oxford county, the location of Bethel Savings Bank, F.S.B., remains weak. Based on the different economic positions in the Banks' market areas, management of the Company continues to carefully monitor the exposure to interest rate risk and credit risk at each Bank.

The Company has adequate capital, as total equity represents 8.33% of total assets. The Company believes that its capital position will support future growth and development as well as allow for additional provisions to the allowance for loan losses, if needed, without significant impairment of the financial stability of the Company.

The subsidiaries of Bethel Bancorp, Bethel Savings Bank, F.S.B and Brunswick Federal Savings, F.A., acquired four branches from Key Bank of Maine on October 28, 1994. Bethel Savings, F.S.B. acquired the Buckfield and Mechanic Falls branches and Brunswick Federal Savings, F.A. acquired the Richmond and Lisbon Falls branches from Key Bank. The total deposits and repurchase agreements acquired from the four branches were approximately $27,749,000. The premium paid to Key Bank for these deposits was $1,590,228. The cost of the real estate, building, and equipment purchased from Key Bank was $498,500. The growth in assets and deposits, between June 30,1994 and June 30, 1995, was greatly enhanced by the acquisition of the four Key Bank branches.

The Company's assets totaled $207,509,137 as of June 30, 1995, an increase of $16,908,649 as compared to June 30, 1994. Loan volume continues to increase in both Banks. Both Banks have focused their business development efforts towards full service credit packages and financial services. The increase in loan volume continues in the area of lower credit risk residential real estate mortgages. This increase is due to each bank continuing to enhance their loan products as well as offering customers competitively priced mortgage packages. The Company expects loan volume and demand to continue for the reasons discussed above.

Cash and due from banks increased by $1,374,735, from June 30, 1994, due to the additional cash needs at the new branches and the liquidity requirements for the increased deposit base. Deposits at the Federal Home Loan Bank and interest bearing deposits in other banks have increased by $2,028,831 primarily due to the receipt of cash from the sale of securities at the end of this fiscal year.

The Company's loan portfolio had a balance of $169,835,672 as of June 30, 1995, which represents an increase of $11,374,893 as compared to June 30, 1994. From the period of June 30, 1994 to June 30, 1995, the loan portfolio increased by $8.61 million in real estate mortgage loans, $2.04 million in consumer loans, and by $720,000 in commercial loans. The loan portfolio contains elements of credit and interest rate risk. The Company primarily lends within its local market areas, which management believes helps it 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 31% of the residential loans are variable rate products. It is management's intent to increase the volume in variable rate residential real estate loans to reduce the interest rate risk in this area. Thirteen 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 areas as well as maintaining a well collateralized position in the real estate. The commercial real estate loans have minimal interest rate risk as 98% of the portfolio consists of variable rate products. Commercial Loans make up 7% of the total loan portfolio in which 97% of its balance are variable rate instruments. The credit loss exposure on commercial loans is highly dependent on the cash flow of the customers' business. The Banks attempt to mitigate losses through lending in accordance to the Company's credit policies. Consumer, construction and other loans make up 11% of the total 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 equal to the measured risks, and lending to individuals in the Company's known market areas.

The Company's allowance for loan losses was $2,396,000 as of June 30, 1995 versus $2,463,000 as of June 30, 1994, representing 1.41% and 1.55% of total loans, respectively. The Company had non-performing loans totaling $2,266,000 and $2,723,000 at June 30, 1995 and 1994, respectively. Non-performing loans represented 1.09% and 1.43% of total assets at June 30, 1995 and 1994, respectively. The Company's allowance for loan losses was equal to 106% and 90% of the total non-performing loans at June 30, 1995 and 1994, respectively. At June 30, 1995, the Company had approximately $3,623,000 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. The loans classified substandard, as of June 30, 1995, have increased from the June 30, 1994 amount of $1,400,000. This increase was primarily due to a continuation of economic weakness in the Oxford county region. Along with non-performing and delinquent loans, management takes an aggressive posture, in reviewing its loan portfolio, to classify certain loans substandard. During the past twelve months non-performing loans have decreased in 1-4 family mortgages and increased in commercial mortgages. The following table represents the Company's current non-performing loans:

Description	Total
1-4 Family Mortgages	$ 637,000
Commercial Mortgages	1,223,000
Commercial Installment	375,000
Consumer Installment	31,000
Total non-performing	$2,266,000

The majority of the non-performing 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. Management has allocated substantial resources to the collection area in an effort to control the growth in non-performing, delinquent and substandard loans in this area. The Company has decreased its delinquent accounts during the 1995 fiscal year. This reduction was largely due to the decrease of non-performing loans by $457,000 and the collection efforts with regards to the 30 and 60 day delinquent accounts.

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

6/30/92	6/30/93	6/30/94	6/30/95
3.72%	4.42%	2.64%	2.46%

The level of the allowance for loan losses as a percentage of total loans at June 30, 1995 decreased in comparison to the same percentage at June 30, 1994. However, 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 in 1995. Loans classified substandard increased in the 1995 fiscal year, when compared to the 1994 fiscal year. Classified loans are also considered in managements analysis in the adequacy of the allowance for loan losses. Based on reviewing the credit risk and collateral of these classified loans, management has considered the risks of the classified portfolio and believes the allowance for loan losses is adequate. Management at each Bank primarily lends within their local market areas which management believes helps them to better evaluate credit risk. The Company also maintains a well collateralized position in real estate mortgage loans. Net charge-offs for the Company were $707,634, $680,795, and $283,706, for the three years ended June 30, 1995, June 30, 1994, and June 30, 1993, respectively.

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 judgment. 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.

Management believes that the allowance for loan losses is adequate considering the level of risk in the loan portfolio. 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 judgments about information available to them at the time of their examination. The Company's current examination by the OTS was on May 15, 1995. At the time of the exam the regulators proposed no additions to the allowance for loan losses.

At June 30, 1995, the Company had a total of $1,372,686 in other real estate owned and in-substance foreclosures versus $1,993,984 as of June 30, 1994. The Company has an allowance for losses on other real estate owned that was established to provide for declines in real estate values and to consider estimated selling costs. The allowance for losses on other real estate owned totaled $5,289 at June 30, 1995 versus $49,405 at June 30, 1994. The Company provided for this allowance through a charge against earnings of $107,173 and $62,600 for the years ended June 30, 1995 and 1994, respectively. In 1995 and 1994, write downs of other real estate owned totaled $151,289 and $41,076, respectively. Management periodically receives independent appraisals to assist in its valuation of the other real estate owned portfolio. After management's review of the independent appraisals and the other real estate owned portfolio, the Company believes the allowance for losses on other real estate owned is adequate, to state the portfolio at lower of cost, or fair value less estimated selling costs.

As of June 30, 1995, trading account securities decreased by $171,696 when compared to the balance of such assets at June 30, 1994. This decrease was attributed to the sale of substantially all of the trading account portfolio during the 1995 fiscal year.

At June 30, 1995 the Company's total investment portfolio was classified as available for sale. The amortized cost and market value of available for sale securities at June 30, 1995 was $10,292,957 and $10,148,251, respectively. The difference between the amortized cost and the market value was primarily due to the change in current market interest rates from the rates at the time of purchase. The Company has primarily invested in mortgage-backed securities. All of the mortgage-backed securities are high grade government backed investments. As in any long term earning asset in which its earning rate is fixed, mortgage-backed securities have a risk in its market value declining 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. Therefore, management believes that during adverse market fluctuations it would be advantageous to hold these securities until market values recover. Management believes that the yields currently received on this portfolio are satisfactory.

At June 30, 1994, the Company had $2,060,222 of securities, at market value, classified as available for sale and $8,020,108 of securities, at cost, classified as held to maturity. During 1995, the Company purchased an additional $12,399,000 in securities it classified as held to maturity. At the time of acquiring these securities, the Company had the intention and the ability to hold such securities to maturity. In the last quarter of fiscal 1995, as a result of its planning process and changes in market conditions, Company management determined that it no longer possessed the intent to hold such securities to maturity. The investment portfolio is an integral piece of the Company's asset/liability (ALCO) management program. The Company's ALCO committee meets on a regular basis to analyze the Company's risk during a rising or falling rate environment. In management's efforts to maintain the proper asset/liability mix for the Company, management determined that the investment portfolio needs to be managed aggressively and consistently. Consequently, the Company transferred its entire held to maturity portfolio, with an aggregate cost of $18,775,000 and an aggregate market value of $18,822,000 (including unrealized gains and losses of $191,000 and $144,000, respectively) to available for sale. The Company subsequently sold selected aforementioned securities with an aggregate cost of $11,900,000 and realized gains of $273,000 and realized losses of $225,000. The Company's decision not to hold these securities to maturity does not satisfy the limited criteria of Financial Accounting Standards No. 115 which specifies circumstances in which it is permissible to sell or transfer held to maturity securities.

Consequently, the Company will, for the foreseeable future, classify its securities portfolio as available for sale, or trading.

Management reviews the portfolios 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. Based on management's assessment of the Company's investment securities portfolio during 1995, there have been no other than temporary declines in value of individual securities. Based on management's assessment of the securities portfolio in 1994 and 1993, there have been other than temporary declines in values of individual securities in the amounts of $84,419 and $61,000, respectively. Such securities have been written down to market value through an adjustment against current earnings.

The Company decreased its investment in Federal Home Loan Bank (FHLB) stock by $195,000, when compared to June 30, 1994, due to the decrease in FHLB borrowings discussed below.

The Company has used off-balance-sheet risk financial instruments, in the normal course of business, to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments. Hence, these instruments have the same elements of credit and interest rate risk. The Company limits its involvement in derivative financial instruments to covered call and put contracts. Gains and losses from entering into these contracts have been immaterial to the results of operations of the Company in fiscal 1995. The total value of securities under call and put contracts at any one time is immaterial to the Company's financial position, liquidity, or results of operations. Off-balance-sheet risk financial instruments are more fully described in footnote 20 to the financial statements.

The carrying value and market value of loans held for sale at June 30, 1995 was $528,839 and $532,652 respectively. This compares to the carrying value and market value of loans held for sale at June 30, 1994 of $521,458 and $525,769, respectively. Loans held for sale are carried on the balance sheet at the lower of cost or fair market value.

The Company's premises and equipment increased by a net of $828,487 during the year ended June 30, 1995. This increase was primarily due to the acquisition of the Key Bank branches, explained above, as well as the capitalized costs associated with the relocation of the Mechanic Falls branch to a new facility.

The increase in accrued interest receivable on loans of $283,789 was primarily due to market rates increasing during 1995, the increase in loan volume, and the improvement in the non-performing loan portfolio. Goodwill increased by $1,414,566 due to the premium paid to acquire the deposits of the Key Bank branches, explained above, less the 1995 amortization of $235,098. The decrease in other assets of $302,081 was primarily due to the reduction in deferred tax assets, caused by a reversal of temporary differences between the Company's financial statements and its tax returns. Due from broker of $941,000 was due to the purchase of a mortgage-backed security that had not settled by June 30, 1995.

Both Banks continue to attract new deposit relationships. The Company utilizes, as alternative sources of funds, brokered CD's when the interest rates on national money is less than the interest rates on local market deposits. 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 Company's ability to retain the funds. The Company also utilizes Federal Home Loan Bank advances, as alternative sources of funds, when the interest rates of the advances are less than market deposit interest rates as well as to fund short-term liquidity demands for loan volume.

Total deposits were $147,119,870 and securities sold under repurchase agreements were $2,585,387 as of June 30, 1995. These amounts represent increases of $22,813,516 and $2,585,387, respectively, when compared to June 30, 1994. The increases were primarily due to the acquisition of the Key bank branches. Broker deposits represented $8,787,701 of the total deposits for the year ended June 30, 1995 and decreased by $4,274,546 when compared to June 30, 1994's $13,062,247 balance. Total borrowings from the FHLB were $35,700,000 as of June 30, 1995, for a decrease of $10,200,000 when compared to June 30, 1994. Mortgages, free of liens, pledges and encumbrances are required to be pledged to secure FHLB advances. Both Bank's had the ability to decrease their levels of Federal Home Loan Bank advances and brokered deposits because of the cash received from assuming the liability of the deposits purchased from Key Bank. The growth in deposits and repurchase agreements was also utilized to fund loan growth, investment securities, and cash equivalents.

Notes payable decreased by $510,115 during the 1995 fiscal year due to the scheduled principal payments on the Fleet Bank of Maine loan, which was to finance, in part, the Brunswick Federal Savings, F.A. acquisition. Due to broker of $989,062 was due to the purchase of a GNMA security that had not settled by June 30, 1995.

In summary, the general financial condition of the Company, in management's opinion, is sound. The state of Maine's economy appears to be stable with moderate or flat growth. However, the weakness in the Oxford county economy which has resulted in high unemployment and a soft real estate market must be considered a risk to the overall credit quality of the loan portfolio at Bethel Savings Bank. Hence, management will continue to monitor loans within these portfolios and increase the levels of allowance for loan losses as necessary.

Capital Resources & Liquidity

Liquidity is defined as the ability to meet unexpected deposit withdrawals and increased loan demand of a short-term nature with a minimum loss of principal. The Banks' principal sources of funds are its interest bearing deposits, cash and due from banks, deposits with the Federal Home Loan Bank, certificates of deposit, loan payments and prepayments and other investments maturing in less than two years as well as securities available for sale. In addition, both Banks have unused borrowing capacity from the Federal Home Loan Bank through its advances program. The Banks current advance availability, subject to the satisfaction of certain conditions, is approximately $56,000,000 over and above the 1995 end-of-year advances reported. The Company's ability to access the principal sources of liquid funds listed above is immediate and adequate to support the Company's budgeted growth.

Cross selling strategies are employed by both Banks to develop good deposit growth. Even though deposit interest rates increased during the 1995 fiscal year, the rate of return is much stronger in other financial instruments such as mutual funds and annuities. The banking industry will be challenged to maintain and or increase its core deposit liquidity base.

Total equity of the Company was $17,275,278 as of June 30, 1995 versus $15,756,363 at June 30, 1994. The total equity to total assets ratio of the Company as of June 30, 1995 was 8.33% and 8.27% at June 30, 1994. Book value per common share was $27.90 as of June 30, 1995 versus $25.13 at June 30, 1994. It is very important in today's environment to be well capitalized and management believes that its capital position is an inherent strength of the organization.

In 1992, the Company announced that it had agreed to issue shares of a newly designated Series B convertible preferred stock and warrants to purchase common stock to Square Lake Holding Corporation ("Square Lake"). On February 9, 1994, following receipt of regulatory and shareholder approval, the Company issued 71,248 shares of the Series B convertible preferred stock to Square Lake at an aggregate price of $999,992, or $14 per share. As part of the transaction, the Company also issued Square Lake warrants with a term of seven years to purchase 116,882 shares of the Company's common stock at a price of $14 per share. Square Lake is a Maine corporation which is owned by a Canadian corporation of which Ronald Goguen is a principal. Mr. Goguen is also a director of the Company and Square Lake. The Series B preferred stock is convertible into shares of the Company's stock on a one-for-one basis and carries a dividend rate equal to 2% below the prime rate of The First National Bank of Boston, not to be less than 7%. It is anticipated that Square Lake will exercise approximately 50,000 warrants at an aggregate price of $700,000, or $14 per share, during the first quarter of 1995.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), which was enacted on December 19, 1991, contains various provisions intended to recapitalize the Bank Insurance Fund ("BIF") and also effects a number of regulatory reforms that impact all insured depository institutions, regardless of the insurance fund in which they participate. Among other things, the FDICIA grants OTS broader regulatory authority to take prompt corrective action against insured institutions that do not meet capital requirements, including placing several undercapitalized institutions into conservatorship or receivership. FDICIA also grants OTS broader regulatory authority to take corrective action against insured institutions that are otherwise operating in an unsafe and unsound manner. Since both the Banks exceed all capital requirements at June 30, 1995, these provisions are not expected to have any significant impact on their operations. Other provisions of the FDICIA increase the premiums to be paid by the Banks for deposit insurance and make the institutions subject to special assessments to maintain the insurance fund. The Banks have had no special assessments or premium increases during the 1995 fiscal year.

On August 9, 1989, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") was signed into law. FIRREA imposes more stringent capital requirements upon savings institutions than those previously in effect. In addition, FIRREA provides for changes in the Federal regulatory structure for institutions, including a new deposit insurance system, increased insured deposit premiums and restricted investment activities with respect to non-investment grade corporate debt and certain other investments. 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%. At June 30, 1995, the Banks regulatory capital requirements were in compliance with regulatory capital requirements as follows:

	Bethel Savings Bank F.S.B.	Brunswick Federal Savings,F.A.
Capital Requirements:		
Tangible capital	$1,562,000	$1,498,000
Percent of tangible assets	1.5%	1.5%
Core Capital	$3,124,000	$2,995,000
Percent of adjusted tangible assets	3.0%	3.0%
Leverage Capital	$4,165,000	$3,994,000
Percent of adjusted leverage assets	4.0%	4.0%
Risk-based capital	$5,676,000	$4,635,000
Percent of risk-weighted assets	8.0%	8.0%
Actual:		
Tangible capital	$7,835,000	$7,355,000
Percent of adjusted total assets	7.52%	7.37%
Excess over requirement	$6,273,000	$5,857,000
Core capital	$7,835,000	$7,355,000
Percent of adjusted total assets	7.52%	7.37%
Excess over requirement	$4,711,000	$4,360,000
Leverage capital	$7,835,000	$7,355,000
Percent of adjusted total assets	7.52%	7.37%
Excess over requirement	$3,670,000	$3,361,000
Risk-based capital	$8,259,000	$8,081,000
Percent of total risk-weighted assets	11.64%	13.95%
Excess over requirement	$2,583,000	$3,446,000

Results of Operations

Net income for the year ended June 30, 1995 was $1,489,381, versus $1,460,559 for the year ended June 30, 1994 and $1,222,343 for the year ended June 30, 1993. Primary earnings per share was $2.20 and fully diluted earnings per share was $2.04 for the period ended June 30, 1995. The primary and fully diluted earnings per share was $2.25 and $2.16 for the year ended June 30, 1994, respectively and $2.13 for the year ended June 30, 1993. Also included in the Company's income statement for the year ended June 30, 1994 was $260,000 for the cumulative effect of a change in the method of accounting for income taxes, Statement of Financial Accounting Standard 109. This one time adjustment is more fully described in footnote 1 and 17 to the financial statements. This one time adjustment increased the Company's primary earnings per share by $.43 and the fully diluted earnings per share by $.38 for the year ended June 30, 1994. The Company's overall return on assets was .72% for the year ended June 30, 1995, .77% for the year ended June 30, 1994, and .72% for the year ended June 30, 1993.

The Company's net interest income for the years ended June 30, 1995, June 30, 1994 and June 30, 1993 was $8,870,005, $7,556,529 and $7,203,957, respectively. Net interest income for 1995 increased $1,313,476, or 17.38%, over the amount at June 30, 1994. Total interest and dividend income increased $2,886,684 for the year ended June 30, 1995 when compared to the year ended June 30, 1994, resulting from the following items. Interest income on loans increased by $1,923,203 for the year ended June 30, 1995 resulting from a $747,297 positive variance due to an increase in the volume of loans, as well as, an increase of $1,175,906 due to increased interest rates on loans. Interest and dividend income on investment securities increased by $793,417 resulting from a $721,372 positive variance due to an increase in volume, as well as, an increase of $72,045 due to increased interest rates on investments. Interest income on short term liquid funds increased by $170,064 resulting from a $14,926 positive variance due to an increase in volume, as well as, by an increase of $155,138 due to increased interest rates on deposits at the Federal Home Loan Bank and other institutions.

The increase in total interest expense of $1,573,208 for the year ended June 30, 1995 as compared to 1994 resulted from the following items. Interest expense on deposits increased by $976,328 for the year ended June 30, 1995 resulting from a $557,015 increase due to an increase in the volume of deposits, as well as, an increase of $419,313 due to increasing deposit interest rates. Interest expense on repurchase agreements increased by $84,921 as fiscal year 1995 was the first year this product was offered. Interest expense on borrowings increased $511,959 for the year ended June 30, 1995 resulting from an increase of $274,607 due to an increase in volume of borrowings, as well as, an increase of $237,352 due to the 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.

