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

FORM 10 Q

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

For the quarter ended March 31, 2005

Or

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

For the transition period for _______________ to _______________

Commission File Number 1-14588

Northeast Bancorp

(Exact name of registrant as specified in its charter)

Maine	01-042506
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
158 Court Street, Auburn, Maine	04210
(Address of Principal executive offices)	(Zip Code)

(207) 777-6411

Registrant's telephone number, including area code

Not Applicable

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes _ No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 09, 2005, the registrant had outstanding 2,518,332 shares of common stock, $1.00 stated value per share.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

NORTHEAST BANCORP AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

	March 31, 2005	June 30, 2004
Assets		
Cash and due from banks	$ 11,595,383	$ 13,955,361
Interest bearing deposits	1,213,902	692,424
Total cash and cash equivalents	12,809,285	14,647,785
Available for sale securities, at market value	76,340,571	67,471,144
Loans held for sale	222,831	545,722
Loans receivable	459,741,168	432,594,348
Less allowance for loan losses	4,937,000	4,577,000
Net loans	454,804,168	428,017,348
Premises and equipment, net	4,305,719	4,353,208
Aquired assets - net	118,260	38,583
Accrued interest receivable - loans	1,934,828	1,725,894
Accrued interest receivable - investments	468,182	467,275
FHLB and FRB stock, at cost	7,050,000	6,644,500
Goodwill	407,897	407,897
Intangible assets, net of accumulated amortization of $2,094,705 at 03/31/05 and $1,875,835 at 6/30/04	2,191,523	328,893
Bank owned life insurance (BOLI)	7,961,984	7,759,944
Other assets	6,397,705	6,345,707
Total assets	$ 575,012,953	$ 538,753,900
	========	========
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits		
Demand	$ 37,012,225	$ 37,799,644
NOW	60,764,971	64,317,533
Money market	16,766,409	17,553,102
Regular savings	29,738,434	28,804,916
Brokered time deposits	88,567,446	96,713,190
Certificates of deposit	168,474,909	132,631,344
Total deposits	401,324,394	377,819,729
FHLB advances	86,686,755	82,977,634
Other borrowings	353,404	-
Securities sold under repurchase agreements	28,850,151	24,884,869
Junior subordinated debentures issued to affiliated trusts	16,496,000	13,580,849
Other liabilities	2,765,122	3,037,799
Total liabilities	536,475,826	502,300,880
Commitments and contingent liabilities		
Stockholders' equity		
Preferred stock, cumulative, $1 par value, 1,000,000 shares authorized and none issued and outstanding	-	-
Common stock, at stated value, 15,000,000 shares authorized; 2,522,832 and 2,525,416 shares outstanding at March 31, 2005 and June 30, 2004, respectively	2,522,832	2,525,416
Additional paid in capital	6,610,997	6,943,894
Retained earnings	30,534,766	28,380,678
Accumulated other comprehensive (loss)	(1,131,468)	(1,396,968)
Total stockholders' equity	38,537,127	36,453,020

Total liabilities and stockholders' equity	$ 575,012,953	$ 538,753,900

NORTHEAST BANCORP AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Interest and dividend income:		
Interest on loans	$ 7,428,522	$ 6,338,030
Interest on FHLB overnight deposits	20,060	3,115
Interest on fed funds sold	4,719	-
Interest and dividends on available for sale securities	607,857	618,553
Dividends on FHLB and FRB stock	71,617	35,519
Other interest income	3,397	945
Total interest and dividend income	8,136,172	6,996,162
Interest expense:		
Deposits	2,175,502	1,631,390
Repurchase agreements	112,369	65,859
FHLB advances	967,432	998,696
Other borrowings	2,865	-
Junior subordinated debentures	249,286	261,918
Total interest expense	3,507,454	2,957,863
Net interest income before provision for loan losses	4,628,718	4,038,299
Provision for loan losses	400,554	240,256
Net interest income after provision for loan losses	4,228,164	3,798,043
Noninterest income:		
Fees and service charges on loans	176,975	129,047
Fees for other services to customers	267,063	237,261
Net securities gains	40,771	69,055
Gain (loss) on trading activities	138	(2,629)
Gain on sales of loans	57,887	96,364
Investment commissions	318,914	445,314
Insurance commissions	544,702	133,333
BOLI income	84,013	97,677
Other income	120,111	98,960
Total noninterest income	1,610,574	1,304,382
Noninterest expense:		
Salaries and employee benefits	2,486,952	2,161,459
Occupancy expense	371,818	319,369
Equipment expense	292,612	192,930
Intangible assets amortization	97,736	66,468
Other	954,630	842,727
Total noninterest expense	4,203,748	3,582,953
Income before income taxes	1,634,990	1,519,472
Income tax expense	520,625	499,124
Net income	$ 1,114,365	$ 1,020,348
Earnings per common share:		
Basic	$ 0.44	$ 0.40
Diluted	$ 0.44	$ 0.40
Net interest margin	3.49%	3.43%
Net interest spread	3.13%	3.12%
Return on average assets (annualized)	0.80%	0.82%
Return on average equity (annualized)	11.57%	11.02%
Efficiency ratio	67%	67%

NORTHEAST BANCORP AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	Nine Months Ended March 31, 2005	Nine Months Ended March 31, 2004
Interest and dividend income:		
Interest on loans	$ 21,458,879	$ 18,831,164
Interest on FHLB overnight deposits	40,306	12,969
Interest on fed funds sold	4,719	-
Interest and dividends on available for sale securities	1,957,962	1,519,722
Dividends on FHLB and FRB stock	188,290	132,656
Other interest income	6,192	2,873
Total interest and dividend income	23,656,348	20,499,384
Interest expense:		
Deposits	6,251,473	4,807,243
Repurchase agreements	293,071	211,413
FHLB advances	2,843,365	3,287,724
Other borrowings	13,308	-
Junior subordinated debentures	831,492	625,683
Total interest expense	10,232,709	8,932,063
Net interest income before provision for loan losses	13,423,639	11,567,321
Provision for loan losses	1,000,675	721,058
Net interest income after provision for loan losses	12,422,964	10,846,263
Noninterest income:		
Fees and service charges on loans	390,439	444,084
Fees for other services to customers	759,241	724,295
Net securities gains	79,862	187,406
(Loss) gain on trading activities	(21)	8,875
Gain on sales of loans	168,427	628,950
Investment commissions	1,153,675	1,223,340
Insurance commissions	1,017,980	295,758
BOLI income	244,106	286,638
Other income	388,655	250,191
Total noninterest income	4,202,364	4,049,537
Noninterest expense:		
Salaries and employee benefits	7,151,413	6,224,788
Occupancy expense	1,027,272	921,194
Equipment expense	834,711	704,867
Intangible assets amortization	218,870	199,404
Other	3,259,652	2,666,015
Total noninterest expense	12,491,918	10,716,268
Income before income taxes	4,133,410	4,179,532
Income tax expense	1,298,047	1,352,785
Net income	$ 2,835,363	$ 2,826,747
	========	========
Earnings per common share:		
Basic	$ 1.13	$ 1.11
Diluted	$ 1.11	$ 1.08
Net interest margin	3.38%	3.38%
Net interest spread	3.12%	3.10%
Return on average assets (annualized)	0.68%	0.78%
Return on average equity (annualized)	9.85%	10.21%
Efficiency ratio	71%	69%

NORTHEAST BANCORP AND SUBIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Nine Months Ended March 31, 2005 and 2004

(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at June 30, 2003	$2,786,095	$10,381,692	$25,756,832	$ 91,169	$(2,516,340)	$36,499,448
Net income for nine months ended 3/31/04	-	-	2,826,747	-	-	2,826,747
Other comprehensive income net of tax:						
Net unrealized losses on investments						

available for sale, net of reclassification adjustment	-	-	-	(104,211)	-	(104,211)
Total comprehensive income	-	-	-	-	-	2,722,536
Dividends on common stock at $0.26 per share	-	-	(690,024)	-	-	(690,024)
Reclassification of treasury stock	(209,268)	(2,307,072)			2,516,340	-
Purchase of 69,486 shares of Company stock	(69,486)	(1,102,719)	-	-		(1,172,205)
Common stock issued in connection with employee benefit and stock option plan	25,875	241,472	-	-	-	267,347
Balance at March 31, 2004	2,533,216	7,213,373	27,893,555	(13,042)	-	37,627,102
Balance at June 30, 2004	$2,525,416	$6,943,894	$28,380,678	$ (1,396,968)	$ -	$36,453,020
Net income for nine months ended 3/31/05	-	-	2,835,363	-	-	2,835,363
Other comprehensive income net of tax:						
Net unrealized gains on investments available for sale, net of reclassification adjustment	-	-	-	265,500	-	265,500
Total comprehensive income	-	-	-	-	-	3,100,863
Dividends on common stock at $0.27 per share	-	-	(681,275)	-	-	(681,275)
Purchase of 30,000 shares of Company stock	(30,000)	(540,000)	-	-	-	(570,000)
Common stock issued in connection with employee benefit and stock option plan	27,416	207,103	-	-	-	234,519
Balance at March 31, 2005	$2,522,832	$6,610,997	$30,534,766	$ (1,131,468)	$ -	$38,537,127

