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, 1998

or

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

For the transition period from ______________________ to ______________________

Commission File Number 0 - 16123

Northeast Bancorp
(Exact name of registrant as specified in its charter)

Maine	01 - 0425066
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
232 Center Street, Auburn, Maine	04210
(Address of principal executive offices)	(Zip Code)

(207) 777 - 6411
Registrant's telephone number, including area code

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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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No __

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

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

Not Applicable

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Shares outstanding as of May 11, 1998: 2,461,030 of common stock, $1.00 par value per share.

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NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Balance Sheets
(Unaudited)

	March 31, 1998	June 30, 1997
Assets		
Cash and due from banks	$ 4,976,642	$ 6,112,425
Interest bearing deposits in other banks	286,735	443,021
Federal Home Loan Bank overnight deposits	4,074,000	12,218,898
Trading account securities at market	58,063	25,000
Available for sale securities	16,398,409	28,810,624
Federal Home Loan Bank stock	5,255,700	4,121,000
Loans held for sale	212,800	240,000
Loans	270,342,582	222,885,954
Deferred loan origination fees/cost	183,723	(203,819)
Allowance for loan losses	(3,038,000)	(2,741,809)
Net loans	267,488,305	219,940,326
Bank premises and equipment, net	4,448,881	4,774,561
Real estate held for investment	272,949	361,654
Other real estate owned (net of allowance for losses of $4,329 at 3/31/98 and $50,839 at 6/30/97)	438,602	563,207
Goodwill (net of accumulated amortization of $1,458,715 at 3/31/98 and $1,236,434 at 6/30/97)	1,998,008	2,220,289
Other assets	4,714,149	4,198,689
Total Assets	310,623,243	284,029,694

Liabilities and Shareholders' Equity

	3/31/98	6/30/97
Liabilities		
Deposits	$ 173,971,101	$ 172,921,286
Repurchase Agreements	4,440,979	5,098,622
Advances from Federal Home Loan Bank	105,113,653	80,494,471
Notes payable	1,069,444	1,298,611
Other Liabilities	2,283,151	2,121,123
Total Liabilities	286,878,328	261,934,113
Shareholders' Equity		
Preferred stock, Series A, 45,454 shares issued and outstanding	999,988	999,988
Preferred stock, Series B, 71,428 shares issued and outstanding	999,992	999,992
Common stock, par value $1, 2,236,668 and 1,462,909 shares issued and outstanding at 3/31/98 and 6/30/97, respectively	2,236,668	1,462,909
Additional paid in capital	7,870,947	7,699,883
Retained earnings	11,738,073	11,266,984
	23,845,668	22,429,756
Net unrealized losses on available for sale securities	(100,753)	(334,175)
Total Shareholders' Equity	23,744,915	22,095,581
Total Liabilities and Shareholders' Equity	$ 310,623,243	$ 284,029,694

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Income
(Unaudited)

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
Interest and Dividend Income		
Interest on FHLB overnight deposits	$ 188,201	$ 123,798
Interest on loans & loans held for sale	5,323,547	4,824,158
Interest on available for sale securities	281,251	537,053
Dividends on Federal Home Loan Bank stock	70,591	62,158
Other Interest Income	5,384	4,249
Total Interest Income	5,868,974	5,551,416
Interest Expense		
Deposits	1,845,499	1,766,509
Repurchase agreements	51,244	50,744

Other borrowings	1,172,303	1,088,090
Total Interest Expense	3,069,046	2,905,343
Net Interest Income	2,799,928	2,646,073
Provision for loan losses	156,304	153,452
Net Interest Income after Provision for Loan Losses	2,643,624	2,492,621
Other Income		
Service charges	227,757	259,084
Available for sale securities gains (losses)	37,439	10,652
Gain (Loss) on trading account	--	64,841
Other	330,163	322,926
Total Other Income	595,359	657,503
Other Expenses		
Salaries and employee benefits	1,069,548	1,163,669
Net occupancy expense	232,617	223,434
Equipment expense	198,337	225,365
Goodwill amortization	74,094	74,094
FDIC Insurance Assessment	--	--
Other	549,040	769,564
Total Other Expenses	2,123,636	2,456,126
Income Before Income Taxes	1,115,347	693,998
Income tax expense	382,986	273,364
Net Income	$ 732,361	$ 420,634
Earnings Per Share		
Basic	$ 0.31	$ 0.18
Diluted	$ 0.27	$ 0.16

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Income
(Unaudited)