BETHEL BANCORP
Rate/Volume Analysis for the Year ended
June 30, 1995 Versus June 30, 1994

	Difference Due to		
	Volume	Rate	Total
Investments	$ 721,372	$ 72,045	$ 793,417
Loans	747,297	1,175,906	1,923,203
FHLB & Other Deposits	14,926	155,138	170,064
Total Interest Earning Assets	1,483,595	1,403,089	2,886,684
Deposits	557,015	419,313	976,328
Repurchase Agreements	84,921	-0-	84,921
Borrowings	274,607	237,352	511,959
Total Interest-Bearing Liabilities	916,543	656,665	1,573,208
Net Interest Income	$ 567,052	$ 746,424	$1,313,476

Rate/Volume amounts spread proportionately between Volume and Rate.

Net interest income for 1994 increased $352,572, or 4.90%, over the amount at June 30, 1993. Total interest income decreased $322,284 for the year ended June 30, 1994 when compared to the year ended June 30, 1993, resulting from the following items. Interest income on loans decreased by $420,416 for the year ended June 30, 1994 resulting from a $471,120 positive variance due to an increase in the volume of loans which was offset, in part, by a decrease of $891,536 due to declining interest rates on loans. Interest income on investment securities increased by $68,653 resulting from a $60,698 positive variance due to an increase in volume as well as an increase of $7,955 due to increased interest rates on investments. Interest income on short term liquid funds increased by $29,479 resulting from a $33,688 increase due to an increase in volume which was offset, in apart, by a decrease of $4,209 due to decreased interest rates on deposits at the Federal Home Loan Bank and other institutions.

The decrease in total interest expense of $674,856 for the year ended June 30, 1994 as compared to 1993 resulted from the following items. Interest expense on deposits decreased by $739,891 for the year ended June 30, 1994 resulting from a $789,043 reduction due to declining interest rates which was offset, in part, by an increase of $49,152 due to an increase in the volume of deposits. Interest expense on borrowings increased $65,035 for the year ended June 30, 1994 resulting from an increase of $114,487 due to an increase in volume of borrowings which was offset, in part, by a decrease of $49,452 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.

BETHEL BANCORP
Rate/Volume Analysis for the Year ended
June 30, 1994 Versus June 30, 1993

	Difference Due to		
	Volume	Rate	Total
Investments	$ 60,698	$ 7,955	$ 68,653
Loans	471,120	(891,536)	(420,416)
FHLB & Other Deposits	33,688	(4,209)	29,479
Total Interest Earning Assets	565,506	(887,790)	(322,284)
Deposits	49,152	(789,043)	(739,891)
Borrowings	114,487	(49,452)	65,035

Total Interest-Bearing Liabilities	163,639	(838,495)	(674,856)
Net Interest Income	$ 401,867	$ (49,295)	$ 352,572

Rate/Volume amounts spread proportionately between Volume and Rate.

The majority of the Company's income is generated from its two Banking subsidiaries, Bethel Savings Bank, F.S.B. and Brunswick Federal Savings, F.A.. Both Banks are slightly asset sensitive; therefore, they will generally experience a contraction in their net interest margins during a period of falling rates. The Banks were able to withstand margin compression through aggressively pricing the rates on its loan products and managing the interest expense associated with the funding of the Banks. Management believes that the maintenance of a slight asset sensitive position serves the best interest of both Banks as, based on historic results, interest rates tend to rise faster than they decline. Since October 1993, actions by the Federal Reserve Board have resulted in increases in prime lending rates. Approximately 20% 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 approximately 21% 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 anticipates some net interest margin compression due to rising rates, the impact on net interest income will depend on, among other things, actual rates charged on the Banks' loan portfolio, deposit and advance rates paid by the Banks, and loan volume.

The Company and both subsidiary Banks were affected by the financial impact of the allowance for losses. The provision for loan losses was $640,634 for the year ended June 30, 1995 as compared to $1,020,795 and $851,706 for 1994 and 1993, respectively. Net charge-offs amounted to $707,634 during the year ended June 30, 1995 versus $680,795 and $283,706 for of the years ended June 30, 1994 and 1993, respectively. Due to the weak economy in some of the Company's market areas, loan charge-offs have been high in the reported fiscal years. The Company will continue to aggressively manage the non-performing assets, through sales, work-outs and charge-offs, to reduce the amount of the non-performing assets.

Non-interest income was $2,116,442 for the year ended June 30, 1995, $2,458,485 for June 30, 1994 and $1,450,425 for June 30, 1993. Generally, both Banks continue to generate an increased level of non-interest income in service charges and fees for other services. This component totaled $679,495 for the year ended June 30, 1995, $579,322 for the year ended June 30, 1994 and $457,686 for June 30, 1993. The increase in 1995 was primarily due to growth in the deposit accounts and other branch services.

Net securities gains were $419,313, $347,032, and $108,494 for 1995, 1994 and 1993, respectively. The major reason for the increase in 1995 is that the Company sold some of its available for sale and trading securities, taking advantage of the fluctuation in market prices.

Gains on the sale of loans amounted to $160,982 for the year ended June 30, 1995 and was a decrease of $273,228 when compared to $434,210 for the year ended June 30, 1994. Gains on the sale of loans decreased $79,534 in 1994 when compared to the 1993 level. The decrease in 1995 and 1994 was primarily due to the Banks reduced volume in underwriting and selling Freddie Mac and SBA guaranteed commercial loans. The Company's loan sales activity is dependent on market interest rates as well as other local competition. Based on the current market rates and the level of competition for this product, management believes that gain on sale of loans will only moderately increase from the June 30, 1995 amount reported in the results of operations. The Company receives income from servicing for others mortgage loans originated and sold. The outstanding balance of such loans increased from approximately $30,064,000 during 1994 to $32,560,000 during 1995. In addition to loans originated and sold by the Company, during 1993 the Company purchased loan servicing rights from another institution. The balance of the loans serviced under this agreement was approximately $12,983,000 and $15,805,000 at June 30, 1995 and 1994, respectively. Fees for servicing loans was $306,220 for the year ended June 30, 1995 versus $267,697 and $102,884 for the years ended June 30, 1994 and 1993, respectively.

Other income was $550,432, $830,224, $267,617 for the years ended 1995, 1994, 1993, respectively. The decrease of $279,792 in the 1995 fiscal year, when compared to the 1994 fiscal year, was primarily due to the reduction in gross sales at ASI Data Services. For the near future, gross sales at ASI Data Services are expected to remain at the 1995 fiscal year level due to the operational demands of the Company and its subsidiaries. The increase of $562,607 in the 1994 fiscal year, when compared to the 1993 fiscal year, was primarily from $368,000 in gross sales of ASI Data Services and from $265,000 in gross sales of First New England Benefits. Bethel Service Corp., a subsidiary of Bethel Savings Bank, F.S.B., acquired First New England Benefits in fiscal year 1994. First New England Benefits is an employee benefits consulting firm which specializes in installation and administration of qualified retirement and 401(k) plans.

Total non-interest expense for the Company was $7,987,877 as of June 30, 1995, $7,095,664 as of June 30, 1994, and $5,795,033 as of June 30, 1993. The increase in non-interest expense of $892,213 for the year ended 1995 when compared to the year ended 1994 were due, in part, to the following items: Operating expenses increased primarily due to the Key Bank branch acquisition and the general growth of the Company; Compensation expenses increased by $699,682 in 1995 when compared to the year ended June 30, 1994 as the result of the additional employees from the four new branches, additional employees in sales and operations due to the new branch locations and general Company growth, as well as increases in annual salaries and other benefits; Occupancy expense has increased by $125,952 in 1995 when compared to the year ended June 30, 1994 due to the four new branches acquired from Key Bank and general maintenance on the Company's existing locations; Equipment expense increased by $62,544 in the 1995 fiscal year when compared to the 1994 year end primarily due to depreciation on assets acquired from the Key Bank acquisition. Other Operating expenses increased by $4,035 in 1995 when compared to the year ended June 30, 1994 primarily due to the increase in other operational expenses at the Banks from the Key Bank branch acquisition. This increase was offset by the reduction of ASI's 1995 cost of goods sold, resulting from hardware sales to third parties, when compared to the June 30, 1994 year end. The increase in non-interest expenses of $1,300,631 for the year ended 1994 when compared to 1993 were due, in part, to the following items: Operating expenses increased due, in part, to the acquisition and computer conversion to ASI Data Services as well as ASI's increase in cost of goods sold due to hardware sales and from offering data processing to third parties; Compensation expenses increased by $825,989in 1994 when compared to the year ended June 30, 1993 as a result of the addition of the executive officers and administrative employees at Bethel Bancorp, the full year impact of ASI Data Services and First New England Benefits, annual salary increases at the subsidiary Banks, as well as an increase in health care costs and other benefits; Occupancy expense increased $61,903 in 1994 when compared to 1993 primarily due to the additional space expense associated with the new Lewiston and Portland offices; Equipment expense increased by $106,730 in the 1994 fiscal year when compared to 1993 due to the depreciation of the ASI computer equipment, as well as the depreciation associated with the new equipment for the new office locations; Other expenses increased due to the costs associated with the general growth of the Company, and from ASI's cost of goods sold.

In February 1992, the Financial Accounting Standards Board issued Statement No. 109, Accounting for Income Taxes (SFAS 109). SFAS 109 requires a change from the deferred method of accounting for income taxes required under APB Opinion 11 to the asset and liability method of accounting for income taxes. Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Effective July 1, 1993, the Company adopted SFAS 109 and has reported the cumulative effect of the change in the method of accounting for income taxes in the 1994 consolidated statement of income. The cumulative effect of this change in accounting for income taxes of $260,000 was determined as of July 1, 1993, and is reported separately in the consolidated statement of income for the year ended June 30, 1994.

Regulatory Matters

The FDIC has proposed a one time assessment on all SAIF insured deposits in a range of $.85 to $.90 per $100 of domestic deposits held as of March 31, 1995. This one time assessment is intended to recapitalize the SAIF to the required level of 1.25% of insured deposits and could be payable in the fourth quarter of 1995 or early 1996. If the assessment is made at the proposed rates, the effect on the Company would be an after tax charge of approximately $320,000 (assuming an income tax rate of 36%). The one time charge assumes a .85% charge on Brunswick Federal Savings, F.A. deposits of approximately $60,000,000 at March 31, 1995, which does not include the BIF insured deposits of the newly acquired Key Bank branches. Subsequent to the proposed payment of the one time assessment, the ongoing risk based assessment schedule for the newly capitalized SAIF would be similar to the schedule of BIF (the current FDIC board proposal has rates ranging from 4 to 31 basis points). The Company anticipates that it would be assessed at the lowest BIF rate as it currently is assessed at the lowest SAIF rate due to its regulatory standing. If the Company's premium is reduced to 4 basis points, the Company would have future after tax annual savings of approximately $180,000 (assuming an income tax rate of 36%). The annual savings assumes a .04% insurance premium charge compared to the current .23% insurance premium paid on the Company's total deposit base of $147,000,000.

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.

Recent Accounting Developments

In May 1993, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS No. 114) and in October 1994 the FASB issued SFAS No. 118, "Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures" which amended certain provisions of SFAS No. 114. SFAS 114 and 118, taken together, will require the Company to identify impaired loans and generally value them at the lower of (i) the present value of expected future cash flows discounted at the loan's original effective interest rate or (ii) the loan's observable market price or (iii) fair value of the loan's collateral, if the loan is collateral dependent. The two statements will, in connection with recent regulatory guidance, require the Company to reclassify its in-substance foreclosures to loans and disclose them as impaired loans. SFAS 114 and 118 are effective in fiscal year 1996, with adoption required as of the beginning of the fiscal year. Financial statements issued prior to adoption will not be restated. The Company adopted SFAS 114 and 118 on July 1, 1995; the effect of adopting the new rules did not have a significant effect on the financial position, liquidity or results of operations of the Company.

In October 1994, the Financial Accounting Standards Board (FASB) issued SFAS No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments". This statement requires certain disclosures about amounts, nature, and terms of derivative financial instruments that are not subject to SFAS No. 105, "Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk" because they do not result in off-balance-sheet risk of accounting loss. This Statement is effective for financial statements issued for fiscal years ending after December 15, 1994 and consequently adopted by the Company for its fiscal year ended June 30, 1995. For additional information see Note 20 to the Consolidated Financial Statements.

On March 31, 1995, the Financial Accounting Standards Board (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" (the Statement). This Statement 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. The Statement 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.

The Statement 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. 30. Statement No. 121 is effective for financial statements issued for fiscal years beginning after December 15, 1995 although earlier application is encouraged. The Company has not determined the impact of adopting this statement on its financial condition, liquidity, or results of operations.

On May 12, 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 122, "Accounting for Mortgage Servicing Rights, an amendment of FASB Statement No. 65 "(the Statement). This Statement provides guidance for recognition of mortgage servicing rights as an asset when a mortgage loan is sold or securitized and servicing rights retained. Also, the Statement requires enterprises to measure the impairment of servicing rights based on the difference between the carrying amount of the servicing rights and their current fair value.

Statement No. 122 is to be applied prospectively in fiscal years beginning after December 15, 1995, to transactions in which a mortgage banking enterprise sells or securitizes mortgage loans with servicing rights retained. In addition, the provisions of this statement should be applied to the measurement of impairment for all capitalized servicing rights, including servicing rights capitalized prior to the initial adoption of this Statement. The Company has not determined the impact of adopting this statement on its financial condition, liquidity, or results of operations.

Item 8. Financial Statements and Supplementary Data

a. Financial Statements Required by Regulation S-X

BETHEL BANCORP AND SUBSIDIARIES

Consolidated Statements of Financial Condition

June 30, 1995 and 1994

Assets	1995	1994
Cash and due from banks	$ 3,855,648	$ 2,480,913
Interest bearing deposits	367,423	873,653
Federal Home Loan Bank overnight deposits	10,517,000	7,981,939
	14,740,071	11,336,505
Trading account securities, at market value	1,375	173,071
Available for sale securities, at market value (notes 2 and 12)	10,148,251	2,060,222
Held to maturity securities (market value $7,358,599 in 1994) (note 3)	-	8,020,108
Loans held for sale (note 4)	528,839	521,458
Due from broker	941,407	-
Loans receivable (notes 5 and 10):		
First mortgage loans:		
Residential real estate mortgages	116,904,359	110,010,204
Construction loans	3,342,708	1,850,047
Commercial real estate	22,546,508	22,029,165
	142,793,575	133,889,416
Less:		
Undisbursed portion of construction loans	951,754	606,491
Net deferred loan origination fees	302,178	358,439
Total first mortgage loans	141,539,643	132,924,486
Commercial loans	12,181,512	11,460,759
Consumer and other loans	16,114,517	14,075,534
	169,835,672	158,460,779
Less allowance for loan losses	2,396,000	2,463,000
Net loans	167,439,672	155,997,779
Premises and equipment net (note 6)	3,873,278	3,044,791
Other real estate owned net (note 7)	1,372,686	1,993,984
Real estate held for investment (note 8)	452,479	650,191
Accrued interest receivable loans	1,031,389	747,600
Accrued interest receivable investments	107,317	99,891
Federal Home Loan Bank stock, at cost (note 10)	2,150,000	2,345,000
Goodwill, net of accumulated amortization of $631,146 in 1995 and $396,048 in 1994	2,866,826	1,452,260
Other assets (note 17)	1,855,547	2,157,628
	$207,509,137	$190,600,488

See accompanying notes to consolidated financial statements.

Liabilities and Stockholders' Equity	1995	1994
Liabilities:		
Deposits (note 9):		

Demand	$ 9,711,732	$ 5,966,651
NOW	14,210,010	11,619,737
Money market	12,761,762	14,233,315
Regular savings	23,697,510	20,022,171
Brokered deposits	8,787,701	13,062,247
Certificates of deposit under $100,000	62,633,273	48,071,097
Certificates of deposit $100,000 or more	15,317,882	11,331,136
Total deposits	147,119,870	124,306,354
Borrowed funds (note 10)	35,700,000	45,900,000
Notes payable (note 11)	2,010,091	2,520,206
Securities sold under repurchase agreements (note 12)	2,585,387	-
Due to broker	989,062	-
Other liabilities	1,829,449	2,117,565
Total liabilities	190,233,859	174,844,125
Stockholders' equity (notes 13, 14, 15 and 19):		
Series A cumulative convertible preferred stock; $1 par value, 1,000,000 shares authorized. 45,454 shares issued and outstanding at conversion price of $22 per share	999,988	999,988
Series B cumulative convertible preferred stock; $1 par value, 1,000,000 shares authorized. 71,428 shares issued and outstanding at conversion price of $14 per share	999,992	999,992
Common stock, $1 par value, 3,000,000 shares authorized. 547,502 and 547,400 shares issued and outstanding in 1995 and 1994, respectively	547,502	547,400
Additional paid-in capital	4,643,059	4,640,968
Retained earnings	10,180,244	9,006,038
Net unrealized losses on available for sale securities (note 2)	(95,507)	(438,023)
Total stockholders' equity	17,275,278	15,756,363
Commitments and contingent liabilities (notes 11, 12, 19 and 20)		
	$207,509,137	$190,600,488

BETHEL BANCORP AND SUBSIDIARIES

Consolidated Statements of Income

Years ended June 30, 1995, 1994 and 1993

	1995	1994	1993
Interest and dividend income:			
Interest on loans	$ 15,085,138	$ 13,161,935	$ 13,582,351
Interest on Federal Home Loan Bank overnight deposits	393,497	211,213	123,893
Interest on investments held to maturity, excluding mortgage backed securities	75,691	48,302	314,780
Interest and dividends on available for sale securities	60,159	122,719	-
Interest on mortgage backed securities	1,088,420	294,037	111,565
Dividends on Federal Home Loan Bank stock	189,980	156,940	127,000
Other interest income	30,040	41,095	98,936
Total interest income	16,922,925	14,036,241	14,358,525
Interest expense:			
Deposits (note 9)	5,443,103	4,466,775	5,206,666
Repurchase agreements	84,921	-	-
Borrowed funds	2,524,896	2,012,937	1,947,902
Total interest expense	8,052,920	6,479,712	7,154,568

Net interest income before provision for loan losses	8,870,005	7,556,529	7,203,957
Provision for loan losses (note 5)	640,634	1,020,795	851,706
Net interest income after provision for loan losses	8,229,371	6,535,734	6,352,251
Noninterest income:			
Fees and service charges on loans	200,782	233,331	132,635
Fees for other services to customers	478,713	345,991	325,051
Net securities gains (notes 2 and 3)	49,045	275,263	155,936
Gain (loss) on trading securities	370,268	71,769	(47,442)
Gain on sales of mortgage loans (note 4)	160,982	434,210	513,744
Loan servicing fees	306,220	267,697	102,884
Other income (note 8)	550,432	830,224	267,617
Total noninterest income	2,116,442	2,458,485	1,450,425
Noninterest expense:			
Salaries and employee benefits (note 19)	3,977,800	3,278,118	2,452,129
Occupancy expense (note 6)	510,360	384,408	322,505
Equipment expense (note 6)	691,588	629,044	522,314
Other (note 16)	2,808,129	2,804,094	2,498,085
Total noninterest expense	7,987,877	7,095,664	5,795,033
Income before income taxes and cumulative effect of change in accounting principle	2,357,936	1,898,555	2,007,643
Income tax expense (note 17)	868,555	697,996	785,300
Income before cumulative effect of change in accounting principle,	1,489,381	1,200,559	1,222,343
Cumulative effect at July 1, 1993 of change in accounting for income taxes (note 17)	-	260,000	-
Net income	$ 1,489,381	1,460,559	1,222,343
Net income per common share before cumulative effect of change in accounting principle (note 14):			
Primary earnings per share	2.20	1.82	2.13
Fully diluted earnings per share	2.04	1.78	2.13
Net income per common share (note 14):			
Primary earnings per share	2.20	2.25	2.13
Fully diluted earnings per share	2.04	2.16	2.13

See accompanying notes to consolidated financial statements.

BETHEL BANCORP AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Years ended June 30, 1995, 1994 and 1993

Preferred stock Series A and B	Common stock

Balance at June 30, 1992	$ 999,988	$ 536,200
Net income	-	-
Decrease in net unrealized losses on marketable equity securities	-	-
Increase in net unrealized gains on available for sale securities	-	-
Stock options exercised	-	6,200
Dividends on preferred stock	-	-
Dividends on common stock at $.32 per share	-	-
Balance at June 30, 1993	999,988	542,400
Net income	-	-
Issuance of Series B preferred stock	999,992	-
Increase in net unrealized losses on available for sale securities	-	-
Stock options exercised	-	5,000
Dividends on preferred stock	-	-
Dividends on common stock at $.32 per share	-	-
Balance at June 30, 1994	1,999,980	547,400
Net income	-	-
Decrease in net unrealized losses on available for sale securities	-	-
Issuance of common stock	-	102
Dividends on preferred stock	-	-
Dividends on common stock at $.32 per share	-	-
Balance at June 30, 1995	$ 1,999,980	$ 547,502

See accompanying notes to consolidated financial statements.