NORTHEAST BANCORP AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended March 31, 2005	2004
Cash provided by operating activities:	$ 3,713,359	$ 5,936,483
Cash flows from investing activities:		
Federal Reserve stock purchased	(405,500)	-
Available for sale securities purchased	(22,040,838)	(36,955,322)
Available for sale securities matured	12,526,526	8,350,301
Available for sale securities sold	968,300	8,828,593
Net change in loans	(27,792,953)	(27,394,741)
Net capital expenditures	(850,627)	(827,301)
Proceeds from sale of premises and equipment	481,794	-
Proceeds from sale of acquired assets	368,980	306,492
Real estate held for investment sold	8,465	-
Purchase of retirement annuity	(900,000)	-
Acquisition of business	(993,469)	-
Net cash used in investing activities	(38,629,322)	(47,691,978)
Cash flows from financing activities:		
Net change in deposits	23,504,665	33,828,452
Net change in repurchase agreements	3,965,282	14,919,390
Dividends paid	(681,275)	(690,024)
Proceeds from stock issuance	234,519	267,347
Company stock repurchased	(570,000)	(1,172,205)
Advances from the Federal Home Loan Bank	45,500,000	16,500,000
Repayment of advances from the Federal Home Loan Bank	(38,356,879)	(20,940,493)
Net repayments on Federal Home Loan Bank overnight advances	(3,434,000)	(3,045,000)
Debt issuance cost paid	-	(120,000)
Proceeds from issuance of junior subordinated debentures	10,310,000	6,000,000
Repayment of junior subordinated debentures	(7,394,849)	-
Net cash provided by financing activities	33,077,463	45,547,467
Net (decrease) increase in cash and cash equivalents	(1,838,500)	3,791,972
Cash and cash equivalents, beginning of period	14,647,785	18,807,919
Cash and cash equivalents, end of period	$ 12,809,285	$ 22,599,891

Cash and cash equivalents include cash on hand, amounts due from banks, and interest bearing deposits.

Supplemental schedule of noncash activities:		
Net change in valuation for unrealized gains/losses, net of tax, on available for sale securities	265,500	(104,211)
Net transfer from loans to acquired assets	468,657	341,595
Assumption of debt from Solon-Anson Insurance Agency acquisition	683,104	-
Deferred tax liability related to Solon-Anson acquisition	450,877	-
Supplemental disclosure of cash paid during the period for:		
Income taxes paid, net of refunds	1,411,222	1,243,868
Interest paid	9,742,076	8,670,838

NORTHEAST BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
March 31, 2005

1. Basis of Presentation

The accompanying unaudited condensed and consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine-month period ended March 31, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2005. For further information, refer to the audited consolidated financial statements and footnotes thereto for the fiscal year ended June 30, 2004 included in the Company's Annual Report on Form 10-K. Certain June 30, 2004 amounts have been reclassified to be consistent with the March 31, 2005 financial statements.

2. Junior Subordinated Debentures

NBN Capital Trust ("NBNCT"), a Delaware statutory trust, was created in October of 1999. The NBNCT exists for the exclusive purpose of (i) issuing and selling Common Securities and Preferred Securities of NBNCT to the public (together the "NBNCT Trust Securities"), (ii) using the proceeds of the sale of NBNCT Trust Securities to acquire 9.60% Junior Subordinated Deferrable Interest Debentures ("Junior Subordinated Debentures") issued by the Company, and (iii) engaging only in those other activities necessary, convenient, or incidental thereto (such as registering the transfer of the NBNCT Trust Securities). NBNCT sold $7,172,998 of its trust preferred securities to the public and $221,851 of its common securities to the Company. The NBNCT Trusts Preferred Securities are mandatorily redeemable upon the maturity of the Junior Subordinated Debentures on December 31, 2029 or upon earlier redemption as provided in the indenture. The Company had the right to redeem the Junior Subordinated Debentures, in whole or in part on or after December 31, 2004. The Company exercised its right to redeem the Junior Subordinated Debentures on December 31, 2004. On that date, NBNCT paid the liquidation amount of $7.00 per preferred security plus accrued interest due based upon an annual interest rate of 9.60%, or a total of $7,345,150. The proceeds from the sale of Trust Preferred Securities by NBN Capital Trust IV, described below, were used in part for this redemption.

NBN Capital Trust II and III were created in December 2003 and NBN Capital Trust IV was created December 2004. Each such trust is a Delaware statutory trust (together, the "Private Trusts"). The exclusive purpose of the Private Trusts was (i) issuing and selling Common Securities and Preferred Securities in a private placement offering, (ii) using the proceeds of the sale of the Private Trust Securities to acquire Junior Subordinated Deferrable Interest Notes ("Junior Subordinated Notes"); and (iii) engaging only in those other activities necessary, convenient, or incidental thereto. Accordingly the Junior Subordinated Notes are the sole assets of each of the Private Trusts.

NBN Capital Trusts II and III sold a total of $6,000,000 and NBN Capital Trust IV sold a total of $10,000,000 of its trust preferred securities in two separate private placement offerings. NBN Capital Trusts II and III sold a total of $186,000 and NBN Capital Trust IV sold a total of $310,000 of its common securities to the Company. The Private Trusts Preferred Securities are mandatorily redeemable upon the maturity of the Junior Subordinated Debentures on March 30, 2034 for NBN Capital Trusts II and III and on February 23, 2035 for NBN Capital Trust IV, or upon earlier redemption as provided in the indenture. The Company has the right to redeem the Junior Subordinated Notes, in whole or in part on or after March 30, 2009 for NBN Capital Trusts II and III, and on or after February 23, 2010 for NBN Capital Trust IV at the redemption price specified in the Indenture plus any accrued but unpaid interest to the redemption date.

NBN Capital Trust II pays a variable rate based on three month LIBOR, NBN Capital Trust III pays a 6.50% fixed rate until March 30, 2009 when the rate changes to a variable rate based on three month LIBOR, and NBN Capital Trust IV pays a 5.88% fixed rate until February 23, 2010 when the rate changes to a variable rate based on three month LIBOR. Accordingly, the Preferred Securities of the Private Trusts currently pay quarterly distributions at an annual rate of 5.89% for the stated liquidation amount of $1,000 per Preferred Security for NBN Capital Trust II, an annual rate of 6.50% for the stated liquidation amount of $1,000 per Preferred Security for NBN Capital Trust III and an annual rate of 5.88% for the state liquidation amount of $1,000 per Preferred Security for NBN Capital Trust IV. The Company has fully and unconditionally guaranteed all of the obligations of each trust. The guaranty covers the quarterly distributions and payments on liquidation or redemption of the Private Trust Preferred Securities, but only to the extent of funds held by the trusts. Based on the current rates, the annual interest expense is approximately $989,451.

3. Loans

The following is a summary of the composition of loans at:

	March 31, 2005	June 30, 2004
Residential real estate	$ 148,430,894	$ 138,031,157
Commercial real estate	125,744,564	122,431,149
Construction	11,752,282	8,367,388
Commercial	74,897,411	69,738,330
Consumer & Other	96,501,143	91,433,974
Total	457,326,294	430,001,998

Total	[illegible]	[illegible]
Net Deferred Costs	2,414,874	2,592,350
Net Loans	$ 459,741,168	$ 432,594,348

4. Allowance for Loan Losses

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

	Nine months Ended March 31,	
	2005	2004
Balance at beginning of period	$ 4,577,000	$ 4,016,000
Add provision charged to operations	1,000,675	721,058
Recoveries on loans previously charged off	111,106	244,552
	5,688,781	4,981,610
Less loans charged off	751,781	623,610
Balance at end of period	$ 4,937,000	$ 4,358,000

5. Securities

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

	March 31, 2005		June 30, 2004	
	Cost	Market Value	Cost	Market Value
Government sponsored enterprises-FHLMC, FNMA & FHLB	$ 26,270,438	$ 25,550,345	$ 25,687,976	$ 24,745,788
Corporate bonds	500,000	487,505	--	--
Mortgage-backed securities	49,512,312	48,575,682	41,761,820	40,587,389
Equity securities	1,772,166	1,727,039	2,137,967	2,137,967
	$ 78,054,916	$ 76,340,571	$ 69,587,763	$ 67,471,144

	March 31, 2005		June 30, 2004	
	Cost	Market Value	Cost	Market Value
Due after one year through five years	$ 22,391,963	$ 21,785,290	$ 15,740,931	$ 15,172,561
Due after five years through ten years	2,988,242	2,942,040	8,557,705	8,305,210
Due after ten years	1,390,233	1,310,520	1,389,340	1,268,017
Mortgage-backed securities (including securities with interest rates ranging from 4.0% to 8.5% maturing November 2007 to September 2032)	49,512,312	48,575,682	41,761,820	40,587,389
Equity securities	1,772,166	1,727,039	2,137,967	2,137,967
	$ 78,054,916	$ 76,340,571	$ 69,587,763	$ 67,471,144

6. Advances from the Federal Home Loan Bank

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

March 31, 2005

Principal Amounts	Interest Rates	Maturity Dates For Periods Ending March 31,
$ 47,790,530	2.08% - 6.79%	2006
14,000,000	2.22% - 5.55%	2007
17,896,225	2.68% - 5.68%	2008
4,000,000	4.50% - 4.81%	2011
3,000,000	4.99%	2012
$ 86,686,755		

June 30, 2004

Principal Amounts	Interest Rates	Maturity Dates For Periods Ending June 30,
$ 21,493,278	1.44% - 6.65%	2005
31,500,000	2.08% - 6.79%	2006
7,000,000	2.22% - 2.71%	2007
15,984,356	2.68% - 5.68%	2008
7,000,000	4.50% - 4.99%	2011

$ 82,977,634
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7. Stock Option Plans

Northeast Bancorp grants "incentive stock options" only to employees of the Company, and grants "nonqualified stock options" to employees and non-employee directors. All options granted under these plans are required to have an exercise price per share equal to at least the fair market value per share of common stock on the date the option is granted. Under Accounting Principle Board Opinion No. 25, no compensation expense is recognized if the exercise price of the option is greater than or equal to the fair market value of the underlying stock on the date of grant. Generally options issued under the plan vest immediately upon being granted.