	Nine months Ended March 31, 1998	1997
Interest and Dividend Income		

Interest on FHLB overnight deposits	$ 451,878	$ 315,894
Interest on loans & loans held for sale	15,752,172	13,920,118
Interest on available for sale securities	1,207,686	1,744,076
Dividends on Federal Home Loan Bank stock	212,331	162,285
Other Interest Income	14,762	24,167
Total Interest Income	17,638,829	16,166,540
Interest Expense		
Deposits	5,630,592	5,233,423
Repurchase agreements	154,300	143,700
Other borrowings	3,481,186	2,889,823
Total Interest Expense	9,266,078	8,266,946
Net Interest Income	8,372,751	7,899,594
Provision for loan losses	546,467	460,710
Net Interest Income after Provision for Loan Losses	7,826,284	7,438,884
Other Income		
Service charges	741,397	813,967
Available for sale securities gains (losses)	245,131	115,532
Gain (Loss) on trading account	1,797	84,503
Other	904,206	583,376
Total Other Income	1,892,531	1,597,378
Other Expenses		
Salaries and employee benefits	3,506,114	3,459,402
Net occupancy expense	675,151	562,647
Equipment expense	652,433	637,016
Goodwill amortization	222,281	222,281
FDIC Insurance Assessment	--	296,860
Other	2,110,501	2,043,444
Total Other Expenses	7,166,480	7,221,650
Income Before Income Taxes	2,552,335	1,814,612
Income tax expense	893,343	692,190
Net Income	$ 1,658,992	$ 1,122,422
Earnings Per Share		
Basic	$ 0.70	$ 0.48
Diluted	$ 0.62	$ 0.44

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Changes in Shareholders' Equity

Nine Months Ended March 31, 1998 and 1997
(Unaudited)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings	Net Unrealized Gains(Losses) on Available for Sale Securities	Treasury Stock	Total
Balance at June 30, 1996	1,421,950	1,999,980	7,516,228	10,315,043	(837,354)	(52,277)	20,363,570
Net income for nine months ended March 31, 1997	--	--	--	1,122,422	--	--	1,122,422
Employee Stock Bonus	--	--	(268)	--	--	13,642	13,374
Employee Stock Purchase	799	--	9,663	--	--	--	10,462
Dividends paid on common Stock	--	--	--	(295,808)	--	--	(295,808)
Dividends paid on preferred Stock	--	--	--	(104,998)	--	--	(104,998)
Common Stock Warrants Exercised	20,000	--	83,450	--	--	(28,420)	75,030
Stock Options Exercised	19,940	--	88,005	--	--	67,055	175,000
Net change in unrealized losses on available for sale securities	--	--	--	--	10,324	--	10,324
Balance March 31, 1997	$ 1,462,689	$1,999,980	$7,697,078	$ 11,036,659	$ (827,030)	$ 0	$21,369,376
Balance at June 30, 1997	1,462,909	1,999,980	7,699,883	11,266,984	(334,175)	--	22,095,581
Net income for nine months ended March 31, 1998	--	--	--	1,658,992	--	--	1,658,992
Employee Stock Bonus	250	--	4,397	--	--	--	4,647

Employee Stock Purchase	502	--	8,167	--	--	--	8,669
Stock Split in the form of a dividend	740,807	--	--	(741,902)	--	--	(1,095)
Dividends paid on common stock	--	--	--	(341,003)	--	--	(341,003)
Dividends paid on preferred stock	--	--	--	(104,998)	--	--	(104,998)
Stock Options Exercised	32,200	--	158,500	--	--	44,988	235,688
Treasury Stock Purchased	--	--	--	--	--	(44,988)	(44,988)
Net change in unrealized losses on available for sale securities	--	--	--	--	233,422	--	233,422
Balance March 31, 1998	$ 2,236,668	$1,999,980	$7,870,947	$ 11,738,073	$ (100,753)	$ 0	$23,744,915

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

	Nine Months Ended March 31, 1998	1997
Cash provided by operating activities	$ 1,650,521	$ 2,205,901
Cash flows from investing activities:		
FHLB stock purchased	(1,134,700)	(1,083,600)
Available for sale securities purchased	(15,331,083)	(13,262,186)
Available for sale securities principal reductions	1,015,807	1,184,672
Available for sale securities matured	1,249,497	1,150,000
Available for sale securities sold	26,018,323	12,214,602
New loans, net of repayments & charge offs	(47,512,954)	(28,084,724)
Net capital expenditures	(174,369)	(790,108)
Real estate owned sold	161,896	399,257