Additional paid-in capital	Retained earnings	Net unrealized losses on marketable equity securities	Net unrealized gains (losses) on available for sale securities	Total
4,530,232	6,844,937	(71,279)	-	12,840,078
-	1,222,343	-	-	1,222,343
-	-	71,279	-	71,279
-	-	-	111,421	111,421
58,836	-	-	-	65,036
-	(69,999)	-	-	(69,999)
-	(172,816)	-	-	(172,816)

4,589,068	7,824,465	-	111,421	14,067,342
-	1,460,559	-	-	1,460,559
-	-	-	-	999,992
-	-	-	(549,444)	(549,444)
51,900	-	-	-	56,900
-	(104,998)	-	-	(104,998)
-	(173,988)	-	-	(173,988)
4,640,968	9,006,038	-	(438,023)	15,756,363
-	1,489,381	-	-	1,489,381
-	-	-	342,516	342,516
2,091	-	-	-	2,193
-	(140,000)	-	-	(140,000)
-	(175,175)	-	-	(175,175)
4,643,059	10,180,244	-	(95,507)	17,275,278

BETHEL BANCORP AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 1995, 1994 and 1993

	1995	1994	1993
Cash flows from operating activities:			
Net income	$ 1,489,381	$ 1,460,559	$ 1,222,343
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	640,634	1,020,795	851,706
Provision for losses on other real estate owned	107,173	62,600	99,000
Deferred income tax expense (benefit)	122,143	(267,594)	(186,000)
Cumulative effect of change in accounting for income taxes	-	(260,000)	-
Depreciation of premises and equipment	606,604	543,730	558,192
Goodwill amortization	235,098	119,743	101,974
Net gain on sale of investment securities	-	-	(106,783)
Net gain on sale of available for sale securities	(49,045)	(275,263)	-
Net gain on sale of loans	(160,982)	(434,210)	(513,744)
Originations of loans held for sale	(4,273,878)	(8,781,896)	(14,236,602)
Proceeds from sale of loans held for sale	4,325,745	11,309,708	13,449,468
Purchase of securities for subsequent resale	-	-	(3,203,098)
Sale of securities held for sale	-	-	4,143,901
Net change in trading account securities	171,696	(118,071)	7,875
Net change in due to/from broker	47,655	-	-
Other	(73,829)	36,177	(54,441)
Change in other assets and liabilities:			
(Increase) decrease in			

interest receivable	(291,215)	179,246	(125,649)
(Increase) decrease in other assets and liabilities	(326,872)	300,852	969,193
Net cash provided by operating activities	2,570,308	4,896,376	2,977,335
Cash flows from investing activities:			
Proceeds from the sale of available for sale securities	12,179,897	5,332,865	-
Purchase of available for sale securities	(1,265,840)	(9,639,772)	-
Proceeds from maturities and principal payments on available for sale securities	335,432	2,532,959	-
Proceeds from maturities and principal payments on held to maturity securities	1,645,454	54,672	-
Purchase of held to maturity securities	(12,399,309)	(3,992,341)	-
Proceeds from maturities and principal payments on investments and mortgage-backed securities	-	-	126,860
Purchase of investments and mortgage-backed securities	-	-	(6,886,222)
Proceeds from sales of investments and mortgage-backed securities	-	-	3,116,917
Net increase in loans	(11,905,988)	(8,431,810)	(11,762,974)
Additions to premises and equipment	(936,647)	(332,748)	(1,581,303)
Proceeds from sale of investment in real estate	238,189	74,804	99,323
Purchase of investment in real estate	(13,397)	(90,501)	(196,228)
Proceeds from sale of other real estate owned	581,880	642,355	272,978
Sale (purchase) of Federal Home Loan Bank stock	195,000	(317,400)	(599,300)
Acquisition of nonbanking subsidiary	-	(348,314)	-
Cash received from acquisition of bank branches	25,547,199	-	-
Net cash provided (used) in investing activities	14,201,870	(14,515,231)	(17,409,949)
Cash flows from financing activities:			
Net (decrease) increase in deposits	$ (4,930,902)	1,809,469	980,146
Net increase in repurchase agreements	2,585,387	-	-
Dividends paid	(315,175)	(278,986)	(242,815)
Stock options exercised	-	56,900	65,036
Issuance of common stock	2,193	-	-
Proceeds from issuance of preferred stock	-	999,992	-
Net (payments) borrowings (to) from Federal Home Loan Bank	(10,200,000)	7,900,000	10,900,000
Increase in notes payable	-	20,206	520,833
Principal payments on notes payable	(510,115)	-	-
Net cash (used) provided by financing activities	(13,368,612)	10,507,581	12,223,200
Net increase (decrease) in cash and cash equivalents	3,403,566	888,726	(2,209,414)
Cash and cash equivalents, beginning of year	11,336,505	10,447,779	12,657,193
Cash and cash equivalents, end of year	$ 14,740,071	$ 11,336,505	$ 10,447,779
Supplemental schedule of cash flow information:			
Interest paid	$ 7,997,123	$ 6,457,283	$ 7,192,134
Income taxes paid, net of			

refunds	794,000	872,500	964,655
Supplemental schedule of noncash investing and financing activities:			
Transfer from loans to other real estate owned	827,304	1,479,233	1,184,621
Transfer from other real estate owned to loans	382,718	767,720	-
Transfer from loans to loans held for sale	-	-	1,940,392
Loans originated to finance the sales of other real estate owned	399,550	362,826	602,289
Transfer from investments to available for sale securities	-	-	4,946,106
Transfer from available for sale securities to held to maturity securities, at fair value	-	4,082,439	-
Transfer of securities into available for sale securities, at fair value	18,821,933	-	-
Transfer of securities out of held to maturity securities, at amortized cost	(18,774,672)	-	-
Net change in valuation for unrealized losses on marketable equity securities	-	-	(71,279)
Net change in valuation for unrealized (gains) losses on available for sale securities	(295,255)	549,444	(111,421)
Net change in deferred taxes for unrealized losses on available for sale securities	(176,446)	326,641	-

In connection with the acquisition of bank branches, the Company assumed deposit liabilities (See note 18).

See accompanying notes to consolidated financial statements.

BETHEL BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 1995, 1994 and 1993

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Bethel Bancorp and subsidiaries (the Company) conform to generally accepted accounting principles and general practice within the banking industry.

Business

Bethel Bancorp provides a full range of banking services to individual and corporate customers throughout south central and western Maine through its wholly owned subsidiaries, Bethel Savings Bank, FSB and Brunswick Federal Savings, F.A. The banks are subject to competition from other financial institutions. The banks are subject to the regulations of the Federal Deposit Insurance Corporation (FDIC) and the Office of Thrift Supervision (OTS) and undergo periodic examinations by these agencies.

Basis of Financial Statement Presentation

The financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and income and expenses for the period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowance for loan losses and the carrying value of real estate acquired through foreclosure, management obtains independent appraisals for significant properties.

A substantial portion (85%) of the Company's loans are secured by real estate in the State of Maine. In addition, all of the real estate acquired through foreclosure is located in the same market. Accordingly, the ultimate collectibility of a substantial portion of the Company's loan portfolio and the recovery of the carrying amount on real estate acquired through foreclosure are susceptible to changes in market conditions in Maine.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Bethel Bancorp, a savings and loan holding company, its wholly-owned subsidiaries, Bethel Savings Bank, FSB (including the bank's wholly-owned subsidiary, Bethel Service Corporation and its majority-owned subsidiary, First New England Benefits, Inc.), Brunswick Federal Savings, F.A. (including the bank s wholly-owned subsidiary Brunswick Service Corporation), and the Company s wholly-owned nonbanking subsidiary, ASI Data Services, Inc. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash Equivalents

Cash equivalents consist of due from banks, Federal Home Loan Bank overnight deposits and interest bearing deposits. For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The Company is required to maintain a certain reserve balance in the form of cash or deposits with the Federal Reserve Bank. At June 30, 1995, the reserve balance was approximately $448,000.

Investments

On May 31, 1993, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (Statement 115). Statement 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values, and all investments in debt securities. The Company elected early adoption of Statement 115 as of June 30, 1993. The Company s investment accounting policies are as follows at June 30, 1995 and 1994:

Trading Account Securities

Trading account securities, consisting of equity securities purchased with the intent to be subsequently sold to provide net securities gains, are carried at market value. Realized and unrealized gains and losses on trading account securities are recognized in the statements of income as they occur. Transactions are accounted for as of the trade date using the specific identification method.

Available for Sale Securities

Available for sale securities consist of mortgage-backed, debt and equity securities that the Company anticipates could be made available for sale in response to changes in market interest rates, liquidity needs, changes in funding sources and other similar factors. These assets are specifically identified and are carried at fair value. Unrealized holding gains and losses for these assets less the related tax effects are reported as a net amount in a separate component of stockholders equity. When a decline in market value is considered other than temporary, the loss is charged to expense as a write down. Gains and losses on the sale of available for sale securities are determined using the specific identification method.

Held to Maturity Securities

Held to maturity securities consist of debt securities purchased where the Company has the positive intent and ability to hold such securities until maturity. Debt securities classified as held to maturity are carried at amortized cost, adjusted for amortization of premiums and accretion of discounts. When a decline in market value is considered other than temporary, the loss is charged to expense as a write down. There were no held to maturity securities at June 30, 1995.

Prior to June 30, 1993, the Company accounted for investment securities as proscribed by FASB Statement 12. The Company s accounting policies for investment securities were as follows:

Investment Securities

Investments included marketable equity securities and debt securities. Debt securities were stated at cost, adjusted for amortization of premiums and accretion of discounts. Marketable equity securities were carried at the lower of aggregate cost or market. A valuation reserve was established for the difference between the carrying value and market value of marketable equity securities. The cost of securities sold was determined using the specific identification method. When a decline in market value was considered other than temporary, the loss was charged to expense.

Mortgage-Backed Securities

Mortgage-backed securities were carried at unpaid principal balances, adjusted for unamortized premiums and unearned discounts. Premiums and discounts were amortized using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is carried at cost.

Loans Held for Sale

Loans originated for the purpose of potential subsequent sale are classified as held for sale. These assets are specifically identified and are carried at the lower of cost or market value.

Interest Income and Expense Recognition

Interest income, including amortization of premiums and accretion of discounts, on loans and debt securities is recognized using the interest method which relates income earned to the loans and investment securities outstanding. The recognition of interest income on problem loan accounts ceases when the loan is 90 days past due or when collectibility becomes doubtful, whichever is earlier. Interest accrued but not received on loans placed on nonaccrual status is reversed and charged against current operations. Interest on nonaccrual loans is recognized only when received. Loans are restored to accrual status when the borrower has demonstrated the ability to make future principal and interest payments. Interest expense on deposits is determined by applying contractual interest rates to outstanding balances.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to operations. Loan losses are charged against the allowance when management believes that the collectibility of the loan principal is unlikely. Recoveries on loans previously charged off are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb possible loan losses based on evaluations of collectibility and prior loss experience. The evaluation takes into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, specific problem loans, and current and anticipated economic conditions that may affect the borrowers' ability to repay. Management also obtains appraisals when considered necessary.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, changing economic conditions and the economic prospects of the borrowers might necessitate future additions to the allowance. 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 based on their judgments about information available to them at the time of their examination.

Loan Origination Fees

Loan origination fees and certain direct loan origination costs are deferred and recognized in interest income as an adjustment to the loan yield over the life of the related loans. The unamortized net deferred fees and costs are included on the balance sheet with the related loan balances. The amount charged or credited to income is included with the related interest income.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line and accelerated methods over the estimated useful lives of the assets or the term of the lease, if shorter. Maintenance and repairs are charged to current expense as incurred and the cost of major renewals and betterments are capitalized.

Income Taxes

In February 1992, the Financial Accounting Standards Board issued Statement No. 109, Accounting for Income Taxes (Statement 109). Statement 109 requires a change from the deferred method of accounting for income taxes required under APB Opinion 11 to the asset and liability method of accounting for income taxes. Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Effective July 1, 1993, the Company adopted Statement 109 and has reported the cumulative effect of the change in the method of accounting for income taxes in the 1994 consolidated statement of income.

Pursuant to the deferred method under APB Opinion 11, which was applied in 1993 and prior years, deferred income taxes are recognized for income and expense items that are reported in different years for financial reporting purposes and income tax purposes using the tax rate applicable for the year of the calculation. Under the deferred method, deferred taxes are not adjusted for subsequent changes in tax rates.

Pension Plans

It is the Company's policy to provide for pension costs on its defined contribution plans by annual charges to income and fund pension costs accrued.

Other Real Estate Owned

Other real estate owned is comprised of (1) properties or other assets acquired through foreclosure proceedings, or acceptance of a deed or title in lieu of foreclosure, (2) properties (insubstance foreclosures) which secure loans and meet the criteria specified in Financial Reporting Release 28 of the Securities and Exchange Commission and are accounted for in accordance with Financial Accounting Standards No. 15 where the borrower is deemed to have little or no equity in the property, is not expected to rebuild such equity in the foreseeable future or has effectively abandoned control of the property and proceeds for repayment of the loan are expected to come solely from the operation or sale of the property and (3) other assets repossessed in connection with non-real estate loans. Other real estate owned is carried at the lower of cost or fair value of the collateral less estimated selling expenses. Losses arising from the acquisition (including insubstance foreclosures) of such properties are charged against the allowance for loan losses. Operating expenses and any subsequent provisions to reduce the carrying value are charged to current period earnings. Gains and losses upon disposition are reflected in earnings as realized.

Real Estate Held for Investment

Real estate properties held for investment are carried at the lower of cost, including costs of improvements and amenities incurred subsequent to acquisition, or net realizable value. Costs relating to development and improvement of property are capitalized, whereas costs relating to holding property are expensed.

Goodwill

Goodwill arising from the acquisition of Brunswick Federal Savings, F.A. and First New England Benefits is being amortized on a straight-line basis over fifteen years. Goodwill arising from the acquisition of four bank branches is being amortized on a straight-line basis over ten years.

Reclassification

Certain prior year accounts and balances in the consolidated financial statements have been reclassified to conform to the current year presentation.

2. Available for Sale Securities

The Company carries available for sale securities at market value. A summary of the cost and market values of available for sale securities at June 30, 1995 and 1994 follows:

	1995		1994	
	Cost	Market value	Cost	Market value
Debt securities issued by the U.S. Treasury and other U.S. Government corporations and agencies	$ 250,000	$ 239,225	$ 250,000	$ 226,407
Corporate bonds	149,599	141,436	149,551	129,094
Equity securities	577,939	470,085	524,433	439,341
Mortgage-backed securities	9,315,419	9,297,505	1,391,708	1,265,380
	$10,292,957	$10,148,251	$ 2,315,692	$ 2,060,222

The gross unrealized gains and unrealized losses on available for sale securities are as follows:

	1995		1994	
	Gross unrealized gains	Gross unrealized losses	Gross unrealized gains	Gross unrealized losses
Debt securities issued by the U. S. Treasury and other U. S. Government corporations and agencies	$ -	10,775	-	23,593
Corporate bonds	-	8,163	-	20,457
Equity securitie	10,625	118,479	4,708	89,800
Mortgage-backed securities	211,709	229,623	-	126,328
	$ 222,334	$ 367,040	$ 4,708	$ 260,178

At June 30, 1995, investment securities with a carrying value of $4,000,000 were pledged as collateral to secure outstanding repurchase agreements.

At June 30, 1995 and 1994, included in net unrealized losses on available for sale securities as a reduction to stockholders equity are net unrealized losses of $144,707 and $255,470, respectively, net of the deferred tax effect of $49,200 and $86,860, respectively. Also included in net unrealized losses on available for sale securities at June 30, 1994 is $408,197, net of the deferred tax effect of $138,784, for unamortized unrealized losses on securities transferred from the available for sale category to the held to maturity category.

The cost and market values of available for sale securities at June 30, 1995 by contractual maturity are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Cost	Market value
Due in one year	$ -	-
Due after one year through five years	-	-
Due after five years through ten years	399,599	380,661
Due after ten years	-	-
	399,599	380,661

Mortgage-backed securities (including
  securities with interest rates

ranging from 5.15% to 8.5% maturing December 2007 to November 2024)	9,315,419	9,297,505
Equity securities	577,939	470,085
	$ 10,292,957	$ 10,148,251

The realized gains and losses on available for sale securities for the year ended June 30, 1995 were $280,257 and $231,212, respectively. The realized gains and losses for the year ended June 30, 1994 were $280,449 and $5,186, respectively.

Based on management s assessment of equity securities, there has been more than a temporary decline in market value of certain securities. Such securities were written down to market value. At June 30, 1994 and 1993, write-downs of available for sale securities amounting to $84,419 and $61,000, respectively, are included in other expense. There were no writedowns of available for sale securities in 1995.

Proceeds from the sale of securities held for sale were $4,193,054 in 1993; gross realized gains were $49,153.

3. Held to Maturity Securities

The Company carries held to maturity securities at amortized cost. There were no held to maturity securities at June 30, 1995. A summary of amortized cost, gross unrealized losses and market value of held to maturity securities at June 30, 1994 follows:

	June 30, 1994		
	Carrying value	Gross unrealized losses	Market value
Debt securities issued by the U. S. Treasury and other U. S. Government corporations and agencies	$ 1,382,544	$ 142,819	$ 1,239,725
Mortgage-backed securities	5,669,215	426,697	5,242,518
FNMA Guaranteed REMIC Class A, 7.5%	968,349	91,993	876,356
	$ 8,020,108	$ 661,509	$ 7,358,599

During 1995, the Company purchased an additional $12,399,000 in securities it classified as held to maturity, since at the time of acquisition Company management had the intention, and the Company had the ability, to hold such securities until maturity.

In the last quarter of fiscal 1995, as a result of its planning process and changes in market conditions, Company management determined that it no longer possessed the intent to hold such securities to maturity. Consequently, the Company transferred its entire held to maturity portfolio, with an aggregate cost of $18,775,000 and an aggregate market value of $18,822,000 (including unrealized gains and losses of $191,000 and $144,000, respectively) to available for sale.

The Company subsequently sold selected of the aforementioned securities with an aggregate cost of $11,900,000 and realized gains of $273,000 and realized losses of $225,000.

The Company's decision not to hold these securities to maturity does not satisfy the limited criteria of Financial Accounting Standards No. 115 which specifies circumstances in which it is permissible to sell or transfer held to maturity securities. Consequently, the Company will, for the foreseeable future, classify its securities portfolio as available for sale, or trading.

In 1993, realized gains and losses on the sale of debt securities were $112,752 and $3,387, respectively. Proceeds from sale of debt securities were $3,000,652. Net realized losses on the sale of marketable equity securities were $2,582 for the year ended June 30, 1993.

4. Loans Held for Sale

The Company has a portfolio of loans held for sale which have been originated for potential subsequent sale in the foreseeable future. A summary of the carrying value and market value of loans held for sale at June 30, 1995 and 1994 follows:

	June 30, 1995		June 30, 1994	
	Carrying value	Market value	Carrying value	Market value
Real estate mortgages	$ 528,839	$ 532,652	$ 521,458	$ 525,769

At June 30, 1995 and 1994, gross unrealized gains on loans held for sale were $3,813 and $4,311, respectively, and there were no unrealized losses.

The Company s subsidiaries originate loans to be sold to the secondary market and occasionally sell mortgage loans from their loan portfolios. Gain on sales of loans amounted to $160,982, $434,210 and $513,744 for the years ended June 30, 1995, 1994 and 1993. Proceeds from the sale of loans out of the portfolio was $1,616,926 in 1995, $3,862,039 in 1994 and $3,693,935 in 1993.

5. Loans

The Company's lending activities are conducted in south central and western Maine. The Company grants single-family and multi-family residential loans, commercial real estate loans, commercial loans and a variety of consumer loans. In addition, the Company grants loans for the construction of residential homes, multi-family properties, commercial real estate properties and for land development. Most loans granted by the Company are collateralized by real estate. The ability and willingness of residential and commercial real estate, commercial and construction loan borrowers to honor their repayment commitments is generally dependent on the health of the real estate economic sector in the borrowers' geographic area and the general economy.

Loans on nonaccrual status at June 30, 1995 and 1994 totaled approximately $2,266,000 and $2,723,000, respectively. Interest income that would have been recorded under the original terms of such loans, net of interest income actually recognized for the years ended June 30, 1995, 1994 and 1993, totaled approximately $62,000, $119,000 and $75,000, respectively.