The Company has elected to present in the notes of the consolidated financial statements the impact to net income and earnings per share of estimating the fair value of each option on the date of grant using the Black-Scholes option-pricing model. No options were granted for the previous fiscal year. The Company has elected to continue to disclose in the notes to the consolidated financial statements under SFAS 148, *Accounting for Stock-Based Compensation - - Transition and Disclosure, an amendment of SFAS 123*. If the Company had determined the cost for its stock options based on the fair value method at the grant date under SFAS 123, *Accounting for Stock-Based Compensation*, the Company's pro forma net income and earnings per share for the three and nine months ended March 31, 2005 and 2004 would have been the amounts shown below. The Financial Accounting Standards Board has issued a revision of SFAS 123, effective after July 1, 2005, that requires the fair value method be used to account for stock based compensation and the recognition of the fair value of stock options as compensation expense in the financial statements.

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2005	2004	2005	2004
Net Income as reported	$ 1,114,365	$ 1,020,348	$ 2,835,363	$ 2,826,747
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	1,509	--	1,509	--
Pro forma net income	$ 1,112,856	$ 1,020,348	$ 2,833,854	$ 2,826,747
	=======	=======	=======	=======
Earnings per share				
Basic - as reported	$ 0.44	$ 0.40	$ 1.13	$ 1.11
Basic - pro forma	$ 0.44	$ 0.40	$ 1.13	$ 1.11
Diluted - as reported	$ 0.44	$ 0.40	$ 1.11	$ 1.08
Diluted - pro forma	$ 0.44	$ 0.40	$ 1.11	$ 1.08

8. Acquisition of Solon-Anson Insurance Agency, Inc.

On September 29, 2004, the Bank's wholly owned subsidiary, Northeast Financial Services, Inc ("NFS"), acquired 100% of the outstanding stock of Solon-Anson Insurance Agency, Inc. ("Solon-Anson"), headquartered in Rangeley, Maine. See the details of the purchase price below. In connection with the acquisition, NFS entered into certain compensation arrangements with the sellers. NFS purchased an annuity for $900,000 to provide deferred compensation payments to the former owners, Craig and Sharon Sargent. The annuity remains an asset of the Company and is included in other assets in the consolidated balance sheet. These payments are contingent on meeting the conditions of their respective employment contracts, and are subject to a vesting schedule over the term of each employment contract. The acquisition of Solon-Anson Insurance Agency used purchase accounting and resulted in a customer list intangible asset of $2,081,500, which will be amortized over seven years. No goodwill was recognized. The results of operations of Solon-Anson have been included in the consolidated financial statements of the Company since the acquisition date. There is no pro-forma disclosure included because Solon-Anson was not considered a significant acquisition. The following is a summary of the assets and liabilities acquired and allocation of the purchase price.

Purchase Price:

Cash Paid	$ 993,469
Debt Assumed	$ 683,104
Other Liabilities	$ 6,743
Deferred Taxes	$ 450,877
Total	$ 2,134,193

Allocation:	
Customer List	$ 2,081,500
Office Equipment	$ 50,831
Other Assets	$ 1,862
Total	$ 2,134,193

This transaction added six insurance offices located in Anson, Auburn, Augusta, Mexico, Rangeley, and South Paris, Maine and 21,000 customers. This acquisition is part of the Company's plans to enhance sources of fee income.

Solon-Anson merged with NFS, with NFS being the surviving company, effective April 1, 2005. This had no impact on the financial position or results of operations of the Company.

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

This Management's Discussion and Analysis of Results of Operations and Financial Condition presents a review of the results of operations for the three and nine months ended March 31, 2005 and 2004 and the financial condition at March 31, 2005 and June 30, 2004. This discussion and analysis is intended to assist in understanding the results of operations and financial condition of Northeast Bancorp and its wholly owned subsidiary, Northeast Bank. Accordingly, this section should be read in conjunction with the consolidated financial statements and the related notes and other statistical information contained herein. See Form 10-K dated as of June 30, 2004 for discussion of the critical accounting policies of the Company.

A Note about Forward Looking Statements

This report contains certain "forward-looking statements" within the meaning of federal securities law Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, such as statements relating to our financial condition, prospective results of operations, future performance or expectations, plans, objectives, prospects, loan loss reserve adequacy, simulation of changes in interest rates, capital spending and finance sources, and revenue sources. These statements relate to expectations concerning matters that are not historical facts. Accordingly, statements that are based on management's projections, estimates, assumptions, and judgments constitute forward-looking statements. These forward looking statements, which are based on various assumptions (some of which are beyond the Company's control), may be identified by reference to a future period or periods, or by the use of forward-looking terminology such as "believe", "expect", "estimate", "anticipate", "continue", "plan", "approximately", "intend", or other similar terms or variations on those terms, or the future or conditional verbs such as "will", "may", "should", "could", and "would". In addition, the Company may from time to time make such oral or written "forward-looking statements" in future filings with the Securities and Exchange Commission (including exhibits thereto), in its reports to shareholders, and in other communications made by or with the approval of the Company.

Such forward-looking statements reflect our current views and expectations based largely on information currently available to our management, and on our current expectations, assumptions, plans, estimates, judgments, and projections about our business and our industry, and they involve inherent risks and uncertainties. Although we believe that these forward-looking statements are based on reasonable estimates and assumptions, they are not guarantees of future performance and are subject to known and unknown risks, uncertainties, contingencies, and other factors. Accordingly, we can not give you any assurance that our expectations will in fact occur or that our estimates or assumptions will be correct. We caution you that actual results could differ materially from those expressed or implied by such forward-looking statements due to a variety of factors, including, but not limited to, those related to the economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset/liability management, changes in technology, changes in the securities markets, the availability of and the costs associated with sources of liquidity and properly managing and operating our insurance agency. Accordingly, investors and others are cautioned not to place undue reliance on such forward-looking statements. For a more complete discussion of certain risks and uncertainties affecting the Company, please see "Item 1. Business - Forward-Looking Statements and Risk Factors" set forth in our Form 10-K for the fiscal year ended June 30, 2004. These forward-looking statements speak only as of the date of this report and we do not undertake any obligation to update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events.

Description of Operations

Northeast Bancorp (the "Company") is a Maine corporation and a bank holding company registered with the Federal Reserve Bank of Boston ("FRB") under the Bank Holding Company Act of 1956. After completing our charter conversion on August 30, 2004, the Federal Reserve Bank of Boston became the primary regulator of the Company and it supervises and examines our activities on a continual basis. The Company also is a registered Maine financial institution holding company under Maine law and is subject to regulation and examination by the Superintendent of Maine Bureau of Financial Institutions. The Company's wholly-owned subsidiary is no longer a federal savings and loan association subject to regulation by the Office of Thrift Supervision. In connection with its charter conversion, the name of our bank subsidiary was changed to Northeast Bank. We conduct business from our headquarters in Auburn, Maine and, as of March 31, 2005, we had 12 banking offices and six insurance offices all located in Western and South-Central Maine. At March 31, 2005, we had consolidated assets of $575.0 million and consolidated stockholders' equity of $38.5 million.

Northeast Bancorp's principal asset is all the capital stock of Northeast Bank (the "Bank"), a Maine state-chartered universal bank. Accordingly, Northeast Bancorp's results of operations are primarily dependent on the results of the operations of the Bank. The Bank has offices in Auburn, Augusta, Bethel, Brunswick, Buckfield, Harrison, Lewiston, Lisbon Falls, Mechanic Falls, Portland, and South Paris, Maine. The Bank's investment brokerage division has an office in Falmouth, Maine from which investment, insurance and financial planning products and services are offered.

On September 29, 2004, the Bank's wholly owned subsidiary, Northeast Financial Services, Inc ("NFS"), acquired 100% of the outstanding stock of Solon-Anson Insurance Agency, Inc. ("Solon-Anson"), headquartered in Rangeley, Maine. See Note 8 to our consolidated financial statement included herein for more information on this transaction. This transaction added six insurance offices located in Anson, Auburn, Augusta, Mexico, Rangeley, and South Paris, Maine and 21,000 customers. All of our insurance offices offer personal and commercial property and casualty insurance products. Effective April 1, 2005, Solon-Anson Insurance Agency was merged with and now operates as NFS. NFS also has an insurance agency in our Bethel, Maine branch.