Real estate held for investment purchased	--	(1,965)
Real estate held for investment sold	68,743	--
Net cash provided by (used in) investing activities	(35,638,840)	(28,274,052)
Cash flows from financing activities:		
Net change in deposits	1,049,815	7,414,372
Net change in repurchase agreements	(657,643)	1,025,630
Dividends paid	(446,001)	(400,806)
Proceeds from stock issuance	215,166	273,866
Net increase in advances from Federal Home Loan Bank of Boston	24,619,182	14,126,875
Net change in notes payable	(229,167)	(127,193)
Net cash used (provided) by financing activities	24,551,352	22,312,744
Net decrease in cash and cash equivalents	(9,436,967)	(3,755,407)
Cash and cash equivalents, beginning of period	18,774,344	13,873,947
Cash and cash equivalents, end of period	$ 9,337,377	$ 10,118,540
Cash and cash equivalents include cash on hand, amounts due from banks, interest bearing deposits and federal funds sold		
Supplemental schedule of noncash investing activities:		
Net decrease in valuation for unrealized market value adjustments on available for sale securities	233,422	10,324
Net transfer from Loans to Other Real Estate Owned	56,325	551,265
Supplemental disclosure of cash paid during the period for:		
Income taxes paid, net of refunds	434,000	291,000
Interest paid	9,209,376	8,170,414

NORTHEAST BANCORP AND SUBSIDIARY
Notes to Consolidated Financial Statements
March 31, 1998

1. Basis of Presentation

The accompanying unaudited condensed and consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ending June 30, 1998. For further information, refer to the audited consolidated financial statements and footnotes thereto for the fiscal year ended June 30, 1997 included in the Company's annual report on Form 10-K.

2. Merger

On October 24, 1997, the Company completed the merger of Cushnoc Bank & Trust Company (Cushnoc) into its wholly owned subsidiary Northeast Bank (the Bank). Under the terms of the agreement, the Company issued 2.089 shares of its common stock for each share of Cushnoc, which had 90,000 common shares outstanding. The business combination was accounted for under the pooling of interest method and, accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Cushnoc.

The results of operations previously reported by the separate companies and the combined amounts presented in the accompanying consolidated financial statements are summarized below.

	Three months ended September 31, 1996	Three months ended September 31, 1997	Nine Months ended March 31, 1997
Interest Income:			
Northeast	$ 4,716,634	$ 5,396,273	$ 14,732,307
Cushnoc	497,675	481,203	1,434,233
Combined	5,214,309	5,877,476	16,166,540
Net Income:			
Northeast	$ 184,261	$ 552,841	$ 1,162,411
Cushnoc	6,980	17,724	(39,989)
Combined	191,241	570,565	1,122,422

	At September 30, 1996	At September 30, 1997	At March 31, 1997
Shareholders' Equity:			
Northeast	$ 18,201,498	$ 20,464,660	$ 19,197,037
Cushnoc	2,218,058	2,212,693	2,172,339
Combined	20,419,556	22,677,353	21,369,376

No adjustments were necessary to conform Cushnoc's method of accounting to the methods used by Northeast.

3. Securities

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

	March 31, 1998		June 30, 1997	
	Cost	Market Value	Cost	Market Value
Debt securities issued by the U.S. Treasury and other U.S. Government corporations and agencies	$ 4,947,085	$ 4,949,517	$ 2,948,525	$ 2,905,400
Corporate bonds	203,210	203,525	259,749	252,805
Mortgage-backed securities	9,999,924	10,038,344	25,211,936	24,801,837
Equity securities	1,400,846	1,207,023	896,739	850,582
	$16,551,065	$16,398,409	$29,316,949	$28,810,624

	March 31, 1998		June 30, 1997	
	Cost	Market Value	Cost	Market Value
Due in one year or less	$ 347,689	$ 346,814	$ 398,829	$ 398,829
Due after one year through five years	553,481	551,703	1,403,991	1,396,491
Due after five years through ten years	1,249,729	1,253,900	405,454	398,510
Due after ten years	2,999,396	3,000,625	1,000,000	964,375
Mortgage-backed securities (including securities with interest rates ranging from 5.15% to 9.0% maturing September 2003 to February 2026)	9,999,924	10,038,344	25,211,936	24,801,837
Equity securities	1,400,846	1,207,023	896,739	850,582
	$16,551,065	$16,398,409	$29,316,949	$28,810,624