In the ordinary course of business, the Company has loan transactions with its officers, directors and their associates and affiliated companies ("related parties") at substantially the same terms as those prevailing at the time for comparable transactions with others. Such loans amounted to $2,564,230 and $2,611,102 at June 30, 1995 and 1994, respectively. New loans granted to related parties in 1995 totaled $490,418; payments and reductions amounted to $537,290. In 1994, new loans granted to related parties totaled $1,301,601; payments and reductions amounted to $1,326,988.

The Company was servicing for others, mortgage loans originated and sold of approximately $32,560,000 and $30,064,000 at June 30, 1995 and 1994, respectively. In addition to loans originated and sold by the Company, during 1993 the Company purchased loan servicing rights from another institution. The balance of the loans serviced under this agreement was approximately $12,983,000 and $15,805,000 at June 30, 1995 and 1994, respectively.

Activity in the allowance for loan losses was as follows:

	Year ended June 30,		
	1995	1994	1993
Balance at beginning of year	$ 2,463,000	$ 2,123,000	$ 1,555,000
Provision charged to operating expenses	640,634	1,020,795	851,706
Loans charged off	(760,733)	(730,108)	(313,212)
Recoveries on loans charged off	53,099	49,313	29,506
Net loans charged off	(707,634)	(680,795)	(283,706)

Balance at end of year	$ 2,396,000	$ 2,463,000	$ 2,123,000

On May 31, 1993, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan (Statement 114). This Statement as amended by Statement 118, which applies to all creditors, addresses the accounting by creditors for impairment of a loan by specifying how allowances for credit losses related to certain loans should be determined. These Statements are effective for financial statements for fiscal years beginning after December 15, 1994. Management has determined the impact of adopting Statement 114 and 118 on its financial condition, results of operations or liquidity will not be material.

6. Premises and Equipment

Premises and equipment at June 30, 1995 and 1994 are summarized as follows:

	1995	1994
Land	$ 625,750	$ 625,750
Buildings	2,238,391	1,536,352
Leasehold and building improvements	622,614	560,817
Furniture, fixtures and equipment	3,193,546	2,543,188
	6,680,301	5,266,107
Less accumulated depreciation	2,807,023	2,221,316
Net premises and equipment	$ 3,873,278	3,044,791

Depreciation and amortization of premises and equipment, included in occupancy and equipment expense, was approximately $599,868, $531,648 and $545,352 for the years ended June 30, 1995, 1994 and 1993, respectively.

7. Other Real Estate Owned

The following table summarizes the composition of other real estate owned at June 30:

	1995	1994
Real estate properties acquired in settlement of loans	$ 1,073,743	$ 1,295,399
In-substance foreclosures	304,232	747,990
	1,377,975	2,043,389
Less allowance for losses	5,289	49,405
	$ 1,372,686	$ 1,993,984

Activity in the allowance for losses on other real estate owned was as follows:

	1995	1994	1993
Balance at beginning of year	$ 49,405	$ 27,881	$ 27,455
Provision for losses on other real estate owned	107,173	62,600	99,000
Other real estate owned write-downs	(151,289)	(41,076)	(98,574)
Balance at end of year	$ 5,289	$ 49,405	$ 27,881

8. Real Estate Held for Investment

Real estate held for investment (held by Bethel Service Corporation) at June 30 is summarized as follows:

	1995	1994
Rental properties	$ 167,741	$ 462,592
Less accumulated depreciation	2,639	40,764
	165,102	421,828
Land held for development	287,377	228,363
	$ 452,479	$ 650,191

A summary of income (loss) from real estate held for investment operations, which is included in other income, for the years ended June 30, 1995, 1994 and 1993 is as follows:

	1995	1994	1993
Rental income	$ 9,256	$ 14,513	$ 17,553
Gain on sale of real estate	33,816	4,464	21,371
Depreciation	(6,736)	(12,082)	(12,840)
Other operating expenses	(54,068)	(23,209)	(23,361)
Income (loss)	$ (17,732)	$ (16,314)	$ 2,723

9. Deposits

Deposits at June 30 are summarized as follows:

	Weighted average rate at June 30, 1995	1995 Amount	1995 Percent	1994 Amount	1994 Percent
Demand	0.00%	$ 9,711,732	6.6%	$ 5,966,651	4.8%
NOW	2.15	14,210,010	9.6	11,619,737	9.3
Money market	3.58	12,761,762	8.7	14,233,315	11.5
Regular savings	2.76	23,697,510	16.1	20,022,171	16.1
Certificates of deposits:					
1.00 - 3.75%	3.21	1,564,106	1.1	17,850,623	14.4
3.76 - 5.75%	5.06	40,328,991	27.4	43,424,348	34.9
5.76 - 7.75%	6.40	42,688,280	29.0	8,447,360	6.8
7.76 - 9.75%	8.04	2,157,479	1.5	2,742,149	2.2
	4.35%	$ 147,119,870	100.0%	$ 124,306,354	100.0%

At June 30, 1995, scheduled maturities of certificates of deposit are as follows:

	1996	1997	1998	1999	2000	Thereafter
1.00 - 3.75%	$ 1,471,510	$ 56,483	$ 1,629	$ 10,709	$ 23,775	-
3.76 - 5.75%	29,019,721	8,547,187	1,397,243	1,242,501	118,040	4,299
5.76 - 7.75%	22,389,223	13,789,523	2,549,916	1,626,177	2,303,952	29,489
7.76 - 9.75%	1,077,807	966,422	113,250	-	-	-

Interest expense on deposits for the years ended June 30, 1995, 1994 and 1993 is summarized as follows:

	1995	1994	1993
NOW	$ 264,143	$ 197,412	$ 320,372
Money market	455,080	452,620	503,743
Regular savings	610,415	521,298	645,627
Certificates of deposit	4,113,465	3,295,445	3,736,924
	$ 5,443,103	$ 4,466,775	$ 5,206,666

10. Borrowings From the Federal Home Loan Bank

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

June 30, 1995

Principal amounts	Interest rates	Maturity dates
$ 25,400,000	4.41% - 7.65%	1996
5,300,000	5.17% - 8.30%	1997
4,000,000	4.97% - 6.35%	1998
1,000,000	5.75%	1999
$ 35,700,000		

June 30, 1994

Principal amounts	Interest rates	Maturity dates
$ 25,200,000	3.93% - 8.81%	1995
7,300,000	4.41% - 5.84%	1996
6,900,000	3.61% - 8.30%	1997
3,500,000	3.86% - 5.08%	1998
3,000,000	3.90% - 5.75%	1999
$ 45,900,000		

Mortgages, free of liens, pledges and encumbrances, and the Company's Federal Home Loan Bank stock equal to at least 200% of the borrowings from that bank have been pledged to secure these borrowings. The Company is required to own stock of the Federal Home Loan Bank of Boston in order to borrow from the Federal Home Loan Bank. Several of the Federal Home Loan Bank borrowings held at June 30, 1995 are adjustable, and therefore the rates are subject to change.

11. Notes Payable

Notes payable primarily consist of a $2.5 million loan from an unrelated financial institution for the acquisition of one of the Company's banking subsidiaries. The Company borrowed $2,500,000 payable in twenty consecutive equal quarterly payments of principal of $125,000 commencing on July 1, 1994. Interest is payable monthly at a rate equal to the lender's prime rate, floating daily, plus .75% through April 30, 1997; at the prime rate, floating daily, plus 1.25% through April 30, 1998; at the prime rate, floating daily, plus 1.75% thereafter. The Company pledged all of the Brunswick Federal Savings common stock and a $1 million key man life insurance policy as collateral for the loan.

The loan agreement contains certain covenants which limits capital expenditures of the Company and the amount of nonperforming loans and requires minimum loan loss reserves, capital, and return on assets. At June 30, 1995, the Company complied with these covenants.

12. Securities Sold Under Repurchase Agreements

During 1995, the Company sold securities under agreements to repurchase. The weighted average interest rate on repurchase agreements was 4.99% at June 30, 1995. These borrowings, which were scheduled to mature within 180 days, were collateralized by FHLMC and GNMA securities with a market value of $4,000,000 and amortized cost of $3,867,000 at June 30, 1995. The repurchase agreements averaged $1,775,000 during the year ended June 30, 1995. The maximum amount outstanding at any month-end during the year was $2,585,000. Securities sold under these agreements were under the control of the Company during 1995.

13. Stockholders' Equity

For Federal income tax purposes, the Company has designated approximately $2,400,000 of net worth as a reserve for bad debts on loans. The use of this amount for purposes other than to absorb losses on loans would result in taxable income and financial statement tax expense at the then current tax rate.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) was signed into law on December 19, 1991. Regulations implementing the prompt corrective action provisions of FDICIA became effective December 19, 1992. In addition to the prompt corrective action requirements, FDICIA includes significant changes to the legal and regulatory environment for insured depository institutions, including reductions in insurance coverage for certain kinds of deposits, increased supervision by the federal regulatory agencies, increased reporting requirements for insured institutions and new regulations concerning internal controls, accounting and operations.

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."

To be considered "adequately capitalized," an institution must generally have a leverage ratio of at least 4%, a Tier 1 risk-based capital ratio of at least 4%, and a total risk-based capital ratio of at least 8%. An institution is deemed to be "critically undercapitalized" if it has a tangible equity ratio of 2% or less. At June 30, 1995, the Company was in compliance with the regulatory capital requirements.

14. Earnings Per Share

Earnings per share have been computed on the basis of the weighted average number of shares of common stock outstanding. The weighted average number of shares outstanding were: 613,700, 602,600, and 540,460 for the years ended June 30, 1995, 1994 and 1993, respectively. Common stock equivalents and potentially dilutive securities were considered in the 1995 and 1994 calculation of weighted average shares outstanding, since their effect was dilutive. Their effects were anti-dilutive in 1993, therefore they were not considered in the weighted average shares outstanding calculation. Preferred stock dividends have been deducted from net income in the calculation of earnings per share for the years ended June 30, 1995, 1994 and 1993.

15. Preferred Stock

In September 1990, the Company issued 45,454 shares of preferred stock designated as cumulative convertible preferred stock, Series A. The stock may be converted to common stock on a one to one ratio at the option of the holder. The preferred stock carries voting rights. Dividends are to be paid to the holder of the preferred stock quarterly at a rate equal to interest at prime rate less two percent but in no event less than 7% per annum based on $22 value per share.

In February 1994, the Company issued 71,428 shares of preferred stock designated as cumulative convertible preferred stock, Series B. The stock may be converted to common stock on a one to one ratio at the option of the holder. The preferred stock carries voting rights. Dividends are to be paid to the holder of the preferred stock quarterly at a rate equal to interest at prime rate less two percent but in no event less than 7% per annum based on $14 value per share. The Series B preferred stock has warrants attached for a term of seven years to purchase 116,882 shares of the Company's common stock at $14 per share.

On August 7, 1995, the Company was informed that 50,000 common stock warrants that were outstanding at June 30, 1995, will be exercised on August 16, 1995. The exercise price is $14.00 per warrant and the Company expects to receive $700,000.

16. Other Expenses

Other expenses includes the following for the years ended June 30, 1995, 1994 and 1993:

	1995	1994	1993
Professional fees	$ 304,547	$ 374,572	$ 209,829
Computer service and processing fees	14,279	62,885	312,521
Collection expense	36,604	55,598	36,378
FDIC and other insurance	417,202	427,227	378,837
Supplies	248,951	193,158	224,807
Telephone	248,473	223,627	170,368
Real estate owned expenses	99,272	149,570	120,267
Postage	133,948	91,284	74,322
Dues and subscriptions	98,873	104,804	76,143
Provision for losses on OREO	107,173	62,600	99,000
Director fees	104,775	102,808	77,826
Goodwill amortization	235,098	119,743	101,974
Write-down on securities	-	84,419	61,000
Other	758,934	751,799	554,813
	$ 2,808,129	$ 2,804,094	$ 2,498,085

17. Income Taxes

As discussed in note 1, effective July 1, 1993, the Company adopted Statement 109, which changed the method of accounting for income taxes to the asset and liability method from the deferred method previously required by APB Opinion 11. The cumulative effect of this change in accounting for income taxes of $260,000 was determined as of July 1, 1993, and is reported separately in the consolidated statement of income for the year ended June 30, 1994.

The current and deferred components of income tax expense (benefit) were as follows for the years ended June 30, 1995, 1994 and 1993:

	1995	1994	1993
Federal:			
Current	$ 714,055	$ 936,146	$ 945,000
Deferred	122,143	(267,594)	(186,000)
	836,198	668,552	759,000
State and local current	32,357	29,444	26,300
	$ 868,555	697,996	785,300

Total income tax expense is different from the amounts computed by applying the U. S. Federal income tax rates in effect to income before income taxes. The reasons for these differences are as follows for the years ended June 30, 1995, 1994 and 1993:

1995		1994		1993	
	% of		% of		% of

	Amount	pretax income	Amount	pretax income	Amount	pretax income
Expected income tax expense at Federal tax rate	$ 801,698	34.0%	$ 645,509	34.0%	$ 682,021	34.0%
Financial statement provision for loan losses greater than tax bad debt deduction	-	-	-	-	49,342	2.5
State tax, net of federal tax benefit	21,562	.9	19,656	1.0	17,357	.9
Amortization of goodwill	34,671	1.5	34,671	1.8	34,671	1.7
Dividend received deduction	(5,333)	(.2)	(3,276)	(.2)	(3,840)	(.2)
Low income/ rehabilitation credit	(20,000)	(.9)	(20,000)	(1.1)	(20,000)	(1.0)
Other	35,957	1.5	21,436	1.2	25,749	1.3
	$ 868,555	36.8%	$ 697,996	36.7%	$ 785,300	39.2%

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30, 1995 and 1994 are presented below:

	1995	1994
Deferred tax assets:		
Loans, principally due to allowance for loan losses	$ 666,000	$ 777,000
Deferred loan fees	103,000	122,000
Deferred gain on loan sales	93,000	77,000
Interest on nonperforming loans	132,000	127,000
Difference in tax and financial statement bases of investments	78,000	283,000
Other	24,000	21,000
Total deferred tax assets	1,096,000	1,407,000
Deferred tax liabilities:		
Loan loss reserve tax	(135,000)	(99,000)
Other	(37,000)	(29,000)
Total deferred tax liabilities	(172,000)	(128,000)
Net deferred tax assets	$ 924,000	$ 1,279,000

The Company has sufficient refundable taxes paid in available carryback years to fully realize its recorded deferred tax asset of $1,096,000.

At June 30, 1995 and 1994, the Company has included the net deferred tax assets of $924,000 and $1,279,000, respectively, in other assets in the consolidated statements of financial condition.

As a result of the Company filing its 1994 tax return during fiscal year 1995, the Company reclassed $56,000 between current and deferred tax accounts.

Deferred taxes resulting from timing differences in 1993 are as follows:

Loan loss provision	$ (23,200)
Deferred loan fees and costs	13,100
Tax and financial statement depreciation	(30,300)
Tax security loss less than financial statement	(38,300)
Nonaccrual interest	(25,600)
Tax gain on sale of loans greater than financial statement gain	(64,500)
Difference in tax and financial statement other real estate	

owned activity	(33,185)
Other	15,985
	$ (186,000)

18. Acquisitions

Acquisition of ASI Data Services, Inc.

During 1993, the Company acquired 90 percent of all the outstanding capital stock of ASI Data Services, Inc. (ASI) for an aggregate purchase price of $465,840. The Company contributed equipment and other assets in exchange for the 90 percent ownership. The acquisition was accounted for using the purchase method. The effective date of the acquisition, for accounting purposes, was the opening of business May 1, 1993, at which time ASI became a majority owned subsidiary of the Company. The pro forma effects on the results of operations of the Company after consideration of the acquisition of ASI are not material. During 1994, the Company acquired the additional 10 percent of the outstanding common stock of ASI Data Services, Inc. The price for the additional shares was not material.

Acquisition of First New England Benefits

During 1994 Bethel Service Corp., a subsidiary of Bethel Savings Bank, acquired common stock of First New England Benefits for an aggregate purchase price of $300,000. With this purchase, the Company owns 62.5 percent of all outstanding common stock of First New England Benefits. The effective date of the acquisition, for accounting purposes, was November 1, 1993. The acquisition was accounted for using the purchase method. The pro forma effects on the results of operations of the Company after consideration of the acquisition of First New England Benefits are not material.

Acquisition of Bank Branches

During 1995, the Company's subsidiaries, Bethel Savings Bank and Brunswick Federal Savings, acquired four branches from Key Bank of Maine. The total deposits assumed were $27,749,000. The premium paid to Key Bank for these deposits was $1,590,228. In addition to the assumed deposits, the banks acquired real estate, buildings and furniture totalling $498,500 and other miscellaneous assets and liabilities which are immaterial. The effective date of the acquisition was October 28, 1994. The acquisition was accounted for using purchase accounting. Separate financial information on the results of operations of the individual branches was not maintained by the seller or the Company and therefore pro-forma results of operations are not presented.

19. Employee Benefit Plans

Profit Sharing Plan

The Company has a profit sharing plan which covers substantially all full-time employees. Contributions and costs were determined as a percent of each covered employee's salary and are at the Board of Directors discretion. Expenses for the profit sharing plan for the years ended June 30, 1995, 1994 and 1993 were $76,000, $84,500 and $97,700, respectively.

Stock Option Plans

The Company adopted Stock Option Plans in 1987, 1989 and 1992. Both "incentive stock options" and "nonqualified stock options" may be granted pursuant to the Option Plans. Under the Option Plans, incentive stock options may only be granted at the fair market value to employees of Bethel Bancorp and Bethel Savings Bank. No taxable gain or loss will be recognized by Bethel Bancorp as a result of the grant or exercise of incentive stock options. In the case of nonqualified stock options, which may be granted to employees and nonemployee directors, the difference between the exercise price and the fair market value of the common stock on the date of exercise will be a tax deductible expense to the Company. All options granted under the Option Plans will be required to have an exercise price per share equal to at least the fair market value of the share of common stock on the date the option is granted. The options are exercisable for a maximum of ten years after the options are granted in the case of all incentive stock options, three years for nonqualified stock options in the 1987 plan and five years for nonqualified stock options in the 1989 and 1992 plans.

In accordance with the Stock Option Plans, a total of 118,000 shares of unissued common stock are reserved for issuance pursuant to incentive stock options and 30,000 shares of unissued common stock are reserved for issuance pursuant to nonqualified stock options.

A summary of option activity for the years ended June 30, 1995 and 1994 follows:

	1995		1994	
	Incentive Plan	Non qualified Plan	Incentive Plan	Non qualified Plan
Outstanding at beginning of year	47,500	-	47,500	5,000
Granted during the year	22,500	-	-	-
Canceled or exercised during the year	2,000	-	-	5,000
Outstanding at end of year	68,000	-	47,500	-
Price range of options granted	$10.00 - 22.50	-	$10.00 - 11.38	-
Average price of options outstanding	$ 14.10	-	10.48	-

401(k) Plan

The Company offers a contributory 401(k) plan which is available to all full-time salaried and hourly-paid employees who are regularly scheduled to work 1,000 hours or more in a Plan year, have attained age 21, and have completed one year of employment. Employees may contribute between 1% and 15% of their base compensation to which the Company will match 50% up to the first 3% contributed. For the years ended June 30, 1995, 1994, and 1993, the Company contributed approximately $30,800, $14,700, and $12,500, respectively.

Stock Purchase Plan

The Company adopted a stock purchase plan in 1995 which covers substantially all full-time employees with one year of service. The offering will be made quarterly at the market value on the offering termination date. The maximum number of shares which may be granted under the plan is 52,000 shares.

20. Financial Instruments With Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. Th Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance- sheet instruments.

Financial instruments with contract amounts which represent credit risk:

	1995	1994
Commitments to originate loans:		
Residential real estate mortgages	$ 4,583,000	$ 2,446,000
Commercial real estate mortgages, including multi-family residential real estate	1,850,000	783,000
Commercial business loans	360,000	115,000
Consumer	4,000	163,000
	6,797,000	3,507,000
Unused lines of credit	4,331,000	3,897,000
Standby letters of credit	341,000	395,000
Unadvanced portions of construction loans	952,000	606,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counter party. Collateral held varies but may include accounts receivable, inventory, property, plant, and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The Company has only limited involvement with derivative financial instruments and they are used for trading purposes. The derivative financial instruments used by the Company are covered call and put contracts on its equity securities portfolio. Gains and losses from entering into these types of contracts have been immaterial to the results of operations of the Company. The total value of securities under call and put contracts at any one time is immaterial to the Company s financial position, liquidity, or results of operations.