Bank Strategy

The principal business of the Bank consists of attracting deposits from the general public and applying those funds to originate or acquire residential mortgage loans, commercial loans, commercial real estate loans, and a variety of consumer, indirect auto and indirect recreational vehicle loans. The Bank sells fixed rate residential mortgage loans into the secondary market. The Bank also invests in mortgage-backed securities and securities issued by agencies of the United States Government and government sponsored enterprises. The Bank's profitability depends primarily on net interest income, which is the difference between interest income earned from interest-earning assets (i.e. loans and investments) and interest expense incurred on interest-bearing liabilities (i.e. customer deposits and borrowed funds). The relative balances of interest-earning assets and interest-bearing liabilities, and the rates paid on these balances affect net interest income. The Bank emphasizes the growth of non-interest sources of income from trust management, financial planning, and investment and insurance brokerage to reduce its dependency on net interest income.

Our goal is to continue modest but profitable growth by increasing our loan and deposit market share in our existing markets in Western and South-Central Maine, closely managing the yields on earning assets and rates on interest-bearing liabilities, introducing new financial products and services, increasing the number of bank services sold to each household, increase non-interest income from expanded trust services, investment and insurance brokerage services, and controlling the growth of non-interest expenses. It also is part of our business strategy to make targeted acquisitions in our current market areas from time to time when opportunities present themselves. As a continuation of our growth plans, the Bank also plans to open a new retail banking branch in Windham, Maine in 2005; one of the most rapidly growing communities in Southern Maine. Also, in an effort to more efficiently manage the Bank's operations, the Bank will consolidate its operations into a new headquarters building in Lewiston Maine in August 2005.

The Company's profitability is affected by the Bank's interest rate spread, which is the difference between the average yield earned on its interest-earning assets and the average rate paid on its interest-bearing liabilities. Net interest income continues to be our largest source of revenue, and is affected by the level of interest rates, changes in interest rates and by changes in the amount and composition of interest-earning assets and interest-bearing liabilities. The level of the provision for loan losses, non-interest income and expenses of Northeast Bancorp and the Bank, and the effective tax rate also affect profitability. Non-interest income consists primarily of loan and deposit service fees; trust, investment brokerage and insurance brokerage fees; and gains on the sales of loans and investments. Non-interest expenses consist of compensation and benefits, occupancy related expenses, deposit insurance premiums paid to the FDIC, and other operating expenses, which include advertising, computer services, supplies, telecommunication, and postage expenses.

Results of Operations

Comparison of the Three and Nine Months Ended March 31, 2005 and 2004

General

The Company reported consolidated net income of $1,114,365, or $0.44 per diluted share for the three months ended March 31, 2005 compared with $1,020,348, or $0.40 per diluted share for the three months ended March 31, 2004, an increase of $94,017, or 9%. Net interest income increased $590,419, or 15%, primarily from 11% higher average earning assets. Non-interest income increased $306,192, or 23%, primarily from increased insurance commissions and fees and service charges on loans. The provision for loan losses increased $160,298, or 67%, compared to the three months ended March 31, 2004, due to the increase in charge-offs and the increased volume of commercial and consumer indirect loans, both which carry a higher credit risk. Non-interest expense increased $620,795, or 17%, primarily from higher salary and benefit expenses and other operating expenses. Full-time equivalent staff increased by 12 to 193 as of the quarter ended March 31, 2005 compared to the same period last year, primarily from the Solon Anson Insurance Agency acquisition ("Solon Anson").

Annualized return on average equity ("ROE") and return on average assets ("ROA") were 11.57% and 0.80%, respectively, for the quarter ended March 31, 2005 as compared to 11.02% and 0.82%, respectively, for the quarter ended March 31, 2004. The increase in the return on average equity was due to higher net income for the current quarter. The return on average assets decreased due to higher average assets compared to the quarter ended March 31, 2004.

Net income for the nine months ended March 31, 2005 was $2,835,363, or $1.11 per diluted share, as compared to $2,826,747, or $1.08 per diluted share, for the same period one year ago. The results for the nine months ended March 31, 2005 was impacted by increased net interest income from higher average earning assets, increased non-interest income due to increased insurance commissions, and increased non-interest expense from the impact of staff additions from Solon Anson.

ROE and ROA were 9.85% and 0.68%, respectively, for the nine months ended March 31, 2005 and 10.21% and 0.78% for the nine months ended March 31, 2004. The decline in ROE was primarily due to an increase in average equity in fiscal 2005. The decline in ROA was due to an increase in average assets in fiscal 2005.

Net Interest Income

Net interest income for the three months ended March 31, 2005 increased $590,419, or 15%, compared to the same period in 2004. The increase in net interest income was due to higher average earning assets, increasing $64,982,455, or 14%, for the quarter ended March 31, 2005 as compared to the quarter ended March 31, 2004. The increase in earning assets was primarily due to an increase in loan volume of $58,918,873, or 15%, and the purchase of government sponsored enterprises, and mortgage-backed securities which increased average investments $3,086,806, or 5%. Average loans as a percentage of average earning assets was 85% and 84%, respectively, for quarters ended March 31, 2005 and 2004. Net interest margin was 3.49% and 3.43% for the period ended March 31, 2005 and 2004, respectively. Net interest spread for the three months ended March 31, 2005 was 3.13%, an increase of 1 basis point from 3.12% for the same period a year ago. Comparing the three months ended March 31, 2005 and 2004, the yields on earning assets increased 13 basis points compared to a 12 basis point increase in the cost of interest-bearing liabilities. The increases in yield on earning assets and the cost of interest-bearing liabilities reflect the general rising interest rate environment. The greater increase in the yield on earning assets over the cost of interest-bearing liabilities was due to the repricing of variable, prime rate based loans.

The changes in net interest income are presented in the schedule below, which compares the three months ended March 31, 2005 and 2004.

	Difference Due to		
	Volume	Rate	Total
Investments	$ 29,078	$ (3,676)	$ 25,402
Loans, net	951,691	138,801	1,090,492
FHLB & Other Deposits	6,270	17,846	24,116
Total Interest-earnings Assets	987,039	152,971	1,140,010
Deposits	324,066	220,046	544,112
Repurchase Agreements	26,476	20,034	46,510
Borrowings	93,984	(135,015)	(41,031)
Total Interest-bearing Liabilities	444,526	105,065	549,591
Net Interest Income	$ 542,513	$ 47,906	$ 590,419

Rate/Volume amounts spread proportionately between volume and rate. Borrowings in the table include junior subordinated debt and FHLB borrowings.

Net interest income for the nine months ended March 31, 2005 increased $1,856,318, or 16%, compared to the same period in 2004. The increase in net interest income was due to higher average earning assets, increasing $74,080,795, or 16%, for the nine months ended March 31, 2005 as compared to the nine months ended March 31, 2004. The increase in earning assets was primarily due to an increase in loans of $60,635,231, or 16%, and the purchase of government sponsored enterprise and mortgage-backed securities, increasing average investments $12,317,981 or 22%. Average loans, as a percentage of average earning assets was 85% and 86% for the nine months ended March 31, 2005 and 2004, respectively. Net interest margin was 3.38% for the periods ended March 31, 2005 and 2004. Net interest spread for the nine months ended March 31, 2005 was 3.12%, an increase of 2 basis point from 3.10% for the same period a year ago, primarily from a 6 basis point decrease in the cost of interest-bearing liabilities compared to a 4 basis points decrease in the yield on earning assets.

The changes in net interest income are presented in the schedule below, which compares the nine months ended March 31, 2005 and 2004.

	Difference Due to		
	Volume	Rate	Total
Investments	$ 366,346	$ 127,528	$ 493,874
Loans, net	2,888,819	(261,104)	2,627,715
FHLB & Other Deposits	4,783	30,592	35,375
Total Interest-earnings Assets	3,259,948	(102,984)	3,156,964
Deposits	1,285,929	158,301	1,444,230
Repurchase Agreements	48,939	32,719	81,658
Borrowings	133,156	(358,398)	(225,242)
Total Interest-bearing Liabilities	1,468,024	(167,378)	1,300,646
Net Interest Income	$ 1,791,924	$ 64,394	$ 1,856,318

Rate/Volume amounts spread proportionately between volume and rate. Borrowings in the table include junior subordinated debt and FHLB borrowings.

The Company's business primarily consists of the commercial banking activities of the Bank. The success of the Company is largely dependent on its ability to manage interest rate risk. This is the sensitivity of income to changes in interest rates. Changes in interest rates, as well as fluctuations in the level of assets and liabilities, affect net interest income. This risk arises from our core banking activities, lending and deposit gathering. In addition to directly impacting net interest income, changes in interest rates can also affect the amount of loans originated and sold by the Bank, the ability of borrowers to repay adjustable or variable rate loans, the average maturity of loans, the rate of amortization of premiums and discounts paid on securities, the amount of unrealized gains and losses on securities available for sale and the fair value of our saleable assets and the resultant ability to realize gains. The Bank has maintained an asset sensitive position based on its own internal analysis which categorizes its core deposits as long term liabilities which are then matched to long term assets. As a result, the Bank is generally expected to experience an improvement in its net interest margins during a period of increasing interest rates. In fact, a slight improvement has been experienced for the three and nine month periods ended March 31, 2005.