The Company and its subsidiaries are parties to litigation and claims arising in the normal course of business. Management believes that the liabilities, if any, arising from such litigation and claims will not be material to the Company's consolidated financial position.

21. Condensed Parent Information

Condensed Financial Statements of the Parent Company

Balance Sheets

	June 30, 1995	June 30, 1994
Assets		
Cash and due from banks	$ 88,921	$ 1,156,955
Investment in subsidiaries	17,357,978	15,100,041
Premises and equipment, net	603,763	619,645
Goodwill, net	1,032,279	1,135,218
Other assets	331,897	360,822
Total assets	$ 19,414,838	$ 18,372,681
Liabilities and Stockholders' Equity		
Note payable	2,000,000	2,500,000
Other liabilities	139,560	116,318

	2,139,560	2,616,318
Stockholders' equity	17,275,278	15,756,363
Total liabilities and stockholders' equity	$ 19,414,838	$ 18,372,681

Statements of Income

	Years ended June 30,		
	1995	1994	1993
Income:			
Dividends from banking subsidiaries	$ -	642,000	431,000
Management fees charged to subsidiaries	1,673,179	1,265,620	220,451
Other income	30,083	40,536	90,747
Total income	1,703,262	1,948,156	742,198
Expenses:			
Goodwill amortization	102,939	104,997	101,974
Origination fee amortization	4,743	4,742	4,905
Interest on note payable	201,126	174,462	154,159
Salaries and benefits	1,318,246	856,249	275,427
Occupancy expense	125,289	104,832	36,745
Equipment expense	159,161	90,012	108,112
General and administrative expenses	383,980	306,667	224,500
Total expenses	2,295,484	1,641,961	905,822
Income (loss) before income tax benefit, equity in undistributed net income of subsidiaries and cumulative effect of change in accounting principle	(592,222)	306,195	(163,624)
Income tax benefit	166,182	81,351	167,255
Income (loss) before equity in undistributed net income of subsidiaries and cumulative effect of change in accounting principle	(426,040)	387,546	3,631
Equity in undistributed net income of subsidiaries	1,915,421	813,013	1,218,712
Income before cumulative effect of change in accounting principle	1,489,381	1,200,559	1,222,343
Cumulative effect at July 1, 1994 of change in accounting for income taxes	-	260,000	-
Net income	$ 1,489,381	$ 1,460,559	$ 1,222,343

Statements of Cash Flows

	Years ended June 30,		
	1995	1994	1993

Cash flows from operating activities:			
Net income	$ 1,489,381	$ 1,460,559	$ 1,222,343
Adjustments to reconcile net income to net cash provided (used) by operations:			
Cumulative effect of change in accounting principle	-	(260,000)	-
Amortization	107,682	109,739	106,879
Depreciation	100,321	63,314	115,259
Undistributed earnings of subsidiaries	(1,915,421)	(813,013)	(1,218,712)
Decrease (increase) in other assets	24,182	(15,634)	(99,921)
Increase in other liabilities	23,242	23,276	131,458
Net cash provided (used) by operating activities	(170,613)	568,241	257,306
Cash flows from investing activities:			
Purchase of premises and equipment	(84,439)	(203,782)	(1,105,262)
Advance to subsidiary	-	-	(132,280)
Increase in goodwill	-	(16,526)	-
Net cash used by investing activities	(84,439)	(220,308)	(1,237,542)
Cash flows from financing activities:			
Proceeds from issuance of note payable	-	-	520,833
Principal payments on note payable	(500,000)	-	-
Stock options exercised	-	56,900	65,036
Proceeds from issuance of common stock	2,193	-	-
Proceeds from issuance of preferred stock	-	999,992	-
Dividends paid to stockholders	(315,175)	(278,986)	(242,815)
Cash flow provided (used) by financing activities	(812,982)	777,906	343,054
Net increase (decrease) in cash	(1,068,034)	1,125,839	(637,182)
Cash and cash equivalents, beginning of year	1,156,955	31,116	668,298
Cash and cash equivalents, end of year	$ 88,921	$ 1,156,955	$ 31,116
Supplemental schedule of cash flow information:			
Interest paid	$ 201,126	$ 174,462	$ 154,159
Income taxes paid, net of refunds	794,000	872,500	964,655
Supplemental schedule of noncash investing and financing activities:			
Transfer of equipment and net assets in exchange for ownership of nonbanking subsidiary	-	-	575,350
Net change in valuation for unrealized (gains) losses on available for sale securities	(342,516)	549,444	(111,421)
Advance contributed as capital to nonbanking subsidiary	-	241,790	-

22. Fair Value of Financial Instruments

Fair value estimates, methods, and assumptions are set forth below for the Company's significant financial instruments.

Cash and Cash Equivalents

The fair value of cash, due from banks, interest bearing deposits and FHLB overnight deposits approximates their relative book values at June 30, 1995 and 1994, as these financial instruments have short maturities.

Trading Account Securities, Available for Sale Securities and Held to Maturity Securities

The fair value of investment securities is estimated based on bid prices published in financial newspapers or bid quotations received from securities dealers at or near June 30, 1995 and 1994.

Fair values are calculated based on the value of one unit without regard to any premium or discount that may result from concentrations of ownership of a financial instrument, possible tax ramifications, or estimated transaction costs. If these considerations had been incorporated into the fair value estimates, the aggregate fair value amounts could have changed.

Federal Home Loan Bank Stock

This financial instrument does not have a market nor is it practical to estimate the fair value without incurring excessive costs.

Loans Held for Sale

The fair value of loans held for sale is estimated based on bid quotations received from securities dealers at or near June 30, 1995 and 1994.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. The estimates of maturity are based on the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of current economic conditions, lending conditions and the effects of estimated prepayments.

Fair value for significant non-performing loans is based on estimated cash flows and is discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows, and discount rates are judgmentally determined using available market information and historical information.

Management has made estimates of fair value using discount rates that it believes to be reasonable. However, because there is no market for many of these financial instruments, management has no basis to determine whether the fair value presented would be indicative of the value negotiated in an actual sale.

Accrued Interest Receivable

The fair market value of this financial instrument approximates the book value as this financial instrument has a short maturity. It is the Company's policy to stop accruing interest on loans past due by more than ninety days. Therefore this financial instrument has been adjusted for estimated credit loss.

Deposits

The fair value of deposits with no stated maturity, such as non-interest-bearing demand deposits, savings, NOW accounts and money market accounts, is equal to the amount payable on demand as of June 30, 1995 and 1994. The fair values of certificates of deposit are based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

The fair value estimates do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market. If that value was considered at June 30, 1995 and 1994, the fair value of the Company's net assets could increase.

Borrowed Funds, Notes Payable and Repurchase Agreements

The fair value of the Company s borrowings with the Federal Home Loan Bank is estimated by discounting the cash flows through maturity or the next repricing date based on current rates available to the Company for borrowings with similar maturities.

The fair value of the notes payable approximates the carrying value at June 30, 1995 and 1994, as the interest rates adjust periodically.

The fair value of repurchase agreements approximates the carrying value at June 30, 1995, as these financial instruments have a short maturity.

Commitments to Originate Loans

The Company has not estimated the fair value of commitments to originate loans due to their short term nature and their relative immateriality.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These values do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Other significant assets and liabilities that are not considered financial instruments include the deferred tax asset, premises and equipment, and other real estate owned. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

The following table presents the estimated fair value of the Company's significant financial instruments at June 30, 1995 and 1994:

	June 30, 1995		June 30, 1994	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Non-Trading Instruments:				
Financial assets:				
Cash and cash equivalents	$ 14,740,000	$ 14,740,000	$ 11,337,000	$ 11,337,000
Available for sale securities	10,148,000	10,148,000	2,060,000	2,060,000
Held to maturity securities	-	-	8,020,000	7,359,000
Federal Home Loan Bank stock	2,150,000	2,150,000	2,345,000	2,345,000
Loans held for sale	529,000	532,000	521,000	526,000
Loans	167,440,000	166,290,000	155,998,000	156,447,000
Interest receivable	1,139,000	1,139,000	847,000	847,000
Financial liabilities:				
Deposits (with no stated maturity)	60,381,000	60,381,000	51,842,000	51,842,000
Time deposits	86,739,000	86,614,000	72,464,000	73,378,000
Borrowed funds	35,700,000	35,670,000	45,900,000	45,404,000
Notes payable	2,010,000	2,010,000	2,520,000	2,520,000
Repurchase agreements	2,585,000	2,585,000	-	-
Trading Instruments:				
Financial assets:				
Trading account securities	1,400	1,400	173,000	173,000

Independent Auditors' Report

The Board of Directors
Bethel Bancorp and Subsidiaries:

We have audited the accompanying consolidated statement of financial condition of Bethel Bancorp and subsidiaries as of June 30, 1995, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of Bethel Bancorp and subsidiaries as of June 30, 1994 and for each of the years in the two-year period ended June 30, 1994, were audited by other auditors whose report thereon dated August 5, 1994 included an explanatory paragraph that described the Company's change in its method of accounting for income taxes in 1994 to adopt provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes on July 1, 1993, as discussed in notes 1 and 17 to the financial statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1995 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bethel Bancorp and subsidiaries as of June 30, 1995, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Portland, Maine /s/ Baker Newman & Noyes

August 11, 1995 Limited Liability Company

Independent Auditors Report

The Board of Directors
Bethel Bancorp and Subsidiaries:

We have audited the accompanying consolidated statement of financial condition of Bethel Bancorp and subsidiaries as of June 30, 1994 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended June 30, 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bethel Bancorp and subsidiaries as of June 30, 1994 and the results of their operations and their cash flows for each of the years in the two-year period ended June 30, 1994 in conformity with generally accepted accounting principles.

As discussed in note 1 and 17, the Company changed its method of accounting for income taxes in 1994 to adopt the provisions of Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes on July 1, 1993.

Portland, Maine /s/ KPMG Peat Marwick LLP

August 5, 1994

(b) Supplementary Financial Information

Bethel Bancorp Consolidated
Distribution of Assets, Liabilities and Net Worth
Interest Rates and Interest Differential
Years Ended June 30, 1995, 1994 and 1993

June 30, 1995

	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:			
Earning Assets:			
Securities Held to Maturity	$ 3,368,307	$ 265,671	7.89%
Securities Available for Sale	971,763	60,159	6.19%
Trading Securities	186,757	1,165	0.62%
Mortgage-backed Securities	15,181,721	1,088,420	7.17%
Loans (3)	164,344,609	15,085,138	9.18%
FHLB Overnight Deposits & Other	7,763,217	422,372	5.44%
Total Earning Assets	191,816,374	16,922,925	8.82%
Non-interest Earning Assets:			
Cash & Due from Banks	3,342,796		
Premise & Equip Net	3,594,335		
Other Assets	8,078,832		
(Allowance for Loan Loss)	(2,569,032)		
Total Assets	$ 204,263,305		
Liabilities & Net Worth:			
Interest Bearing Liabilities:			
Deposits			
Now	$ 14,673,951	$ 264,143	1.80%
Money Market	14,352,970	455,080	3.17%
Savings	23,027,846	610,415	2.65%
Time	80,114,965	4,113,465	5.13%
Total Deposits	132,169,732	5,443,103	4.12%
Repurchase Agreements	1,776,296	84,921	4.78%
Other Borrowed Funds	43,496,049	2,524,896	5.80%
Total Interest Bearing Liabilities	177,442,077	8,052,920	4.54%
Non-interest Bearing Liabilities			
Demand	8,526,363		
Other	1,904,767		
Net Worth	16,390,098		
Total Liabilities & Net Worth	$ 204,263,305		
Net Interest Income		$ 8,870,005	
Interest Rate Spread (1)			4.28%
Net yield on Interest Earning Assets (2)			4.62%
Equity to Assets Ratio (4)			8.02%

June 30, 1994

	Average Balance	Interest Income/ Expense	Average Yield/ Rate

Assets:			
Earning Assets:			
Securities Held to Maturity	$ 2,999,200	$ 205,242	6.84%
Securities Available for Sale	1,953,884	122,634	6.28%
Trading Securities	88,531	85	0.10%
Mortgage-backed Securities	4,593,959	294,037	6.40%
Loans (3)	155,786,903	13,161,935	8.45%
FHLB Overnight Deposits & Other	7,349,656	252,308	3.43%
Total Earning Assets	172,772,133	14,036,241	8.12%
Non-interest Earning Assets:			
Cash & Due from Banks	2,689,517		
Premise & Equip Net	3,246,385		
Other Assets	6,365,909		
(Allowance for Loan Loss)	(2,311,357)		
Total Assets	$ 182,762,587		
Liabilities & Net Worth:			
Interest Bearing Liabilities:			
Deposits			
Now	$ 11,761,069	197,412	1.68%
Money Market	15,248,339	452,620	2.97%
Savings	20,955,884	521,298	2.49%
Time	70,645,721	3,295,445	4.66%
Total Deposits	118,611,013	4,466,775	3.77%
Repurchase Agreements	0	0	0.00%
Other Borrowed Funds	38,535,140	2,012,937	5.22%
Total Interest Bearing Liabilities	157,146,153	6,479,712	4.12%
Non-interest Bearing Liabilities			
Demand	5,578,538		
Other	5,004,547		
Net Worth	15,033,349		
Total Liabilities & Net Worth	$ 182,762,587		
Net Interest Income		$ 7,556,529	
Interest Rate Spread (1)			4.00%
Net yield on Interest Earning Assets (2)			4.37%
Equity to Assets Ratio (4)			8.23%

June 30, 1993

	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Assets:			
Earning Assets:			
Securities Held to Maturity	$ 2,079,640	$ 127,767	6.14%
Securities Available for Sale	4,848,227	313,983	6.48%
Trading Securities	105,006	30	0.03%
Mortgage-backed Securities	1,765,205	111,565	6.32%
Loans	150,890,097	13,582,351	9.00%
FHLB Overnight Deposits & Other	6,365,556	222,829	3.50%
Total Earning Assets	166,053,731	14,358,525	8.65%
Non-interest Earning Assets:			
Cash & Due from Banks	2,863,489		
Premise & Equip Net	2,935,822		
Other Assets	3,308,027		
(Allowance for Loan Loss)	(1,839,000)		
Total Assets	$ 173,322,069		

==============			
Liabilities & Net Worth:			
Interest Bearing Liabilities:			
Deposits			
Now	$ 10,142,541	320,372	3.16%
Money Market	14,495,100	503,743	3.48%
Savings	19,366,076	645,627	3.33%
Time	72,674,198	3,736,924	5.14%
Total Deposits	116,677,915	5,206,666	4.46%
Repurchase Agreements	0	0	0.00%
Other Borrowed Funds	36,296,860	1,947,902	5.37%
Total Interest Bearing Liabilities	152,974,775	7,154,568	4.68%
Non-interest Bearing Liabilities			
Demand	5,512,977		
Other	1,228,004		
Net Worth	13,606,313		
Total Liabilities & Net Worth	$ 173,322,069		
	==============		
Net Interest Income		$ 7,203,957	
		==============	
Interest Rate Spread (1)			3.97%
Net yield on Interest Earning Assets (2)			4.34%
Equity to Assets Ratio (4)			7.85%

(1.) Interest rate spread is the difference between the yield on earning assets and the rates paid on interest-bearing liabilities.
(2.) Net yield on interest earning assets is net interest income divided by average earning assets.
(3.) Non-accruing loans are included in the average of net loans.
(4.) Average equity divided by average assets.

Bethel Bancorp Consolidated
Changes in Net Interest Income
Years Ended June 30, 1995 and 1994

June 30, 1995 Compared to June 30, 1994

	Variance Due to Rate	Variance Due to Volume	Variance Due to Rate/Volume	Total Variance
Interest Earning Assets:				
Securities Held to Maturity	$ 31,316	$ 25,259	$ 3,854	$ 60,429
Securities Available for Sale	(1,675)	(61,642)	842	(62,475)
Trading Securities	468	94	518	1,080
Mortgage-backed Securities	35,317	677,671	81,395	794,383
Loans	1,137,694	723,013	62,496	1,923,203
FHLB Overnight Deposits & Other	147,563	14,197	8,304	170,064
Total Income on Earning Assets	1,350,683	1,378,592	157,409	2,886,684
Interest Bearing Liabilities:				
Deposits:				
Now	14,297	48,893	3,541	66,731
Money Market	30,849	(26,577)	(1,81)	2,461

Savings	34,194	51,542	3,381	89,117
Time	331,826	441,716	44,477	818,019
Total Deposits	411,166	515,574	49,588	976,328
Repurchase Agreements	0	84,921	0	84,921
Borrowed funds	223,984	259,140	28,835	511,959
Total Interest Expense	635,150	859,635	78,423	1,573,208
Change in Net interest Income	$ 715,533	$ 518,957	$ 78,986	$ 1,313,476

June 30, 1994 Compared to June 30, 1993

	Variance Due to Rate	Variance Due to Volume	Variance Due to Rate/Volume	Total Variance
Interest Earning Assets:				
Securities Held to Maturity	$ 14,548	$ 56,495	$ 6,432	$ 77,475
Securities Available for Sale	(9,688)	(187,445)	5,784	(191,349)
Trading Securities	71	(5)	(11)	55
Mortgage-backed Securities	1,417	178,784	2,271	182,472
Loans	(834,131)	440,785	(27,070)	(420,416)
FHLB Overnight Deposits & Other	(4,305)	34,449	(665)	29,479
Total Income on Earning Assets	(832,088)	523,063	(13,259)	(322,284)
Interest Bearing Liabilities:				
Deposits:				
Now	150,127	(51,124)	23,957	122,960
Money Market	73,482	(26,177)	3,818	51,123
Savings	163,877	(53,001)	13,453	124,329
Time	346,856	104,304	(9,681)	441,479
Total Deposits	734,342	(25,998)	31,547	739,891
Repurchase Agreements	0	0	0	0
Borrowed funds	51,884	(120,119)	3,200	(65,035)
Total Interest Expense	786,226	(146,117)	34,747	674,856
Change in Net interest Income	$ (45,862)	$ 376,946	$ 21,488	$ 352,572

This table reflects changes in net interest income attributable to the change in interest rates and the change in the volume of interest-bearing assets and liabilities. Amounts attributable to the change in rate are based upon the change in rate multiplied by the prior year's volume. Amounts attributable to the change in volume are based upon the changes in volume multiplied by the prior year's rate. The combined effect of changes in both volume and rate are calculated multiplying the change in rate by the change in volume.

Bethel Bancorp Consolidated
Maturities and Repricing of Loans
As of June 30, 1995

	1 Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years	Total Loans
Mortgages:					
Residential	$49,236,024	$ 8,448,181	$ 6,426,310	$52,491,666	$116,602,181
Commercial	17,396,393	2,848,422	559,323	1,742,370	22,546,508
Construction	2,390,954	0	0	0	2,390,954
Non-Mortgage Loans :					
Commercial	10,723,352	751,488	107,181	599,491	12,181,512
Consumer	2,350,045	4,591,878	2,053,321	7,119,273	16,114,517
Total Loans	$82,096,768	$16,639,969	$ 9,146,135	$61,952,800	$169,835,672

Loans due afer 1 year:	
Fixed	$77,834,821
Variable	9,904,083
Total due after 1 year:	$87,738,904

Scheduled repayments are reported in the maturity category in which the payment is due. Demand loans and overdrafts are reported in one year or less. Maturities are based upon contract terms.

Bethel Bancorp Consolidated
Securities Held to Maturity
Years Ended June 30, 1995, 1994 and 1993

Securities Held to Maturity	June 30, 1995	June 30, 1994	June 30, 1993
Book Value (thousands)			
U.S. Government and Agency Obligations	$ 0	$ 1,383	$ 0
Mortgage-backed Securities	0	5,669	0
FNMA Guaranteed REMIC	0	968	0
Total Securities Held to Maturity	$ 0	$ 8,020	$ 0

This table sets forth the book value of securities held to maturity at the dates indicated.
During 1995, the Company transferred all its securities from held to maturity to avaulable for sale. (See financial statement footnote #3).

Bethel Bancorp Consolidated
Securities Available for Sale
Years Ended June 30, 1995, 1994 and 1993

Securities Available for Sale	June 30, 1995	June 30, 1994	June 30, 1993
Market Value (thousands)			
U.S. Government and Agency Obligations	$ 239	$ 227	$ 2,564
Mortgage-backed Securities	9,298	1,265	2,092
Other Bonds	141	129	27
Equity Securities	470	439	375

Total Securities Available for Sale	$ 10,148	$ 2,060	$ 5,058

This table sets forth the market value of securities available for sale at the dates indicated.

Bethel Bancorp Consolidated
Investment Maturity

Securities Available for Sale As of June 30, 1995	Weighted Average Rate	Carrying Value
Due in one Year	-	-
Due after one year through five years	-	-
Due after five years through ten years	5.61%	$ 380,661
Due after ten years	-	-
Mortgage-backed securities maturing December 2007 to November 2024	6.72%	9,297,505
Total Securities Available for Sale	6.68%	$ 9,678,166

This table sets forth the anticipated maturities of securities available for sale and the respective weighted average rates within these ranges.

Bethel Bancorp Consolidated
Loan Portfolio
Years Ended June 30, 1995, 1994, 1993, 1992 and 1991

June 30, 1995

	Amount	Percent of Total Loans
Loan Portfolio (thousands)		
Residential Mortgage	$ 117,723	69.32%
Consumer & Other	16,115	9.49%
Commercial Mortgage	23,816	14.02%
Commercial	12,182	7.17%
Total Loans	169,836	100.00%
Less: Allowance for loan losses	2,396	
Net Loans	$ 167,440	

June 30, 1994

	Amount	Percent of Total Loans
Loan Portfolio (thousands)		
Residential Mortgage	$ 110,461	69.71%
Consumer & Other	14,076	8.88%
Commercial Mortgage	22,463	14.18%
Commercial	11,461	7.23%
Total Loans	158,461	100.00%
Less: Allowance for loan losses	2,463	
Net Loans	$ 155,998	

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June 30, 1993

Loan Portfolio (thousands)	Amount	Percent of Total Loans
Residential Mortgage	$ 108,079	71.69%
Consumer & Other	12,129	8.05%
Commercial Mortgage	20,051	13.30%
Commercial	10,497	6.96%
Total Loans	150,756	100.00%
Less: Allowance for loan losses	2,123	
Net Loans	$ 148,633	

June 30, 1992

Loan Portfolio (thousands)	Amount	Percent of Total Loans
Residential Mortgage	$ 102,594	72.54%
Consumer & Other	10,958	7.75%
Commercial Mortgage	15,172	10.73%
Commercial	12,707	8.98%
Total Loans	141,431	100.00%
Less: Allowance for loan losses	1,555	
Net Loans	$ 139,876	

June 30, 1991

Loan Portfolio (thousands)	Amount	Percent of Total Loans
Residential Mortgage	$ 91,926	75.44%
Consumer & Other	9,270	7.61%
Commercial Mortgage	11,451	9.40%
Commercial	9,202	7.55%
Total Loans	121,849	100.00%
Less: Allowance for loan losses	1,005	
Net Loans	$ 120,844	

This table shows the Bank's loan distribution at the end of each of the last five years.

Bethel Bancorp Consolidated
Allowance for Loan Losses
Years Ended June 30, 1995, 1994, 1993, 1992 and 1991

June 30, 1995

	Amount	Percent of Loans in Each Category to Total Loans

Allowance for Loan Losses (thousands)		
Real Estate	$ 593	69.32%
Commercial Mortgage	237	14.02%
Commercial & Installment	374	16.66%
Unallocated	1,192	0.00%
Total Loans	$ 2,396	100.00%

June 30, 1994

Allowance for Loan Losses (thousands)	Amount	Percent of Loans in Each Category to Total Loans
Real Estate	$ 649	69.71%
Commercial Mortgage	232	14.18%
Commercial & Installment	387	16.11%
Unallocated	1,195	0.00%
Total Loans	$ 2,463	100.00%

June 30, 1993

Allowance for Loan Losses (thousands)	Amount	Percent of Loans in Each Category to Total Loans
Real Estate	$ 1,221	71.69%
Commercial Mortgage	256	13.30%
Commercial & Installment	390	15.01%
Unallocated	256	0.00%
Total Loans	$ 2,123	100.00%

June 30, 1992

Allowance for Loan Losses (thousands)	Amount	Percent of Loans in Each Category to Total Loans
Real Estate	$ 632	72.54%
Commercial Mortgage	250	10.73%
Commercial & Installment	473	16.73%
Unallocated	200	0.00%
Total Loans	$ 1,555	100.00%

June 30, 1991

Allowance for Loan Losses (thousands)	Amount	Percent of Loans in Each Category to Total Loans
Real Estate	$ 414	75.44%
Commercial Mortgage	125	9.40%
Commercial & Installment	322	15.16%
Unallocated	144	0.00%
Total Loans	$ 1,005	100.00%

This table shows how the allowance for loan losses was allocated for the periods indicated.

The allowance for loan losses is established through a provision for loan losses charged to operations. Loan losses are charged against the allowance when management believes that the collectibility of the loan principal is unlikely. Recoveries on loans previously charged off are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb possible loan losses based on evaluations of collectibility and prior loss experience. The evaluation takes into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, specific problem loans, and current and anticipated economic conditions that may affect the borrowers' ability to pay. Management also obtains appraisals when considered necessary.

Bethel Bancorp Consolidated
Non-performing Ratios
Years Ended June 30, 1995, 1994, 1993, 1992 and 1991

	June 30, 1995	June 30, 1994	June 30, 1993	June 30, 1992	June 30, 1991
Non-performing loans (thousands)					
Mortgages	$ 2,152	$ 2,047	$ 2,308	$ 1,425	$ 1,386
Other	114	676	181	173	120
Total non-performing loans	2,266	2,723	2,489	1,598	1,506
Other Real Estate Owned	1,373	1,994	2,308	2,096	1,164
Total non-performing assets	$ 3,639	$ 4,717	$ 4,797	$ 3,694	$ 2,670
Total non-performing loans to total loans	1.33%	1.72%	1.65%	1.13%	1.24%
Total non-performing assets to total assets	1.75%	2.47%	2.68%	2.25%	1.83%

This table sets forth certain information concerning non-performing loans and assets and the ratios of non-performing loans and assets to the total loans and to total assets at the dates indicated.

Non-performing loans are problem loan accounts where the Company has ceased accrual of interest because the loan is 90 days past due or because collectability is doubtful, whichever is earlier.

Management believes that all loans that are considered potential problems are disclosed in the current non-performing loans table above with the exception of loans internally rated substandard. At June 30, 1995, the Company had approximately $3,623,000 of loans classified as substandard that could potentially become non-performing due to previous delinquencies or marginal cash flows.

No loans greater than 90 days past due are on accrual status and there are no troubled debt restructurings not disclosed above.

Refer to the financial statement footnotes #1 & #5 for further discussion of the Company's non-performing loans.

Bethel Bancorp Consolidated
Summary of Loan Losses Experience (in thousands)
Years Ended June 30, 1995, 1994, 1993, 1992 and 1991

	June 30, 1995	June 30, 1994	June 30, 1993	June 30, 1992	June 30, 1991
Average net loans outstanding, During period	$161,342	$153,476	$149,051	$131,721	$115,290
Net loans outstanding, End of period	$167,440	$155,998	$148,633	$139,876	$120,844
Allowance for loan losses, Beginning of period	$ 2,463	$ 2,123	$ 1,555	$ 1,005	$ 765
Loans charged off:					
Mortgage	419	351	203	0	0
Commercial/installment	342	379	110	196	258
Total loans charged off	761	730	313	196	258
Recoveries on amounts previously charged off:					
Mortgage	8	25	0	0	0
Commercial/installment	45	24	29	13	11
Total Recoveries	53	49	29	13	11
Net loans charged off	708	681	284	183	247
Provision for loan losses	641	1,021	852	733	487
Allowance for loan losses, End of period	$ 2,396	$ 2,463	$ 2,123	$ 1,555	$ 1,005
Net loans charged-off as a percentage of average loans outstanding	0.44%	0.44%	0.19%	0.14%	0.21%
Allowance for loan losses, as a percentage of net loans outstanding at the end of period	1.43%	1.58%	1.43%	1.11%	0.83%

This table summaries loans outstanding at the end of each period indicated, net of unearned income, at the end of each period indicated and the average amount of loans outstanding, changes in the allowance for loan losses and other selected statistics during each period indicated.

Bethel Bancorp Consolidated
Average Deposits and Rates (thousands)
Years Ended June 30, 1995, 1994 and 1993

	June 30, 1995		June 30, 1994		June 30, 1993	
	Amount	Rate	Amount	Rate	Amount	Rate
Average Deposits:						
Non-interest bearing demand deposits	$ 8,526	0.00%	$ 5,579	0.00%	$ 5,513	0.00%
Regular savings	23,028	2.65%	20,956	2.49%	19,366	3.33%
NOW and Money Market	29,027	2.48%	27,009	2.41%	24,638	3.35%
Time deposits	80,115	5.13%	70,646	4.66%	72,674	5.14%
Total Average Deposits	$140,696	3.87%	$124,190	3.60%	$122,191	4.26%

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This table shows the average daily amount of deposits and average rates paid on such deposits for the periods indicated.

Bethel Bancorp Consolidated
Maturities of Time Deposits $100,000 & Over
As of June 30, 1995

	Balance
Time Deposits $100,000 & Over (in thousands):	
3 months or less	$ 3,997
Over 3 through 6 months	2,531
Over 6 through 12 months	4,039
Over 12 months	4,751
Total Time Deposits $100,000 & Over	$ 15,318

Bethel Bancorp Consolidated
Maturities and Repricing of Earning Assets & Interest-bearing Liabilities
As of June 30, 1995
(in thousands)

	Less Than 1 Year	1-5 Years	Over 5 Years	Total	% of Total
Earning Assets					
Real Estate Loans:					
Fixed	$ 1,722	$ 1,505	$ 61,220	$ 64,447	33.30%
Variable	67,301	9,792	0	77,093	39.83%
Total Real Estate Loans	69,023	11,297	61,220	141,540	73.13%
Non-Real Estate Loans:					
Fixed	802	5,231	9,879	15,912	8.22%
Variable	12,272	112	0	12,384	6.40%
Total Non-Real Estate Loans	13,074	5,343	9,879	28,296	14.62%
Investment Securities & Other Earning Assets	11,415	0	12,298	23,713	12.25%
Total Earning Assets	$ 93,512	$ 16,640	$ 83,397	$ 193,549	100.00%
Interest-Bearing Liabilities					
Deposits:					
Regular savings, value, & club accounts	$ 23,697	$ 0	$ 0	$ 23,697	13.56%
NOW Accounts	14,210	0	0	14,210	8.13%
Money market accounts	12,762	0	0	12,762	7.30%
Certificates of deposit	53,959	31,746	34	85,739	49.08%
Total Deposits	104,628	31,746	34	136,408	78.08%
Repurchase Agreements	2,585	0	0	2,585	1.48%
Borrowings	25,400	10,300	0	35,700	20.44%
Total Interest-bearing					

Liabilities	$132,613	$ 42,046	$ 34	$174,693	100.00%
Excess(deficiency) of earning assets over interest-bearing liabilities	(39,101)	(25,406)	83,363	18,856	
Cumulative excess (deficiency) of earning assets over interest-bearing liabilities	(39,101)	(64,507)	18,856	18,856	
Cumulative excess (deficiency) of earning assets over interest-bearing liabilities as a % of total assets	(-18.84%)	(-31.09%)	9.09%	9.09%	

This table summarizes the anticipated maturities and repricing of the Company's earning assets and interest-bearing liabilities at June 30, 1995.

The Company's internal asset/liability analysis considers regular savings, NOW and money market accounts core deposits. Due to this consideration, the Company's internal asset/liability model has these core deposits designated in a five year or greater maturity bucket and not one year or less as the above schedule shows. Because of this difference, the Company does not consider its position to be negative as the schedule above.

(1) Selected Quarterly Financial Data

Bethel Bancorp Consolidated
Quarterly Data
As of June 30, 1995

	1st Qtr Sept. 30 1994	2nd Qtr Dec. 31 1994	3rd Qtr Mar. 31 1995	4th Qtr June 30 1995
Interest Income				
Interest on loans	$ 3,577,983	$ 3,695,313	$ 3,811,479	$ 4,000,363
Interest & dividends on investments & available for sale securities	321,218	467,246	532,491	516,832
Total Interest Income	3,899,201	4,162,559	4,343,970	4,517,195
Interest Expense				
Interest on Deposits	1,152,639	1,301,403	1,410,185	1,578,876
Interest on Repurchase Agreements	-	21,442	25,721	37,758
Interest on Borrowings	635,636	597,446	628,564	663,250
Total Interest Expense	1,788,275	1,920,291	2,064,470	2,279,884
Net Interest Income	2,110,926	2,242,268	2,279,500	2,237,311
Provision for Loan Losses	180,317	168,497	145,776	146,044
Net Interest Income after Provision for Loan Losses	1,930,609	2,073,771	2,133,724	2,091,267
Securities Transactions	17,092	214,859	150,061	37,301
Other Operating Income	392,723	443,771	393,324	467,310
Other Operating Expense	1,705,467	2,087,524	2,030,353	2,164,532
Income Before Income Taxes	634,957	644,877	646,756	431,346
Income Tax Expense	229,245	237,763	238,683	162,864
Net Income	$ 405,712	$ 407,114	$ 408,073	$ 268,482

Net Income Per Common

Share:				
Primary earnings per share	$ 0.60	$ 0.61	$ 0.61	$ 0.38
Fully diluted earnings per share	$ 0.55	$ 0.56	$ 0.56	$ 0.37

Bethel Bancorp Consolidated
Quarterly Data
As of June 30, 1994

	1st Qtr Sept. 30 1993	2nd Qtr Dec. 31 1993	3rd Qtr Mar. 31 1994	4th Qtr June 30 1994
Interest Income				
Interest on loans	$ 3,298,431	$ 3,254,326	$ 3,336,749	$ 3,272,429
Interest & dividends on investments & available for sale securities	190,647	175,085	222,899	285,675
Total Interest Income	3,489,078	3,429,411	3,559,648	3,558,104
Interest Expense				
Interest on Deposits	1,197,454	1,128,247	1,053,807	1,087,267
Interest on Borrowings	458,470	450,122	491,091	613,254
Total Interest Expense	1,655,924	1,578,369	1,544,898	1,700,521
Net Interest Income	1,833,154	1,851,042	2,014,750	1,857,583
Provision for Loan Losses	179,235	358,195	186,908	296,457
Net Interest Income after Provision for Loan Losses	1,653,919	1,492,847	1,827,842	1,561,126
Securities Transactions	60,775	152,701	137,916	(4,360)
Other Operating Income	656,947	547,924	496,244	410,338
Other Operating Expense	1,825,489	1,726,328	1,878,886	1,664,961
Income Before Income Taxes and Cumulative Effect of Change in Accounting Principle	546,152	467,144	583,116	302,143
Income Tax	228,011	130,017	230,975	108,993
Income After Taxes and Before Cumulative Effect of Change in Acounting Principle	318,141	337,127	352,141	193,150
Cumulative Effect of Change in Accounting Principle	260,000	-	-	-
Net Income	$ 578,141	$ 337,127	$ 352,141	$ 193,150
Net Income Per Common Share Before Cumulative Effect of Change in Accounting Principle:				
Primary earnings per share	$ 0.54	$ 0.56	$ 0.56	$ 0.26
Fully diluted earnings per share	$ 0.53	$ 0.55	$ 0.56	$ 0.26
Net Income Per Common Share:				
Primary earnings per share	$ 1.00	$ 0.56	$ 0.56	$ 0.26

(2) Information on the Effects of Changing Prices

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.

(3) Information About Oil and Gas Producing Activities

Not Applicable.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

KPMG Peat Marwick LLP was previously the principal accountants for Bethel Bancorp. On February 6, 1995, that firm's appointment as principal accountants was terminated and Baker Newman & Noyes, Limited Liability Company was engaged as principal accountants. The decision to change accountants has been approved by the Board of Directors on February 6, 1995.

In connection with the audits of the two fiscal years ended June 30, 1994 and the subsequent interim period through February 6, 1995, there were no disagreements with KPMG Peat Marwick on any matter of accounting principles or practices, financial statements disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement.

The audit reports of KPMG Peat Marwick LLP on the consolidated financial statements of Bethel Bancorp as of and for the years ended June 30, 1994 and 1993 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The "Election of Directors" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" sections of the Company's definitive Proxy Statement for the 1995 Annual Meeting of Shareholders is incorporated herein by reference.

Item 11. Executive Compensation

The "Excutive Compensation and Other Information" section of the Company's definitive Proxy Statement for the 1995 Annual Meeting of Shareholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The "Election of Directors" section of the Company's definitive Proxy Statement for the 1995 Annual Meeting of Shareholders is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

The "Transaction with Management" section of the Company's definitive Proxy

Statement for the 1995 Annual Meeting of Shareholders is incorporated herein by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) List of Financial Statements Filed as Part of This Report

The following financial statements are submitted herewith in response to Part II Item 8:

Consolidated Statements of Financial Condition as of June 30, 1995 and 1994

Consolidated Statements of Income for the years ended June 30, 1995, 1994 and 1993

Consolidated Statements of Changes in Stockholder's Equity for the years ended June 30, 1995, 1994 and 1993

Consolidated Statements of Cash Flows for the years ended June 30, 1995, 1994 and 1993

(b) Reports on Form 8-K

Not Applicable.

(c) Exhibits

The exhibits listed below are filed herewith or are incorporated herein by reference to other filings.

2.1 Agreement for the Purchase and Sale of Assets and Assumption of Liabilities dated as of May 4, 1994 between Bethel Savings Bank and Key Bank of Maine, incorporated by reference to Exhibit 2.1 to Bethel Bancorp's Current Report on Form 8-K dated May 4, 1994

2.2 Agreement for the Purchase and Sale of Assets and Assumption of Liabilities dated as of May 4, 1994 between Brunswick Federal Savings Bank and Key Bank of Maine, incorporated by reference to Exhibit 2.2 to Bethel Bancorp's Current Report on Form 8-K dated May 4, 1994

3.1 Conformed Articles of Incorporation of Bethel Bancorp are filed herewith as Exhibit 3.1

3.2 Bylaws of Bethel Bancorp are filed herewith as Exhibit 3.2

10.1* Employment Agreement between Bethel Savings Bank, F.S.B. and James D. Delamater, incorporated by reference to Bethel Bancorp's Registration Statement on Form S-1 (No. 33-12815), filed with the Securities and Exchange Commission.

10.2* 1987 Stock Option Plan of Bethel Bancorp, incorporated by reference to Bethel Bancorp's Registration Statement on Form S-1 (No. 33-12815), filed with the Securities and Exchange Commission.