As of March 31, 2005 and 2004, 51% and 49%, respectively, of the Bank's loan portfolio was composed of adjustable rate loans based on a prime rate index or short-term rate indices such as the one-year Treasury bill. Interest income on these existing loans will increase as short-term interest rates increase. An increase in short-term interest rates will also increase deposit and FHLB advance rates, increasing the Company's interest expense. Although the Bank has experienced some net interest margin increase, the impact on future net interest income will depend on, among other things, actual rates charged on the Bank's loan portfolio, deposit and advance rates paid by the Bank and loan volume.

Provision for Loan Losses

The provision for loan losses for the three months ended March 31, 2005 was $400,554, an increase of $160,298, or 67%, from $240,256 for the three months ended March 31, 2004. For the nine months ended March 31, 2005 and 2004, we provided $1,000,675 and $721,058 for loan losses, respectively. The higher provision was primarily due to higher net charge-offs, $381,554 for the three months ended March 31, 2005 compared to $220,256 for the same period in 2004, and $640,675 for the nine months ended March 31, 2005 compared to $379,058 for the nine months ended March 31, 2004, and the increase in the aggregate volume of commercial and consumer loans. The net charge-offs for the three and nine month periods ended March 31, 2005 were attributable to commercial loans and is not believed by management to be a trend. See Financial Condition for discussion of the Allowance for Loan Losses for the factors impacting the provision for loan losses. The allowance as a percentage of outstanding loans increased to 1.07% at March 31, 2005 compared to 1.06% at June 30, 2004.

Non-interest Income

Total non-interest income was $1,610,574 for the three months ended March 31, 2005, an increase of $306,192, or 23%, from $1,304,382 for the three months ended March 31, 2004. This increase was the combined impact of a $411,369 increase in insurance commissions resulting primarily from the Solon-Anson acquisition, $47,928 increase in fees and service charges on loans, $29,802 increase in other service fees, and $21,151 increase in other non-interest income due to increased trust fee revenue. These increases were partially offset by a $25,517 decrease in net securities and trading gains from lower security sales volume, $38,477 lower gains on sale of residential real estate loans from lower loan sales volume, $126,400 decrease in lower investment brokerage commission revenue, and $13,664 decrease in the cash surrender value of bank owned life insurance (BOLI) from lower interest crediting rates. We expect gains on the sales of residential real estate loans to decrease for fiscal 2005 because origination volume will be approximately 40% lower than fiscal 2004, a result of the rising interest rate environment.

Total non-interest income was $4,202,364 for the nine months ended March 31, 2005, an increase of $152,827, or 4%, from $4,049,537 for the nine months ended March 31, 2004. This increase was the net impact of a $722,222 increase in insurance commissions, $23,878 increase in fees and service charges on loans from prepayment penalties, $34,946 increase in fees for other services to customers from debit card usage fees, and $138,464 increase in other non-interest income due primarily from the net gain realized on the disposal of premises and equipment (including the sale of the former Richmond branch building) of $59,179 and trust fees that increased $47,864. These increases were partially offset by decreases of $116,440 in net securities and trading gains, $460,523 in gain on sales of residential real loans due to lower sales volume, $77,523 in loan servicing fees from write-downs on mortgage servicing rights, $69,665 in investment commission from lower sales volume, and $42,532 in lower BOLI cash surrender value due to lower interest crediting rates.

Non-interest Expense

Total non-interest expense for the three months ended March 31, 2005 was $4,203,748 an increase of $620,795, or 17%, from $3,582,953 for the three months ended March 31, 2004. This increase was primarily due to increased salaries and employee benefits of $325,493 from an additional 12 full-time equivalent employees, primarily employees from Solon-Anson. Net occupancy expense increased from the lease expense for the headquarters building, the site for the new Windham branch, and the lease expense from four Solon-Anson offices. Solon Anson also accounted for the increase in equipment expense and intangible asset amortization. Other expense variance of $111,903, or 13%, primarily includes $42,806 higher professional fees from increased fees for external and internal audit services and other professional fees, $11,266 for third party item processing services, $20,434 for increased loan expenses from higher collection expense, $22,644 higher deposit fees due to miscellaneous losses and ATM transaction fees, and higher dues and assessments from regulatory assessments paid.

Total non-interest expense for the nine months ended March 31, 2005 was $12,491,918 an increase of $1,775,650 or 17%, from $10,716,268 for the nine months ended March 31, 2004. This increase was primarily due to increased salaries and employee benefits of $926,625 from an additional 12 full-time equivalent employees, primarily from Solon Anson. Intangible asset amortization increased $19,466 due to a customer list intangible asset created from the acquisition of Solon-Anson Insurance Agency. Included in the increase in other expense of $593,637 was a loss of $392,249 on the early redemption of trust preferred securities recorded in December 2004; increased professional fees for legal services, external and internal audit, and other professional fees totaling $79,999; increased business insurance premiums of $20,696; increased outsourced processing services for item processing, trust, and internet banking of $41,641; increased dues and assessments of $38,531; and other than temporary write-downs on equity and non-marketable securities of $11,841.

For the three months ended March 31, 2005 and 2004, the increase in income tax expense was primarily due to the increase in income before income taxes as compared to 2004. For the nine months ended March 31, 2005, the decrease in income tax expense reflects the decrease in income before income taxes compared to 2004.

Our efficiency ratio was 67% for the three months ended March 31, 2005 and 2004, and 71% and 69% for the nine months ended March 31, 2005 and 2004, respectively.

Financial Condition

Our consolidated assets were $575,012,953 and $538,753,900 as of March 31, 2005 and June 30, 2004, respectively, an increase of $36,259,053, or 7%. For the nine months ended March 31, 2005, total average assets were $558,854,202, an increase of $76,555,977, or 16%, from $482,298,225 for the same period last year. This asset increase was primarily attributable to an increase in loans resulting from opportunities in our market areas to meet the needs of under-served residential real estate and commercial real estate customers and automobile dealers, and purchases of investment securities with net excess funding. The increases in assets were funded with deposits, securities sold under repurchase agreements, increases in FHLB advances, and junior subordinated debentures.

Total stockholders' equity was $38,537,127 and $36,453,020 at March 31, 2005 and June 30, 2004, respectively, an increase of $2,084,107, or 6%, due to net income for the nine months ended March 31, 2005, increase in accumulated other comprehensive income, and stock issued in connection with employee stock options partially offset by stock repurchases and dividends. The book value per outstanding share was $15.28 at March 31, 2005 and $14.43 at June 30, 2004.

Investment Activities

The investment portfolio was $76,340,571 as of March 31, 2005, an increase of $8,869,427 from $67,471,144 as of June 30, 2004. The investment portfolio as of March 31, 2005 consisted of debt securities issued by government sponsored enterprises, and corporations, mortgage-backed securities, and equity securities. Generally, funds retained by the Bank as a result of increases in deposits or decreases in loans, which are not immediately used by the Bank, are invested in securities held in its investment portfolio. The investment portfolio is used as a source of liquidity for the Bank. The investment portfolio is structured so that it provides for an ongoing source of funds for meeting loan and deposit demands and for reinvestment opportunities to take advantage of changes in the interest rate environment. The investment portfolio averaged $67,391,666 for the nine months ended March 31, 2005 as compared to $55,073,685 for the nine months ended March 31, 2004, an increase of $12,317,981 or 22%. This increase was due primarily to purchasing government sponsored enterprise and mortgage-backed securities to increase eligible collateral pledged to the Federal Home Loan Bank of Boston.

Our entire investment portfolio is classified as available for sale at March 31, 2005 and June 30, 2004, and is carried at market value. Changes in market value, net of applicable income taxes, are reported as a separate component of shareholders' equity. Gains and losses on the sale of securities are recognized at the time of the sale using the specific identification method. The amortized cost and market value of available for sale securities at March 31, 2005 was $78,054,916 and $76,340,571, respectively. The difference between the carrying value and the cost of the securities of $1,714,345 was primarily attributable to the market value of,government sponsored enterprises and mortgage-backed securities below their cost. The net unrealized loss on equity securities was $45,127 and the net unrealized losses government sponsored enterprises, corporate debt, and mortgage-backed securities were $1,669,218 at March 31, 2005. The government sponsored enterprises, corporate debt, and mortgage-backed securities have decreased in market value due to the recent increases in the interest rates as compared to June 30, 2004. Substantially all of the government sponsored enterprises, corporate debt, and mortgage-backed securities held in our portfolio are high investment grade securities. Management believes that the yields currently received on this portfolio are satisfactory. Management reviews the portfolio of investments on an ongoing basis to determine if there has been any other than temporary declines 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 company's profitability. Management also plans to hold the equity, government sponsored enterprises, corporate debt, and mortgage-backed securities until a recovery of market value.

Loan Portfolio

Total loans of $459,741,168 as of March 31, 2005 increased $27,146,820 or 6%, from $432,594,348 as of June 30, 2004. Compared to June 30, 2004, all loan categories increased. For the nine months ended March 31, 2005, commercial real estate and commercial loans increased $3,313,415, or 3%, and $5,159,081, or 7%, respectively. Consumer loans increased $5,067,169, or 6%, due to origination of indirect recreational vehicle and indirect auto loans. The residential real estate loan portfolio, which is comprised of purchased loans, residential real estate loans originated for portfolio, and commercial real estate 1 to 4 family loans, increased by $10,399,737, or 8% compared to June 30, 2004. This increase was due to a shift to originating more adjustable rate residential real estate loans, which are held in portfolio. Construction loans increased $3,384,894 or 40%. Net deferred loan origination fees decreased $177,476. The total loan portfolio averaged $450,482,588 for the nine months ended March 31, 2005, an increase of $61,694,734, or 16%, from the nine months ended March 31, 2004.

The Bank primarily lends within its local market areas, which management believes helps them to better evaluate credit risk. The Bank's loan portfolio as of March 31, 2005 has changed with increases in residential real estate, commercial loans, and consumer loans when compared to June 30, 2004. The Bank's local market, as well as the secondary market, continues to be very competitive for loan volume. The local competitive environment and customer response to favorable secondary market rates will have an adverse affect on the Bank's ability to increase the loan portfolio.

Residential real estate loans consisting of primarily owner-occupied residential loans as a percentage of total loans were 33%, 32% and 32% as of March 31, 2005, June 30, 2004, and March 31, 2004, respectively. The variable rate product as a percentage of total residential real estate loans was 42%, 37% and 36% for the same periods, respectively. Generally, management has pursued a strategy of increasing the percentage of variable rate loans as a percentage of the total loan portfolio to help manage interest rate risk. We have sold virtually all of the newly originated fixed-rate residential real estate loans also to manage interest rate risk. We currently plan to continue to sell all newly originated 30-year fixed-rate residential real estate loans into the secondary market, and hold 15-year fixed rate residential real estate loans in portfolio. Average residential real estate mortgages of $145,670,685 for the nine months ended March 31, 2005 increased $19,064,933, or 15%, from the nine months ended March 31, 2004. This increase was due to originating more adjustable rate residential real estate loans, which are held in portfolio, than fixed rates. Also, the volume of residential real estate loan originations has decreased to $17.1 million for the nine months ended March 31, 2005 compared to $42.8 million for the same period one year ago. This origination volume is expected to decrease as interest rates increase. Purchased loans included in this portfolio are pools of residential real estate loans acquired from and serviced by other financial institutions. In the past, the Bank has purchased these loan pools as an alternative to mortgage-backed securities. The Bank has not recently pursued a similar strategy.

Commercial real estate loans as a percentage of total loans were 27%, 30%, and 29% as of March 31, 2005, June 30, 2004 and March 31, 2004, respectively. Commercial real estate loans have minimal interest rate risk because the portfolio consists primarily of variable rate products. The variable rate products as a percentage of total commercial real estate loans were 96%, 93% and 94% for the same periods respectively. The Bank tries to mitigate credit risk by lending in its market area as well as maintaining a well-collateralized position in real estate. Average commercial real estate loans of $125,912,699 for the nine months ended March 31, 2005 increased $18,802,215, or 18%, from the same period in 2004. The increase in commercial real estate loans reflects the sales efforts of additional commercial lending staff in the Bank's existing business markets.

Construction loans as a percentage of total loans were 3%, 2%, 2% as of March 31, 2005, June 30, 2004 and March 31, 2004, respectively. Limiting disbursements to the percentage of construction completed controls risk. An independent consultant or appraiser verifies the construction progress. Construction loans have maturity dates less than one year. The variable rate products as a percentage of total construction loans were 56%, 73%, and 52% for the same periods respectively. Average construction loans were $10,463,186 and $7,380,565 for the nine months ended March 31, 2005 and 2004, respectively, an increase of $3,082,621 or 42%.

Commercial loans as a percentage of total loans were 16%, 15%, and 16% as of March 31, 2005, June 30, 2004 and March 31, 2004, respectively. The variable rate products as a percentage of total commercial loans were 61%, 57%, and 61% for the same periods respectively. The repayment ability of commercial loan customers is highly dependent on the cash flow of the customer's business. The Bank mitigates losses by strictly adhering to the Company's underwriting and credit policies. Average commercial loans of $70,506,167 for the nine months ended March 31, 2005 increased $5,766,887, or 9%, from $64,739,280 for the same period in 2004.

Consumer and other loans as a percentage of total loans were 21%, 21%, and 21% for the periods ended March 31, 2005, June 30, 2004, and March 31, 2004, respectively. At March 31, 2005, indirect auto, indirect recreational vehicle, and indirect mobile home loans represented 34%, 26%, and 35% of total consumer loans, respectively, compared to 32%, 22%, and 40% of total consumer loans at June 30, 2004. Since these loans are primarily fixed rate products, they have interest rate risk when market rates increase. The consumer loan department underwrites all the indirect automobile and recreational vehicle loans and mobile home loans to mitigate credit risk. The Bank typically pays a nominal one-time origination fee on indirect loans. The fees are deferred and amortized over the life of the loans as a yield adjustment. Management attempts to mitigate credit and interest rate risk by keeping the products with average lives of no longer than five years, receiving a rate of return commensurate with the risk, and lending to individuals in the Bank's market areas. Average consumer and other loans were $95,397,144 and $80,423,693 for the nine months ended March 31, 2005 and 2004, respectively. The $14,973,451, or 19%, increase was due primarily to increased indirect recreational vehicle and indirect auto lending. The composition of consumer loans is detailed in the following table.

	Consumer Loans as of			
	March 31, 2005		June 30, 2004	
Indirect Auto	$ 32,568,694	34%	$ 29,139,156	32%
Indirect RV	25,262,206	26%	20,528,706	22%
Indirect Mobile Home	34,041,099	35%	36,136,351	40%
Subtotal Indirect	91,871,999	95%	85,804,213	94%
Other	4,629,144	5%	5,629,761	6%
Total	$ 96,501,143	100%	$ 91,433,974	100%

Classification of Assets

The Bank had non-performing loans totaling $1,934,000 and $1,677,000 at March 31, 2005 and June 30, 2004, respectively, or 0.42% and 0.39% of total loans, respectively. The Bank's allowance for loan losses was equal to 255% and 273% of the total non-performing loans at March 31, 2005 and June 30, 2004, respectively. The following table represents the Bank's non-performing loans as of March 31, 2005 and June 30, 2004, respectively:

Description	March 31, 2005	June 30,2004
Residential Real Estate	$ 545,000	$ 214,000
Commercial Real Estate	856,000	920,000
Commercial Loans	377,000	442,000
Consumer and Other	156,000	101,000
Total non-performing	$ 1,934,000	$ 1,677,000

Allowance for Loan Losses

Management does not believe that the increase in non-performing residential real estate and consumer and other loans as of March 31, 2005 was indicative of a trend. At March 31, 2005, the Bank had $700,500 in loans classified special mention or substandard that management believes could potentially become non-performing due to delinquencies or marginal cash flows. These special mention and substandard loans increased by $300,500 when compared to the $400,000 at June 30, 2004. The Bank's delinquent loans, as a percentage of total loans, decreased at March 31, 2005 compared to June 30, 2004.

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

03-31-05	12-31-04	09-30-04	06-30-04
0.68%	0.87%	0.97%	0.95%

At March 31, 2005, loans classified as non-performing included approximately $1,238,000 of loan balances that are current and paying as agreed. The Bank maintains the loans as non-performing until the borrower has demonstrated a sustainable period of performance. Excluding these loans, the Bank's total delinquencies 30 days or more past due, as a percentage of total loans, would be 0.42% as of March 31, 2005.

The Bank's allowance for loan losses was $4,937,000 as of March 31, 2005 as compared to $4,577,000 as of June 30, 2004, representing 1.07% and 1.06% of total loans for each of the periods. Management maintains an allowance at a level that they believe is reasonable for the overall risk inherent in the loan portfolio. The allowance for loan losses represents management's estimate of probable losses inherent in the loan portfolio. This evaluation process is subject to numerous estimates and judgments. The frequency of default, risk ratings, and the loss recovery rates, among other things, are considered in making this evaluation, as are the size and diversity of individual large credits. Changes in these estimates could have a direct impact on the provision and could result in a change in the allowance. The larger the provision for loan loss, the greater the negative impact on our net income. Larger balance, commercial and commercial real estate loans representing significant individual credit exposures are evaluated based upon the borrower's overall financial condition, resources, and payment record; the prospects for support from any financially responsible guarantors; and, if appropriate, the realizable value of any collateral. The allowance for loan losses attributed to these loans is established through a process that includes estimates of historical and projected default rates and loss severities; internal risk ratings; and geographic, industry, and other environmental factors. Management also considers overall portfolio indicators, including trends in internally risk-rated loans, classified loans, non accrual loans, and historical and forecasted write-offs; and a review of industry, geographic, and portfolio concentrations, including current developments. In addition, management considers the current business strategy and credit process, including credit limit setting and compliance, credit approvals, loan underwriting criteria, and loan workout procedures. Within the allowance for loan losses, amounts are specified for larger-balance, commercial and commercial real estate loans that have been individually determined to be impaired. These specific reserves consider all available evidence, including, as appropriate, the present value of the expected future cash flows discounted at the loan's contractual effective rate and the fair value of collateral. Each portfolio of smaller balance, residential real estate and consumer loans, is collectively evaluated for impairment. The allowance for loan losses is established via a process that includes historical delinquency and credit loss experience, together with analyses that reflect current trends and conditions. Management also considers overall portfolio indicators including historical credit losses; delinquent, non-performing and classified loans; trends in volumes; terms of loans; an evaluation of overall credit quality and the credit process, including lending policies and procedures; and economic factors. For the nine months ended March 31, 2005, we have not changed our approach in the determination of the allowance for loan losses. There have been no material changes in the assumptions or estimation techniques as compared to prior periods in determining the adequacy of the allowance for loan losses.