10.3* 1989 Stock Option Plan of Bethel Bancorp is incorporated by reference to Exhibit 10.6 to Bethel Bancorp's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994

10.4* 1992 Stock Option Plan of Bethel Bancorp, incorporated by reference to Exhibit 10.7 to Bethel Bancorp's Annual Report on Form 10-K for the year ended June 30, 1992

11 Statement regarding computation of per share earnings is submitted herewith as Exhibit 11

21 A list of subsidiaries of Bethel Bancorp is filed herewith as Exhibit 21

23 The Consent of Baker Newman & Noyes, Limited Liability Company, is submitted herewith as Exhibit 23

27 A Financial Data Schedule is submitted herewith as Exhibit 27

* Management or compensation plan or arrangement required to be filed as an Exhibit pursuant to Item 14(c) of Form 10-K

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BETHEL BANCORP

Date: September 20, 1995 By:/s/ James D. Delamater

James D. Delamater, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Norris T. Brown Norris T. Brown	Director	September 20, 1995
/s/ James D. Delamater James D. Delamater	Director, President and Chief Executive Officer (Principal Executive Officer)	September 20, 1995
/s/ Ronald J. Goguen Ronald J. Goguen	Director	September 20, 1995
/s/ Philip C. Jackson Philip C. Jackson	Director Vice President	September 20, 1995
/s/ Ronald C. Kendall Ronald C. Kendall	Director	September 20, 1995
/s/ Judith W. Hayes Judith W. Hayes	Director	September 20, 1995
/s/ Robert Morrell Robert Morrell	Director	September 20, 1995
/s/ John W. Trinward, DMD	Chairman of the Board	September 20, 1995

John W. Trinward, DMD

/s/ Edmond J. Vachon Edmond J. Vachon	Director	September 20, 1995
/s/ Stephen W. Wight Stephen W. Wight	Director	September 20, 1995
/s/ Dennis A. Wilson Dennis A. Wilson	Director	September 20, 1995
/s/ Richard E. Wyman, Jr. Richard E. Wyman, Jr.	Chief Financial Officer (Principal) Financial and Accounting Officer)	September 20, 1995

EXHIBIT INDEX

Exhibit Number	Exhibit
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3.1	Conformed Articles of Incorporation of Bethel Bancorp are filed herewith as Exhibit 3.1
3.2	Bylaws of Bethel Bancorp are filed herewith as Exhibit 3.2
10.1*	Employment Agreement between Bethel Savings Bank, F.S.B. and James D. Delamater, incorporated by reference to Bethel Bancorp's Registration Statement on Form S-1 (No. 33-12815), filed with the Securities and Exchange Commission.
10.2*	1987 Stock Option Plan of Bethel Bancorp, incorporated by reference to Bethel Bancorp's Registration Statement on Form S-1 (No. 33-12815), filed with the Securities and Exchange Commission.
10.3*	1989 Stock Option Plan of Bethel Bancorp is incorporated by reference to Exhibit 10.6 to Bethel Bancorp's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994
10.4*	1992 Stock Option Plan of Bethel Bancorp, incorporated by reference to Exhibit 10.7 to Bethel Bancorp's Annual Report on Form 10-K for the year ended June 30, 1992
11	Statement regarding computation of per share earnings is submitted herewith as Exhibit 11
21	A list of subsidiaries of Bethel Bancorp is filed herewith as Exhibit 21
23	The Consent of Baker Newman & Noyes, Limited Liability Company, is submitted herewith as Exhibit 23
27	A Financial Data Schedule is submitted herewith as

Exhibit 27

* Management or compensation or plan arrangement required to be filed as an Exhibit pursuant to Item 14(c) of Form 10-K

STATE OF MAINE
ARTICLES OF INCORPORATION

File No. 19872063D
Fee Paid $300
Date Filed March 20, 1987

Pursuant to 13A MRSA 403, the undersigned, acting as incorporator(s) of a corporation, adopt(s) the following Articles of Incorporation:

FIRST: The name of the corporation is BETHEL BANCORP and is located in Maine, at c/o Bethel Savings Bank FSB, Main Street, Bethel, Maine 04217

SECOND: The name of its Clerk, who must be a Maine resident, and the address of its registered office shall be:
Name Mary Ann Brown
Address c/o Bethel Savings Bank, FSB, Main Street, Bethel, Maine 04217

THIRD: The number of directors constituting the initial board of directors of the corporation is nine, as follows:
Gordon M. Gillies, 3 Broad St, Bethel, Maine 04217
E. Louise Lincoln, PO Box 527, Bethel, Maine 04217
John W. Trinward, 8 Vernon St, Bethel, Maine 04217
Stephen W. Wight, RFD 2, Box 1688, Bethel, Maine 04217
Edmond J. Vachon, Paradise St, Bethel, Maine 04217
Ronald C. Kendall, PO Box 1, Bethel, Maine 04217
Norris T. Brown, Clark St, Bethel, Maine 04217
Philip C. Jackson, 12 Smith St, Bethel, Maine 04217
James D. Delamater, Route 121, Oxford, Maine 04270

FOURTH: The board of directors is authorized to increase or decrease the number of directors. If the board is so authorized, the minimum number shall be nine directors and the maximum number shall be fifteen directors.

FIFTH: There shall be two or more classes of shares. The information required by Section 403 concerning each such class is set out in the Exhibit attached hereto and made a part hereof.

SUMMARY

The aggregate par value of all authorized shares (of all classes) having a par value is $4,000,000. The total number of authorized shares (of all classes) without par value is zero shares.

SIXTH: Meetings of the shareholders may be held outside the State of Maine.

SEVENTH: There are no preemptive rights.

EIGHTH: Other provisions of these articles, including provisions for the regulation of the internal affairs of the corporation, are set out in the Exhibit attached hereto and made a part hereof.

DATED: March 19, 1987

INCORPORATORS: /s/
____
Jill M. Sullivan, 111 Amherst Street, Manchester, NH 03105

EXHIBIT TO ARTICLES OF INCORPORATION
BETHEL BANCORP

SHARES - There shall be 3,000,000 authorized shares of $1.00 par value Common Stock, which may be issued by the Corporation from time to time by vote of the Board without the approval of the holders of the Common Stock. Upon payment of lawful consideration, such shares shall be deemed to be fully paid and nonassessable. Except as the Board shall have otherwise specified or except as otherwise provided by law, voting power shall be vested exclusively in the Common Stock. The holders of the Common Stock shall be entitled to one vote for each share of Common Stock owned. Dividends, as declared by the Board out of lawfully available funds, shall be payable on the Common Stock subject to any rights or preferences of the Preferred Stock.

There shall be 1,000,000 authorized shares of $1.00 par value Preferred Stock which may be issued from time to time in one or more series as may be determined by the Board of Directors of the Corporation. Each series of Preferred is to be distinctly designated to distinguish the shares in the series from the shares of all other series and classes. The relative rights and preferences of the Preferred Stock and the variations of rights and preferences between different series of Preferred Stock may be fixed and determined by the Board of Directors by resolution or resolutions adopted prior to the issuance of any shares of a particular series of Preferred Stock. All shares of Preferred shall be identical except as to the following relative rights and preferences, as to which there may be variations between different series:

a. The rate of dividend;

b. Whether shares may be redeemed and, if so, the redemption price and the terms and conditions of redemption;

c. The amount payable upon shares in event of voluntary and involuntary liquidation;

d. Sinking fund provisions, if any, for the redemption or purchase of shares;

e. The terms and conditions, if any, on which shares may be converted; or

f. Voting rights, if any.

Upon any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, holders of Common Stock are entitled to receive pro rata the remaining assets of the Corporation after the holders of Preferred Stock have been paid in full any sums to which they may be entitled.

There shall be no cumulative voting for Directors or otherwise.

II. INTERNAL AFFAIRS OF THE CORPORATION

Section 1. (a) Number, Qualifications and Term of Office.

Subject to the provisions hereof relating to the initial Board, the number of directors of the Corporation shall be no less than 9 and no more than 15. The exact number of Directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by the Board pursuant to a resolution adopted by the majority of the entire Board. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director. At the 1988 annual meeting of Shareholders, the Directors shall be divided into three classes as nearly equal in number as possible with the term of office of the first class to expire at the 1989 annual meeting of Shareholders, the term of office of the second class to expire at the 1990 annual meeting of Shareholders and the term of office of the third class to expire at the 1991 annual meeting of the Shareholders. At each annual meeting of Shareholders following such initial classification and election, Directors elected to succeed those Directors whose terms expire shall be elected for a three year term of office to expire at the third succeeding annual meeting of Shareholders after their election. Directors need not be Shareholders or residents of the State of Maine.

(b) Vacancies.

Any vacancy in the Board caused by death, resignation, retirement, disqualification, removal or other cause, shall be filled by a majority vote of the remaining Directors, though less than a quorum. A Director so chosen shall hold office for the unexpired term of their predecessors in office. Any Directorship to be filled by reason of an increase in the authorized number of directors may be filled by the Board for a term of office continuing only until the next election of Directors by Shareholders.

(c) Removal of Directors.

At any meeting of Shareholders called expressly for the purpose, any Director may be removed from office by the affirmative vote of the holders of seventy-five percent (75%) of the shares entitled to vote or if removal is for cause, then by a majority of the shares then entitled to vote. For "cause" shall mean a final adjudication by a court of competent jurisdiction that the Director (i) is liable for negligence or misconduct in the performance of his duty, (ii) guilty of a felony conviction, or (iii) has failed to act or has acted in a manner which is in derogation of the Director's duties.

(d) Nomination of Directors.

In addition to the right of the Board to make nominations for the election of Directors, nominations for the election of Directors may be made by any Shareholder entitled to vote for the election of Directors if that Shareholder complies with all of the following provisions:

a. Advance notice of such proposed nomination shall be received by the Secretary of the Corporation not less than thirty (30) days nor more than sixty (60) days prior to any meeting of the Shareholders called for the election of the Directors; provided, however, that if fewer than fourteen (14) days' notice of the meeting is given to Shareholders, such written notice of a proposed nomination shall be received not later than the close of the tenth day following the day on which the notice of the meeting was mailed to Shareholders.

b. Each notice shall set forth (i) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee; and (iii) the number of shares of stock of the Corporation which are beneficially owned by each such nominee. In addition, the Shareholder making such nomination shall promptly provide any other information reasonably requested by the Corporation.

c. The nomination made by a Shareholder may only be made in a meeting of the Shareholders of the Corporation called for the election of Directors at which such Shareholder is present in person or by proxy, and can only be made by a Shareholder who has complied with the notice provisions of (a) and (b) above.

d. The Chairman of the meeting may in his discretion determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedures, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

Section 2. Voting for Business Combinations.

(a) Neither the Corporation nor any subsidiary of which the Corporation owns at least a majority of the equity securities ordinarily entitled to vote for the election of Directors ("Subsidiary"), shall be a party to any of the transactions specified herein (a "Business Combination") or enter into any agreement providing for any Business Combination unless the conditions specified in (b), (c) and (d) below shall have been satisfied:

(i) any merger or consolidation (whether in a single transaction or a series of related transaction) other than a merger or consolidation of the Corporation and any of its subsidiaries or a merger or consolidation of any subsidiaries of the Corporation; or

(ii) any sale, lease, exchange, transfer or distribution of all or substantially all or a substantial portion of the property or assets of the Corporation or any of its subsidiaries, including its goodwill; or

(iii) the issuance of any securities, or of any rights warrants or options to acquire any securities of the Corporation or any of its subsidiaries, to any Shareholders other than by stock dividend declared and paid to all Shareholders of the Corporation or pursuant to an employee stock ownership plan or an employee stock option plan established by the Corporation; or

(iv) any reclassification of the stock of the Corporation or any of its subsidiaries or any recapitalization or other transaction (other than a redemption of stock) which has the effect, directly or indirectly, of increasing the proportionate share of stock of the Corporation or any of its subsidiaries held by any person; or

(v) the dissolution of the Corporation or any subsidiary thereof or any partial or complete liquidation of the Corporation or any subsidiary thereof.

(b) The vote of the holders of at least eighty percent (80%) of the outstanding shares entitled to vote for the election of Directors shall be required to approve or authorize any Business Combination to which the Corporation or any Subsidiary is party unless the aggregate of the cash and fair market value of the consideration to be paid to all the holders of the Common Stock of the Corporation in connection with the Business Combination (when adjusted for stock splits, stock dividends, reclassification of shares or otherwise) shall be equal to the highest price per share paid by the other party or parties to the Business Combination (the "Acquiring Party") in acquiring any of the Corporation's Common Stock; provided however, that the consideration to be paid to the holders of the Common Stock of the Corporation shall be in the same form as that paid by the Acquiring Party in acquiring the shares of the Common Stock held by it except to the extent that any Stockholder of the Corporation shall otherwise agree.

(c) Subject to the provisions in (b) above, the vote of the holders of at least seventy-five percent (75%) of the outstanding shares entitled to vote for the election of Directors shall be required to approve or authorize any Business Combination to which the Corporation or any Subsidiary is a party unless the Business Combination shall have been approved by at least two-thirds (2/3) of the Directors of the Corporation who are not affiliated with, or Shareholders of, the Acquiring Party.

In connection with the exercise of its judgment in determining what is in the best interests of the Corporation and of the Shareholders, when evaluating a Business Combination or a proposal by another person or persons to make a Business Combination or a tender or exchange offer, the Board may, in addition to considering the adequacy of the amount to be paid in connection with any such transaction, consider all of the following factors and other factors which it deems relevant: (i) the social and economic effects of the transaction on the Corporation and its subsidiaries, employees, depositors, loan and other customers, creditors and other elements of the communities in which the Corporation and its subsidiaries operate or are located; (ii) the business and financial condition and earnings prospects of the acquiring person or persons, including but not limited to debt service and other existing financial obligations, financial obligations to be incurred in connection with the acquisition, and other likely financial obligations of the acquiring person or persons, and the possible effect of such conditions upon the Corporation and its subsidiaries and the other elements of the communities in which the Corporation and its subsidiaries operate or are located; and (iii) the competence, experience and integrity of the acquiring person or persons and its or their management.

(d) In the event that all of the conditions set forth in (b) and (c) above are met, the Corporation or any Subsidiary may enter into any Business Combination under the terms and conditions specified in the Maine Business Corporation Act.

(e) The affirmative vote of the holders of at least eighty percent (80%) of all of the shares of the Corporation entitled to vote for the election of Directors shall be required to amend or repeal, or to adopt any provisions in contravention of or inconsistent with this Section 2, notwithstanding the fact that a lesser percentage may be specified by law.

Section 3. Special Meetings and Consent Meetings.

Special meetings of the Shareholders may be called by the Chairman, President, the Board, or by the Secretary upon written request of the holders of not less than ten percent (10%) of all the shares entitled to vote.

Section 4. Acquisition of Stock.

(a) Restrictions on Offers and Acquisitions.

For a period of five (5) years from the effective date of the conversion, no person shall directly or indirectly offer to acquire or acquire the beneficial ownership of (i) more than ten percent (10%) of the issued and outstanding shares of any class of an equity security of the Corporation; (ii) more than ten percent (10%) of any class of securities convertible into, or exercisable for, any class of an equity security of the Corporation; (iii) any securities convertible into, or exercisable for, any equity securities of the Corporation if assuming conversion or exercise by such person of all securities of which such person is the beneficial owner which are convertible into, or exercisable for, such equity securities (but of no securities convertible into, or exercisable for, such equity securities of which such person is not the beneficial owner), such person would be the beneficial owner of more than ten percent (10%) of any class of an equity security of the Corporation.

For the same five year period, each share beneficially owned in violation of the foregoing percentage limitation, as determined by the Board, shall not be voted by any person or counted as voting shares in connection with any matter submitted to the shareholders for a vote.

For the purposes of this Section 4:

(i) The term "person" shall mean and include any individual, group acting in concert, Corporation, partnership, or other organization or entity, together with its affiliates and associates; and

(ii) The term "offer" includes every offer to buy or acquire, solicitation of an offer to sell, tender offer for, or request or invitation for tenders of, a security (including, without limitation, shares of any class of capital stock of the Corporation) or interest in a security for value.

(iii) The term "conversion" shall mean the completed process whereby Bethel Savings, FSB Bank will be converted from a federally chartered mutual savings bank to a federally charted stock savings bank and Bethel Bancorp shall become the holding company for Bethel Savings Bank, FSB.

(b) Exclusion for Underwriters, Directors, Officers and Employees.

The restriction contained in this Section 4 shall not apply to any offer with a view toward public resale made exclusively to the Corporation or the underwriters or a selling group acting on its behalf. In addition, the Directors, Officers and employees of the Corporation or any subsidiary thereof shall not be deemed to be a group with respect to their individual acquisition of equity stock of the Corporation.

(c) Readoption of Restriction by Shareholders.

This Section 4 may be readopted for additional one-year or longer periods by vote of the holders of a majority of the outstanding voting shares present or represented at a duly convened annual or special meeting of Shareholders of the Corporation.

(d) Exception in Cases of Advance Approval.

This Section 4 shall not apply to any offer or acquisition referred to in (a) above if such offer or acquisition was approved in advance of such offer or acquisition by two-thirds (2/3) of the entire Board utilizing the standard set forth in Section 2(c).

(e) Enforcement of this Section 4.

The Corporation may by law or by resolution of the Directors adopt such provisions or resolutions as are necessary to provide for the enforcement of this Section 4.

(f) Amendments of this Section 4.

Notwithstanding any other provisions of these Articles of Incorporation or the By-Laws of the Corporation, and notwithstanding the fact that some lesser percentage may be specified by law, this Section 4 shall not be amended, altered, changed or repealed without:

a. the affirmative vote of two-thirds (2/3) of the Board; and

b. the affirmative vote by the holders of at least two-thirds (2/3) of the outstanding shares entitled to vote.

This vote shall be in addition to any vote of the Preferred Stock as may be required by the provisions of any series thereof or applicable by law.

The readoption of Section 4 for additional one-year or longer periods, as provided in (c) above, shall not be an amendment, alteration or change for the purposes of this paragraph.

Section 5. Amendments.

(a) Amendments to Articles of Incorporation.

Except as otherwise provided for in the Articles above, the affirmative vote of the holders of at least two-thirds (2/3) of all of the shares of the Corporation entitled to vote for the election of Directors, shall be required to amend or repeal, or to adopt any provision in contravention of or inconsistent with these Articles notwithstanding the fact that a lesser percentage may be specified by law.

(b) Amendments to By-Laws.

The By-Laws of the Corporation may be amended at any time by the affirmative vote of a majority of the entire Board, subject to repeal, change or adoption of any contravening or inconsistent provision only by vote of the holders of at least two-thirds (2/3) of all the shares entitled to vote on the matter at a meetings expressly called for that purpose.

STATE OF MAINE
CHANGE OF CLERK AND REGISTERED OFFICE

File No. 19872063D
Fee Paid $20
Date Filed March 15, 1994

Pursuant to 13A MRSA 304, the undersigned, corporation advises you of the following changes:

FIRST: The name and registered office of the clerk appearing on the record in the Secretary of State's office: Mary Ann Brown, c/o Bethel Savings Bank, Main Street, Bethel Maine 04217

SECOND: The name and physical location of the registered office of the successor (new) clerk, who must be a Maine resident are: Ariel Rose Gill, Bethel Bancorp, 489 Congress Street, Portland, Maine 04101

THIRD: Such change was authorized by the board of directors and the power to make such change is not reserved to shareholders by the articles or bylaws.

/s/

Ariel Rose Gill, new clerk

/s/

James Delamater, President

/s/

A. William Cannan, EVP

DATED: March 7, 1994

BY-LAWS OF BETHEL BANCORP

AS AMENDED THROUGH DECEMBER 22, 1994

ARTICLE I

MEETINGS OF SHAREHOLDERS

Section 1. Place of Meeting.

All meetings of the shareholders of the Corporation shall be held at the principal office of the Corporation in the city of Portland, State of Maine, or at such other places as may from time to time be fixed by the Board of Directors or as shall be specified or fixed in the respective notices or waivers of notice thereof.

Section 2. Annual Meetings.

The annual meeting of the shareholders shall be held not more than one hundred, thirty-five (135) days after the close of the fiscal year of the Corporation, on such date and at such hour as may be fixed by the Board of Directors and stated in the notice of such meeting or on such other date and at such time as shall be stated in the notice of the meeting or otherwise specified by the President. The Clerk shall serve personally, or by mail, a written notice not less than ten (10) nor more than fifty (50) days before such meeting, addressed to each shareholder at his address as it appears on the stock book; but at any meeting at which all shareholders not present shall have waived notice in writing, the giving of notice as above-required may be foregone.

Section 3. Special Meetings.

A special meeting of the shareholders for any purpose or purposes, unless otherwise prescribed by statue, may be called at any time by the Chairman of the Board, if any, the President, or a Vice President, or by a majority of the Board of Directors, or upon written application therefore to the Clerk by the holders of not less than ten (10%) percent of the shares entitled to vote at the meeting. Written notice of such meeting, stating the purpose for which it is called, shall be served personally, or by mail, not less than ten (10) nor more than fifty (50) days before the date set for such meeting. If mailed, it shall be directed to every shareholder at his address as it appears on the stock book, but at any meeting at which all shareholders shall be present, or of which all shareholders not present have waived notice in writing, the giving of notice as above-required may be foregone. No business other than that specified in the call for the meeting shall be transacted at any special meeting of the shareholders.

Section 4. Quorum.

At each meeting of the shareholders, the presence, in person or by proxy, of the holders of a majority of the issued and outstanding stock of the corporation entitled to vote at such meeting, shall constitute a quorum for the transaction of business except where otherwise provided by law or by the Articles of Incorporation of the Corporation or any amendment thereto. In the absence of a quorum at any meeting or any adjournment thereof, the shareholders of the Corporation present in person or by proxy and entitled to vote shall have the power to adjourn the meeting from time to time, until shareholders holding the requisite amount of stock shall be present or represented. At any such adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the meeting as originally called. Notice of any adjourned meeting of the shareholders shall not be required to be given, except when expressly required by law.

Section 5. Organization.

The Chairman of the Board, if any, or, in the absence of the Chairman of the Board, the President or a Vice President, or a Chairman designated by the Board of Directors or by the shareholders shall preside at every meeting of the shareholders. In the absence of the Secretary, the presiding officer shall appoint a secretary pro tempore.

Section 6. Voting.

(a) Each shareholder of the corporation having voting rights shall, except as otherwise provided by law or by the Articles of Incorporation of the Corporation, at every meeting of the shareholders be entitled to one vote in person or by proxy for each share of the stock of the Corporation registered in his name on the books of the Corporation

(1) on the date fixed pursuant to Section 2 of Article VI of these By-laws as the record date for the determination of shareholders entitled to vote at such meeting, notwith-standing the sale, or other disposal or transfer on the books of the Corporation of such share on or after the

date so fixed, or

(2) if no such record date shall have been fixed, then at the date on which notice of such meeting is mailed.

(b) At any meeting of shareholders at which a quorum is present, the holders of a majority in interest of the stock having voting rights represented thereat in person or by proxy shall decide any question brought before such meeting unless a larger or different vote or proportion is required by law or by the Articles of Incorporation of the Corporation or by these By-laws.

(c) All voting shall be by voice, except that a written ballot may be used when so requested by a majority of the holders of outstanding shares present at the meeting. If a written ballot shall be used, each ballot shall state the name of the shareholder voting, the number of shares owned by him, and if such ballot be cast by proxy, the name of the proxy.

Section 7. Shareholders' Action Without Meeting.

Any action which, under any provision of the Maine Business Corporation Act, may be taken at a meeting of shareholders, may be taken without such a meeting if consent in writing, setting forth the action so taken or to be taken, is signed severally or collectively by the holders of all the issued and outstanding shares of stock entitled to vote upon such action. The Secretary shall file such consent or consents with the minutes of the meetings of the Shareholders.

ARTICLE II

BOARD OF DIRECTORS

Section 1. General Powers.

The property, affairs and business of the Corporation shall be controlled and managed by the Board of Directors. Without limiting the generality of the foregoing, such control shall include the power to: hire employees, professional, clerical and secretarial; enter into employment agreements with employees where deemed advisable; determine levels of employee compensation, including wages, salaries, bonuses and other fringe benefits; terminate the employment of an employee; determine condition of employment, including hours of work, work responsibility, vacation time, and sick leave; authorize the purchase or rental of property and determine all policies of the Corporation with regard to the conduct of the business of the Corporation. The Board of Directors may from time to time delegate particular responsibilities to specified officers of the Corporation as it shall deem advisable. They may adopt such rules and regulations for the conduct of their meeting and the management of the Corporation not inconsistent with these By-laws, the Corporation's Articles of Incorporation, or the laws of the State of Maine as they may deem proper.

Section 2. Number, Qualifications and Term of Office.

Subject to the provisions hereof relating to the initial Board, the number of directors of the Corporation shall be no less than 9 and no more than 15. The exact number of Directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by the Board pursuant to a resolution adopted by a majority of the entire Board. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director. At the 1988 annual meeting of Shareholders, the Directors shall be divided into three classes as nearly equal in number as possible with the term of office of the first class to expire at the 1989 annual meeting of shareholders, the term of office of the second class to expire at the 1990 annual meeting of shareholders and the term of office of the third class to expire at the 1991 annual meeting of the shareholders. At each annual meeting of shareholders following such initial classification and election, Directors elected to succeed those Directors whose terms expire shall be elected for a three year term of office to expire at the third succeeding annual meeting of shareholders after their election. Directors need not be shareholders or residents of the State of Maine.

Section 3. Manner of Election.

At the annual meeting of shareholders, the persons receiving the largest number of votes cast shall be Directors.

Section 4. Quorum and Manner of Acting.

A majority of the total number of Directors then holding office shall constitute a quorum for the transaction of business at any meeting except where otherwise provided by statute, the Corporation's Articles of Incorporation or these By-laws; but less than a quorum may adjourn the meeting. At all meetings of the Board of Directors, each Director present is to have one vote. At all meetings of the Board of Directors, all questions, the manner of deciding which is not specifically regulated by statue or the Corporation's Articles of Incorporation, shall be determined by a majority of the Directors present at the meeting.

Section 5. Place of Meeting, etc.

The Board of Directors may hold its meetings and have one or more offices at such places within or without the State of Maine as the Board from time to time may determine or, in the case of meetings, as shall be specified or fixed in the respective notices or waivers of notice thereof.

Section 6. Books and Records.

The correct and complete books and records of account and minutes of the proceedings of Shareholders and the Board of Directors shall be kept at the registered office of the Corporation.

Section 7. First Meeting.

The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business as soon as practicable after each annual election of Directors on the same day and at the same place at which regular meetings of the Board are held or as may be otherwise provided by resolution of the Board. Notice of such meeting need not be given. Such meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors or in a consent and waiver of notice thereof signed by all the Directors.

Section 8. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such places and at such times as the Board shall from time to time by resolution determine. Notice of regular meetings need not be given.

Section 9. Special Meetings; Notice.

Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board, if any, or by the President, or by the Clerk at the request of any two Directors at the time being in office. Notice of each such meeting shall be mailed to each Director, addressed to him at his residence or usual place of business, at least two days before the day on which the meeting is to be held, or shall be sent to him at such place by telegraph, cable, radio or wireless, or be given personally or by telephone, not later than the day before the day on which the meeting is to be held. Every such notice shall state the time and place of the meeting but need not state the purpose thereof. Notice of any meeting of the Board need not be given to any Directors, however, if waived by him in writing or by telegraph, cable, radio or wireless, whether before or after such meeting be held, or if he shall be present at such meeting unless his attendance at the meeting is expressly for the purpose of objecting to the transaction of any business because the meeting is not lawfully convened; and any meeting of the board shall be a legal meeting without any notice thereof having been given, if all of the Directors shall be present thereat.

Section 10. Resignations.

Any Director of the Corporation may resign at any time by giving written notice to the President or to the Clerk of the Corporation. Such resignation shall take effect at the time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 11. Removal of Directors.

At any meeting of Shareholders called expressly for the purpose, any Director may be removed from office by the affirmative vote of the holders of seventy-five (75%) percent of the shares entitled to vote or if removal is for cause, then by a majority of the shares then entitled to vote. For "cause" shall mean a final adjudication by a court of competent jurisdiction that the Director (i) is liable for negligence or misconduct in the performance of his duty, (ii) guilty of a felony conviction, or (iii) has failed to act or has acted in a manner which is in derogation of the Directors duties.

Section 12. Vacancies.

Any vacancy in the Board caused by death, resignation, retirement, disqualification, removal, or other cause, shall be filled by a majority vote of the remaining Directors, though less than a quorum. A Director so chosen shall hold office for the unexpired term of their predecessors in office. Any Directorship to be filled by reason of an increase in the authorized number of Directors may be filled by the Board for a term of office continuing only until the next election of Directors by the Shareholders.

Section 13. Compensation.

Directors shall receive such compensation for attendance at regular or special meetings as the Board of Directors shall from time to time determine.

Section 14. Directors' Participation in Meeting by Telephone.

A Director may participate in a meeting of the Board of Directors by means of conference telephone or similar communication equipment enabling all Directors participating in the meeting to hear one another. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

Section 15. Directors' Action Without Meeting.

If all the Directors then holding office severally or collectively consent in writing to any action taken or to be taken by the Corporation, such action shall be valid as though it had been authorized at a meeting of the Board of Directors. The Clerk shall file such consent or consents with the minutes of the meetings of the Board of Directors.

ARTICLE III

COMMITTEES

Section 1. Designation; Vacancies.

The Board of Directors, by a resolution passed by a majority of the whole Board, may designate such number of their members not less than two (2), including the President of the Corporation, as it may from time to time determine, to constitute an Executive Committee, each member of which, unless otherwise determined by the Board, shall continue to be a member thereof until the expiration of his term of office as a Director.

Section 2. Powers.

During the intervals between the meetings of the Board of Directors, the Executive Committee shall have all of the powers of the Board of Directors in the management of the business and affairs of the Corporation, except those prescribed by applicable Maine law, and may exercise such powers in such manner as the Executive Committee shall deem best for the interests of the Corporation in all cases in which specific directions shall not have been given by the Board of Directors.

Section 3. Procedure; Meetings; Quorum.

The Executive Committee shall make its own rules of procedure and shall meet at such times and at such place or places as may be provided by such rules or by resolution of the Executive Committee. A majority of the whole number of the members of the Executive Committee shall constitute a quorum at any meeting thereof, and the act of a majority of those present at a meeting at which a quorum is present shall be the act of the Executive Committee. The Board of Directors shall have power at any time to change the members of the Executive Committee, to fill vacancies, and to discharge the Executive Committee.

Section 4. Other Committees.

The Board of Directors, by resolution passed by a majority of the whole Board, may designate members of the board to constitute other committees, which shall in each case consist of such number of Directors and shall have and may exercise such powers, as the Board may determine and specify in the respective resolutions appointing them. Such committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. The Board of Directors shall have power at any time to change the members of any such committee, to fill vacancies, and to discharge any such committee.

Section 5. Compensation.

Members of the Executive Committee or of other committees of the Board of Directors shall receive such compensation for their services as members of such committees as the Board of Directors shall from time to time determine.

ARTICLE IV

OFFICERS

Section 1. Number.

The officers of the Corporation may include a Chairman of the Board and shall include a President, a Treasurer, and a Clerk who shall be the registered agent and such other officers as the Board of Directors may from time to time deem appropriate. One person may hold the offices and perform the duties of more than one of said officers.

Section 2. Election, Term of Office and Qualifications.

The officers shall be elected annually by the Board of Directors. Each officer shall hold office until his successor shall have been elected and shall have qualified, or until his death or until he shall have resigned or shall have been removed in the manner hereinafter provided.

Section 3. Removal.

Any officer may be removed, by the Board of Directors whenever, in its judgment, the best interests of the Corporation will be served by such action.

Section 4. Resignations.

Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Clerk. Such resignation shall take effect at the time specified therein; and, unless otherwise specified therein and the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies.

A vacancy in any office because of death, resignation, removal or any other cause shall be filled for the unexpired portion of the term in the manner prescribed in these By-laws for election or appointment to such office.

Section 6. The Chairman of the Board.

The Chairman of the Board, if there shall be one, shall be elected from among the Directors and shall, if present, preside at all meetings of the shareholders and of the Board of Directors. Except where by law the signature of the President is required, he shall possess the same power as the President to sign all certificates, contracts and other instruments of the Corporation which may be authorized by the Board of Directors or by the Executive Committee. He shall, in general, perform all duties incident to the office of Chairman of the Board, subject, however, to the direction and control of the Board of Directors and of the Executive Committee, and such other duties as from time to time may be assigned to him by the Board of Directors or by the Executive Committee.

Section 7. The President.

The President shall be the chief executive and administrative officer of the Corporation and shall have general and active supervision and direction over the day-to-day business and affairs of the Corporation and over its several officers, subject, however, to the direction and control of the Board of Directors and of the Executive Committee. At the request of the Chairman of the Board, or in case of his absence or inability to act, the President may act in his place. He shall sign or countersign all certificates, contracts and other instruments of the Corporation as authorized by the Board of Directors, and shall perform all such other duties as from time to time may be assigned to him by the Board of Directors or the Executive Committee.

Section 8. The Vice Presidents.

Each Vice President shall have such powers and perform such duties as the Board of Directors may from time to time prescribe. At the request of the President, or in case of his absence or inability to act, any Vice President may act in his place, and when so acting shall have all the powers and be subject to all the restrictions of the President.

Section 9. The Clerk.

The Clerk, who shall be an inhabitant of the State of Maine and shall keep his office therein, shall be the registered agent of the Corporation; shall keep or cause to be kept in books provided for the purpose the minutes of the meetings of the shareholders and of the Board of Directors; shall see that all notices are duly given in accordance with the provisions of these By-laws and as required by law; shall be the custodian of the records, stock certificate records and of the seal of the corporation and see that the seal is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By-laws; and in general, shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him by the Board of Directors or by the President.

Section 10. The Treasurer.

The Treasurer shall be the financial officer of the Corporation; shall have charge and custody of, and be responsible for, all funds of the Corporation, and deposit all such funds in the name of the Corporation in such banks, trust companies or other depositaries as shall be selected by the Board of Directors; shall receive, and give receipts for, moneys due and payable to the Corporation from any source whatsoever; and in general, shall perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board of Directors or by the President.

Section 11. Salaries.

The salaries of the Chairman of the Board, President, Treasurer and Clerk and other officers shall be fixed from time to time by the Board of Directors. No officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation.

ARTICLE V

CONTRACTS, CHECKS, NOTES, ETC.

Section 1. Execution of Contracts.

All contracts and agreements authorized by the Board of Directors, and all checks, drafts, notes, bonds, bills of exchange and orders for the payment of money shall, unless otherwise directed by the Board of Directors, or unless otherwise required by law, be signed by any two of the following officers: The Chairman of the Board, President, Vice President, Treasurer, or Clerk. The Board of Directors may, however, authorize any one of said officers to sign checks, drafts and orders for the payment of money singly and without necessity of counter signature, and may designate officers and employees of the Corporation other than those named above, or different combinations of such officers and employees, who may, in the name of the Corporation, execute checks, drafts, and orders for the payment of money on its behalf.

Section 2. Loans.

No loans shall be contracted on behalf of the Corporation and no negotiable paper shall be signed in its name unless authorized by resolution of the Board of Directors. When authorized by the Board of Directors to do so, any officer or agent of the Corporation thereunto authorized may effect loans and advances at any time for the Corporation from any bank, trust company or other institution, or from any firm, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes, bonds or other certificates or evidences of indebtedness of the Corporation and, when authorized so to do, may pledge, hypothecate or transfer any securities or other property of the Corporation as security for any such loans or advances. Such authority may be general or confined to specific instances.

ARTICLE VI

STOCK AND DIVIDENDS

Section 1. Certificates of Stock.

Every stockholder shall be entitled to have a certificate certifying the number of shares owned by him in the Corporation. The certificates of stock shall be numbered and registered in the order in which they are issued. They shall be bound in a book and shall be issued in consecutive order therefrom. In the margin thereof shall be entered the name of the person owning the shares therein represented with the number of shares and the date thereof. The certificates shall exhibit the holder's name and number of shares represented thereby. They shall be signed by the President and countersigned by the Secretary and may be sealed with the seal of the Corporation or a facsimile thereof. Such certificates shall be transferable on the stock books of the Corporation in person or by attorney, but, except as hereinafter provided in the case of loss, destruction or mutilation of certificates, no transfer of stock shall be entered until the previous certificate, if any, given for the same shall have been surrendered and cancelled.

A record of shareholders giving the names and addresses of all shareholders and the number and class of the shares held by each, shall be kept at the Corporation's registered office or principal place of business.

The person in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation.

The Board of Directors may make such rules and regulations as it may deem expedient, not inconsistent with these By-laws, concerning the issue, transfer and registration of certificates for shares of the capital stock of the Corporation.

Section 2. Closing of Transfer Books or Fixing of Record Date.

For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty (50) days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than fifty (50) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken.

Section 3. Lost, Destroyed or Mutilated Certificates.

In case of loss, destruction or mutilation of any certificate of stock, another may be issued in its place upon proof of such loss, destruction or mutilation and upon satisfying such other requirements as the Board of Directors shall specify, including such provision for indemnity as may seem advisable to the Board of Directors.

Section 4. Dividends.

Subject to the provisions of the Articles of Incorporation of the Corporation, and to the extent permitted by law, the Board of Directors may declare dividends on the shares of stock of the Corporation at such times and in such amounts as, in its opinion, are advisable in view of the condition of the affairs of the Corporation.

ARTICLE VII

SEAL

The Board of Directors shall provide a corporate seal which shall be in the form of a circle and shall bear the name of the Corporation and words and figures indicating the year and state in which the Corporation was incorporated.

ARTICLE VIII

FISCAL YEAR

The fiscal year of the Corporation shall be fixed by the Board of Directors.

ARTICLE IX

WAIVER OF NOTICE

Whenever any notice is required to be given to any shareholder or Director by these By-laws or the Articles of Incorporation or the laws of the State of Maine, a waiver of the notice in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to giving the notice.

ARTICLE X

AMENDMENTS, ETC.

Section 1. Amendments.

The By-laws of the Corporation may be amended at any time by the affirmative vote of a majority of the entire Board, subject to repeal, change or adoption of any contravening or inconsistent provision only by vote of the holders of at least two-thirds (2/3) of all the shares entitled to vote on the matter at a meeting expressly called for that purpose.

Section 2. Supplemental Resolutions.

The Board of Directors by resolution, adopted by (i) two-thirds of the Directors who are not affiliated with any acquiring or offering person in the case of Sections 2 and 4 of Exhibit B to the Articles of Incorporation or (ii) a majority of the Directors in all other cases, may supplement, interpret, clarify or enforce the provisions of the Articles of Incorporation and By-laws. Such resolution shall be binding and may be relied upon for all purposes provided that the resolution is not inconsistent with law, the Articles of Incorporation or these By-laws.

ARTICLE XI

INDEMNIFICATION

Section 1. Indemnification of Officers and Directors.

As provided in Section 719 of the Maine Business Corporation Act, and without limiting any rights provided therein, the Corporation may in all cases indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding; provided that no indemnification shall be provided for any person with respect to any matter as to which he shall have been finally adjudicated in any action, suit or proceeding not to have acted in good faith in the reasonable belief that his action was in the best interests of the Corporation or, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order or conviction adverse to such person, or by settlement or plea of nolo contendere or its equivalent, shall not of itself create a presumption that such person did not act in good faith in the reasonable belief that his action was in the best interests of the Corporation and with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2.

The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under this section.

The above BY-LAWS OF BETHEL BANCORP AS AMENDED is a complete and accurate copy, reflecting all amendments through December 22, 1994.

/s/ Ariel Rose Gill 12/22/94

Ariel Rose Gill Date
Corporate Clerk

	Year Ended June 30, 1995	Year Ended June 30, 1994
EQUIVALENT SHARES:		
Average Shares Outstanding	547,425	545,158
Total Equivalent Shares	547,425	545,158
Total Primary Shares	613,666	602,625
Total Fully Diluted Shares	730,548	675,867
Net Operating Income before Change in Accounting Principle	$ 1,489,381	$ 1,200,559
Cumulative Effect of Change in Accounting Principle	0	260,000
Net Income	1,489,381	1,460,559
Less Preferred Stock Dividend	139,999	104,999
Net Income after Preferred Dividend	$ 1,349,382	$ 1,355,560
Primary Earnings Per Share on Net Operating Income	$ 2.20	$ 1.82
Fully Diluted Earnings Per Share on Net Operating Income	$ 2.04	$ 1.78
Primary Earnings Per Share on the Change in Accounting Principle	$ 0.00	$ 0.43
Fully Diluted Earnings Per Share on the Change in Accounting Principle	$ 0.00	$ 0.38
Primary Earnings Per Share on Net Income	$ 2.20	$ 2.25
Fully Diluted Earnings Per Share on Net Income	$ 2.04	$ 2.16

SUBSIDIARIES OF REGISTRANT
June 30 , 1995

Name of Subsidiary	Jurisdiction of Incorporation	Year Acquired or Formed	Percentage of Voting Securities Owned
ASI Data Services Inc.	Maine	1993	100%
Bethel Savings Bank, FSB (and its 100% owned subsidiary, Bethel Service Corp. and 62.5% owned second tier subsidiary, First New England Benefits, Inc.)	Maine	1987	100%
Brunswick Federal Savings, F. A. (and its 100% owned subsidiary, Brunswick Service Corporation)	Maine	1990	100%

Consent of Independent Auditors

To the Board of Directors
Bethel Bancorp:

We consent to incorporation by reference in the registration statement (No. 33-32095), (No. 33-58538), (No.33-32096) and (No. 33-87976) on Form S-8 of Bethel Bancorp of our report dated August 11, 1995, relating to the consolidated statements of financial condition of Bethel Bancorp and subsidiaries as of June 30, 1995, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year ended June 30, 1995, which report appears in the June 30, 1995 annual report on Form 10-K of Bethel Bancorp.

Portland, Maine

September 26, 1995

/s/ Baker Newman & Noyes
Limited Liability Company

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BETHEL BANCORP
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JUN-30-1995
JUN-30-1995
3,855,648
10,884,423
0
1,375
10,148,251
0
0
169,835,672
2,396,000
207,509,137
147,119,870
25,910,091
2,818,511
11,800,000
547,502
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1,999,980
14,727,796
207,509,137
15,085,138
1,414,250
423,537
16,922,925
5,443,103
8,052,920
8,870,005
640,634
419,313
7,987,877
2,357,936
1,489,381
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0
1,489,381
2.20
2.04
4.634
2,266,000
0
2,025,000
3,623,000
2,463,000
760,733
53,099
2,396,000
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0
2,396,000