Management believes that the allowance for loan losses is adequate considering the level of risk in the loan portfolio. While management believes that it uses the best information available to make its determinations with respect to the allowance, there can be no assurance that the Company will not have to increase its provision for loan losses in the future as a result of changing economic conditions, adverse markets for real estate or other factors. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. These agencies may require the Bank 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 Bank's most recent joint examination by the Federal Reserve Bank of Boston and the Maine Bureau of Financial Institutions was completed in November 2004. At the time of the examination the regulators proposed no adjustments to the allowance for loan losses.

Other Assets

Bank owned life insurance (BOLI) was purchased on December 31, 2002. BOLI was invested in the general account of two quality insurance companies. Standard and Poor's rated these companies AA+ or better at November 18, 2004. Interest earnings increase the cash surrender value. These interest earnings are based on interest rates reset each year, subject to minimum interest rates. The increases in cash surrender value offsets a portion of employee benefit costs. These increases were recognized in other income and are not subject to income taxes. Borrowing on or surrendering the policy may subject the Bank to income tax expense on the increase in cash surrender value. For these reasons, management considers BOLI an illiquid asset. BOLI represented 18% of Company's capital plus the allowance for loan losses at March 31, 2005.

Intangible assets of $2,191,523 as of March 31, 2005 increased $1,862,630 from $328,893 as of June 30, 2004 from the customer list intangible recognized in the Solon-Anson acquisition. See Note 8 of our consolidated financial statements included herein for more information on the acquisition.

Capital Resources and Liquidity

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

Total deposits of $401,324,394 as of March 31, 2005 increased $23,504,665, or 6%, from $377,819,729 as of June 30, 2004. Savings accounts and certificates of deposits increased $933,518 and $35,843,565, respectively, during the nine months ended March 31, 2005. Demand deposits accounts, NOW accounts, money market accounts and brokered certificates of deposit decreased $787,419, $3,552,562, $786,693, and $8,145,744, respectively, for the same period. Certificates of deposits increased from successful promotions of an 18 and 24 month certificates of deposit. Management's continuing strategy has certificate of deposit rates for maturities two years and less near the top of the market to attract new deposit account relationships. Brokered certificates of deposit decreased as maturing balances were repaid during the nine months ended March 31, 2005.

Total average deposits of $390,978,353 for the nine months ended March 31, 2005 increased $65,631,915, or 20%, compared to the average for the nine months ended March 31, 2004. This increase in total average deposits compared to March 31, 2004 was due to a $4,037,487, or 12% increase in average demand deposits, $2,917,594 or 5% increase in average NOW accounts, $1,686,147 or 11% increase in average money market accounts, and $723,070 or 3% increase in average regular savings accounts. All interest-bearing non-maturing deposit accounts have market interest rates. Generally, the increase in these non-maturing deposits resulted from promotion of NOW accounts combined with advertising campaign of other transaction accounts and employee incentive programs to increase the sale of non-maturing deposit accounts. Increasing non-maturing deposits is a strategic focus in fiscal 2005. These deposits generally have lower interest rates and would result in a decrease in our cost of funds. Average brokered time deposits increased $42,061,912 or 87% to $90,644,192 for the nine months ended March 31, 2005. This increase reflects our use of brokered time deposits as an alternative to FHLB advances to fund the increase in our earning assets. The weighted average maturity for the brokered time deposits was approximately 1.1 years. Average certificates of deposit increased $14,205,705, or 10%, to $150,624,566 for the nine months ending March 31, 2005. Even though deposit interest rates have remained competitive, the rates of return are potentially higher with other financial instruments such as mutual funds and annuities. Like other companies in the banking industry, the Bank will be challenged to maintain or increase its core deposits.

Securities sold under repurchase agreements were $28,850,151 as of March 31, 2005, an increase of $3,965,282, or 16%, from $24,884,869 as of June 30, 2004. This increase reflects additional funds deposited by existing customers. Market interest rates are offered on this product. Average securities sold under repurchase agreements were $30,760,288 for the nine months ended March 31, 2005, an increase of $5,420,450, or 21%, compared to the average for the nine months ended March 31, 2004.

Advances from the Federal Home Loan Bank (FHLB) were $86,686,755 as of March 31, 2005, an increase of $3,709,121, or 4%, from $82,977,634 as of June 30, 2004. For the nine months ended March 31, 2005, we had pledged government agency and mortgage-backed securities of $35,851,163 as collateral for FHLB advances. We plan to continue to purchase additional government agency and mortgage-backed securities to pledge as collateral for advances. These purchases will be funded from the cash flow from mortgage-backed securities and residential real estate loans principal and interest payments, and promotion of deposit accounts including retail and brokered certificates of deposit. Newly originated adjustable residential real estate loans will be held in portfolio and will qualify as collateral. In addition to government agency and mortgage-backed securities, residential real estate loans, certain commercial real estate loans, and certain FHLB deposits free of liens, pledges and encumbrances are required to be pledged to secure FHLB advances. Average advances from the FHLB were $80,351,472 for the nine months ended March 31, 2005, a decrease of $2,440,478, or 3%, compared to $82,791,950 average for the same period last year.

In addition to the traditional retail deposit products, the Bank has the ability to access liquidity through the following as of March 31, 2005:

Brokered time deposit	$ 55,186,000	Subject to policy limitation of 25% of total assets
Federal Home Loan Bank of Boston	$ 27,517,000	Unused advance capacity subject to eligible and qualified collateral
Fed Discount Window Borrower-in-Custody	$ 24,306,000	Unused credit line subject to the pledge of indirect auto loans

The Bank expects to maintain the level of brokered time deposits, using retail deposits and FHLB advances to fund its balance sheet growth for the next twelve months. Brokered time deposits, retail deposits and FHLB advances are used by the Bank uses to manage its overall liquidity.position. While we closely monitor and forecast our liquidity position, it is affected by asset growth, deposit withdrawals and meeting other contractual obligations and commitments. The accuracy of our forecast assumptions may increase or decrease the level of brokered time deposits Brokered time deposit are sourced through four brokers that have nationwide networks for raising funds. Management believes that the Company's available liquidity resources are sufficient to support the Company's needs.

The following table summarizes the outstanding junior subordinated debentures as of March 31, 2005:

Affiliated Trusts	OutstandingBalance	Rate	First Call Date
NBN Capital Trust II	$ 3,093,000	5.89%	March 30, 2009
NBN Capital Trust III	3,093,000	6.50%	March 30, 2009
NBN Capital Trust IV	10,310,000	5.88%	February 23, 2010
Total	$ 16,496,000	6.00%	

The excess funds raised from the issuance of trust preferred securities are available for capital contributions to the Bank.

The Company exercised its option to redeem the securities issued by NBN Capital Trust on December 31, 2004. This call retired the junior subordinated debentures of $7,394,849 originally issued on November 23, 1999 with an interest rate of 9.60%. This resulted in recognizing a loss of $392,294 ($269,789 after income taxes), from expensing the unamortized deferred costs related to this issue. This redemption was financed, in part, from the issuance of a new junior subordinated debt offering through NBN Capital Trust IV.

See Note 2 for more information on NBN Capital Trusts II, III and IV and the related junior subordinated debt.

The 2004 Stock Repurchase Plan replaced a temporary stock repurchase plan on January 16, 2004. Under the 2004 Stock Repurchase Plan, the Company may purchase up to 200,000 shares of its common stock from time to time in the open market at prevailing prices. The 2004 Stock Repurchase Plan was extended by the Company's Board vote on December 17, 2004 until December 31, 2005. Common stock repurchased pursuant to the plan will be classified as authorized but un-issued shares of common stock available for future issuance as determined by the Board of Directors, from time to time. Northeast Bancorp may discontinue the repurchase program at any time. From time to time, the Company believes that the current market price for its common stock is inadequate and does not reflect the full value of its common stock and at such times purchases its common stock in the market. For the nine months ended March 31, 2005, the Company repurchased 30,000 shares. The number of shares that may yet be purchased under the 2004 Stock Repurchase Plan is 151,200 shares. As of March 31, 2005, the Company had outstanding $4,100,656 of repurchased common stock and management believes that the purchases have not had a significant effect on the Company's liquidity and earnings per share.

Total stockholders' equity of the Company was $38,537,127 as of March 31, 2005 as compared to $36,453,020 at June 30, 2004. The increase of $2,084,107, or 6%, was primarily due to the net income for the nine months ended March 31, 2005 and an increase in other comprehensive income, less stock repurchases and dividends paid. Book value per common share was $15.28 as of March 31, 2005 as compared to $14.43 at June 30, 2004. The total average equity to total average assets ratio of the Company was 6.87% as of March 31, 2005 and 7.51% at June 30, 2004.

The Company's net cash provided by operating activities was $3,713,359 during the nine months ended March 31, 2005, which was a $2,223,124 decrease compared to the same period in 2004. This decrease was due primarily from the lower volume of residential real estate loans held for sale. Investing activities were a net use of cash primarily due to purchasing investment securities, originating loans held in portfolio and the insurance agency acquisition during the nine months ended March 31, 2005, compared to the same period in 2004. Financing activities provided net cash from the increases in deposits, repurchase agreements, FHLB advances net of repayments, and the net increase in junior subordinated notes compared to the same period in 2004. Overall, the Company's cash and cash equivalents decreased by $1,838,500 during the nine months ended March 31, 2005.

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

FDICIA defines specific capital categories based on an institution's capital ratios. Regulations require a minimum Tier 1 capital equal to 4.0% of adjusted total average assets, Tier 1 risk-based capital of 4.0% and a total risk-based capital standard of 8.0%. The prompt corrective action regulations define specific capital categories based on an institution's capital ratios. The capital categories, in declining order are "well capitalized", "adequately capitalized", "under capitalized", "significantly undercapitalized", and "critically undercapitalized". As of March 31, 2005, the most recent notification from the FRB categorized the Bank as well capitalized. There are no conditions or events since that notification that management believes has changed the institution's category.

At March 31, 2005, the Bank's regulatory capital was in compliance with regulatory capital requirements as follows:

	Actual		Required For Capital Adequacy Purposes		Required To Be "Well Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in Thousands)						
As of March 31, 2005:						
Tier 1 capital to risk weighted assets	$45,759	10.59%	$17,554	4.00%	$26,331	6.00%

Tier 1 capital to total average assets	$45,759	8.12%	$22,516	4.00%	$28,145	5.00%
Total capital to risk weighted assets	$50,696	11.73%	$35,108	8.00%	$43,886	10.00%

Management believes that there are adequate funding sources to meet its liquidity needs for the foreseeable future. Primary among these funding sources are the repayment of principal and interest on loans, the renewal of time deposits, the potential growth in the deposit base, and the credit availability from the Federal Home Loan Bank of Boston and the Fed Discount Window Borrower-in-Custody program. Management does not believe that the terms and conditions that will be present at the renewal of these funding sources will significantly impact the Company's operations, due to its management of the maturities of its assets and liabilities.

Off-balance Sheet Arrangements and Aggregate Contractual Obligations

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. These financial instruments include commitments to extend credit, unused lines of credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amounts recognized in the condensed consolidated balance sheet. The contract or notional amounts of these instruments reflect the extent of the Company's involvement 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, unused lines of credit and standby letters of credit is represented by the contractual amount of those instruments. To control the credit risk associated with entering into commitments and issuing letters of credit, the Company uses the same credit quality, collateral policies, and monitoring controls in making commitments and letters of credit as it does with its lending activities. The Company evaluates each customer's creditworthiness 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.

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 committed 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 it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counter party.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

Unused lines of credit and commitments to extend credit typically result in loans with a market interest rate.

A summary of the amounts of the Company's (a) contractual obligations, and (b) other commitments with off-balance sheet risk, both at March 31, 2005, follows:

		Payments Due by Period			
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
FHLB advances	$ 86,686,755	$ 47,790,530	$ 31,896,225	$ -	$ 7,000,000
Junior subordinated debentures	16,496,000	-	-	16,496,000	-
Other borrowings	353,404	222,337	131,067	-	-
Total long-term debt	103,536,159	48,012,867	32,027,292	16,496,000	7,000,000
Operating lease obligations	5,581,852	608,461	1,034,853	681,323	3,257,215
Total contractual obligations	$ 109,118,011	$ 48,621,328	$ 33,062,145	$ 17,177,323	$ 10,257,215

		Amount of Commitment Expiration - Per Period			
Commitments with off-balance sheet risk	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Commitments to extend credit (1)(3)	$ 15,217,000	$ 15,217,000	$ -	$ -	$ -
Commitments related to loans held for sale(2)	2,488,000	2,488,000	-	-	-
Unused lines of credit (3)(4)	50,143,000	25,183,000	3,023,000	1,399,000	20,538,000
Standby letters of credit (5)	2,037,000	2,037,000	-	-	-
	$ 69,885,000	$ 44,925,000	$ 3,023,000	$ 1,399,000	$ 20,538,000

(1) Represents commitment outstanding for residential real estate, commercial real estate, and commercial loans.
(2) Commitments of residential real estate loans that will be held for sale.
(3) Loan commitments and unused lines of credit for commercial and construction loans expire or are subject to renewal in twelve months or less.
(4) Represents unused lines of credit from commercial, construction, and home equity loans.
(5) Standby letters of credit generally expire in twelve months.

Management believes that the Company has adequate resources to fund all of its commitments

Impact of Inflation

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

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There have been no material changes in the Company's market risk from June 30, 2004. For information regarding the Company's market risk, refer to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2004.

Item 4. Controls and Procedures

The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports the Company files or submits under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer (the Company's principal executive officer and principal financial officer, respectively), as appropriate to allow for timely decisions regarding timely disclosure. In designing and evaluating disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

Our management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a - 15(e) and 15d - 15(e) under the Exchange Act) as of the end of the period covered by this Form 10-Q.

Based on this evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of March 31, 2005.

There were no significant changes in our internal controls over financial reporting (as defined in Rule 13a - 15(f) of the Exchange Act) that occurred during the first nine months of our 2005 fiscal year that has materially effected, or in other factors that could affect, the Company's internal controls over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings
None.

Item 2.(c) Unregistered Sales of Equity Securities and Use of Proceeds
The following table provides the information on any purchase made by or on behalf of the Company of shares of Northeast Bancorp common stock during the indicated periods.

Period (1)	Total Number Of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under The Program (3)
Jan. 1 - Jan. 31	-	-	-	151,200
Feb.1 - Feb. 28	-	-	-	151,200
Mar. 1 - Mar. 31	-	-	-	151,200

(1) Based on trade date, not settlement date.

(2) Represents share purchased in open-market transactions pursuant to the Company's 2004 Stock Repurchase Plan.

(3) On January 30, 2004, the Company announced that its Board of Directors of the Company approved the 2004 Stock Repurchase Plan pursuant to which the Company is authorized to repurchase in open-market transactions up to 200,000 shares from time to time until the plan expires on December 31, 2004, unless extended. The 2004 Stock Repurchase Plan was extended to December 31, 2005.

Item 3. Defaults Upon Senior Securities
None.

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None.

Item 6. Exhibits
List of Exhibits:

Exhibits No.	Description
11	Statement Regarding Computation of Per Share Earnings.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a)).
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a)).
32.1	Certificate of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(b)).
32.2	Certificate of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(b)).

SIGNATURES

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

Date: May 10, 2005

NORTHEAST BANCORP

By: /s/ James D. Delamater
James D. Delamater
President and CEO

By: /s/ Robert S. Johnson
Robert S. Johnson
Chief Financial Officer

NORTHEAST BANCORP
Index to Exhibits

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NORTHEAST BANCORP

Exhibit 11. Statement Regarding Computation of Per Share Earnings

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
EQUIVALENT SHARES:		
Weighted Average Shares Outstanding	2,517,983	2,526,572
Total Diluted Shares	2,553,438	2,582,450
Net Income	$ 1,114,365	$ 1,020,348
Basic Earnings Per Share	$ 0.44	$ 0.40
Diluted Earnings Per Share	$ 0.44	$ 0.40

	Nine Months Ended March 31, 2005	Nine Months Ended March 31, 2004
EQUIVALENT SHARES:		
Weighted Average Shares Outstanding	2,518,528	2,548,172
Total Diluted Shares	2,565,813	2,609,256
Net Income	$ 2,835,363	$ 2,826,747
Basic Earnings Per Share	$ 1.13	$ 1.11
Diluted Earnings Per Share	$ 1.11	$ 1.08

Exhibit 31.1. Certification of the Chief Executive Officer

Chief Executive Officer Certification
Pursuant To Section 302 Of
The Sarbanes-Oxley Act Of 2002

I, James D. Delamater, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Northeast Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 10, 2005

/s/ James D. Delamater
James D. Delamater
Chief Executive Officer

Exhibit 31.2 Certification of the Chief Financial Officer

Chief Financial Officer Certification
Pursuant To Section 302 Of
The Sarbanes-Oxley Act Of 2002

I, Robert S. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Northeast Bancorp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 10, 2005

/s/ Robert S. Johnson
Robert S. Johnson
Chief Financial Officer

Exhibit 32.1. Certificate of the Chief Executive Officer

Certification of the Chief Executive Officer Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Northeast Bancorp. (the "Company") on Form 10-Q for the quarterly period ending March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James D. Delamater, as Chief Executive Officer of the Company, hereby certifies pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and the periods covered by the Report.

A signed original of this written statement has been provided to Northeast Bancorp and will be retained by Northeast Bancorp and furnished to the Securities and Exchange Commission or its staff upon request.

May 10, 2005

/s/ James D. Delamater
James D. Delamater
Chief Executive Officer

Exhibit 32.2. Certificate of the Chief Financial Officer

Certification of the Chief Financial Officer Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Northeast Bancorp. (the "Company") on Form 10-Q for the quarterly period ending March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert S. Johnson, as Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the dates and the periods covered by the Report.

A signed original of this written statement has been provided to Northeast Bancorp and will be retained by Northeast Bancorp and furnished to the Securities and Exchange Commission or its staff upon request.

May 10, 2005

/s/ Robert S. Johnson
Robert S. Johnson
Chief Financial Officer