4. Allowance for Loan Losses

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

Nine Months Ended

	March 31, 1998	March 31, 1997
Balance at beginning of year	$ 2,741,809	$ 2,760,872
Add provision charged to operations	546,467	460,710
Recoveries on loans previously charged off	249,202	111,516
	3,537,478	3,333,098
Less loans charged off	499,478	497,316
Balance at end of period	$ 3,038,000	$ 2,835,782

5. Advances from Federal Home Loan Bank

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

March 31, 1998

Principal Amounts	Interest Rates	Maturity Dates
$ 56,230,931	5.64% - 6.39%	1999
4,000,000	5.56% - 6.27%	2001
1,444,399	6.21% - 6.49%	2002
5,398,939	5.71% - 6.64%	2003
2,039,384	6.36% - 6.67%	2004
5,000,000	5.25%	2005
2,000,000	6.65%	2006
29,000,000	4.89% - 5.68%	2008
$ 105,113,653		

June 30, 1997

Principal Amounts	Interest Rates	Maturity Dates
$ 55,458,706	4.97% - 6.40%	1998
15,606,482	5.64% - 6.20%	1999
3,000,000	6.27%	2000
273,080	6.40%	2001
1,441,827	6.21% - 6.49%	2002
740,762	6.61% - 6.64%	2003
1,973,614	6.36% - 6.67%	2004
2,000,000	6.65%	2005
$ 80,494,471		

6. Earnings Per Share

On December 31, 1997, the Company adopted FASB Statement No. 128, "Earnings Per Share". Earnings per share for prior periods have been restated in accordance with the requirements of Statement No. 128.

7. Subsequent Events

In April of 1998, Square Lake Holding Corporation exercised 10,000 warrants at an aggregate price of $46,700. During the month of April 1998, Square Lake Holding Corporation also converted its Series B convertible preferred stock on a three for one basis and received 214,284 shares of common stock. The exercise of the warrants and the conversion of the preferred stock increased the Company's common shares outstanding to 2,460,952. Square Lake Holding Corporation currently holds 45,454 shares of Series A preferred stock convertible at a three for one rate as well as the ability to exercise 153,146 warrants.

NORTHEAST BANCORP AND SUBSIDIARY
Part I.

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

Description of Operations

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

Merger

On October 24, 1997, the Bank completed its merger with Cushnoc Bank & Trust Company (Cushnoc). On October 24, 1997, Cushnoc had approximately $21,000,000 in total assets and $2,200,000 in stockholders' equity. Under the terms of the agreement, the Company issued 2.089 shares of its common stock for each share of Cushnoc, which had 90,000 common shares outstanding. The acquisition was accounted for under the pooling of interest method. In accordance with the pooling of interest accounting method, the Company's financial statements and information provided for previous reporting periods have been restated to include Cushnoc's financial information.

Financial Condition

Total consolidated assets were $310,623,243 on March 31, 1998, which represents an increase of $26,593,549 from June 30, 1997. Total net loans, Federal Home Loan Bank ("FHLB") stock and other assets increased by

$47,547,979, $1,134,700 and $515,460, respectively, while cash equivalents and securities available for sale decreased by $9,436,967 and $12,412,215, respectively, during the same period. Total deposits and repurchase agreements as well as FHLB borrowings increased by $392,172 and $24,619,182, respectively from June 30, 1997 to March 31, 1998.

The funds available from the decrease in cash equivalents and securities available for sale as well as the increase in FHLB borrowings were utilized to support the increase in the loan portfolio from June 30, 1997 to March 31, 1998. FHLB stock increased due to levels of FHLB advances during the period. The FHLB requires financial institutions to hold a certain level of FHLB stock based on advances outstanding. The increase in other assets was primarily due to deferred mortgage servicing rights and federal income tax receivable.

The decrease in securities available for sale was due to the Company repositioning the fixed rate mortgage-backed securities portfolio, taking advantage of price fluctuations in the current market. The sale of these securities strengthens the Company's Asset/Liability (ALCO) position and helps mitigate the Company's interest rate risk in an increasing rate environment.

At March 31, 1998, the carrying value of securities available for sale by the Company was $16,398,409, which is $152,656 less than the cost of the underlying securities. The difference between the carrying value and the cost of the securities was primarily attributable to the decline in the market value of equity securities from the prices at the time of purchase. Management attributes the reduction in the market value of equity securities to the decline of the stock market at the end of the quarter, which had a greater affect on the market value of the Company's investments in high-tech stocks. Management reviews the portfolio of investments on an ongoing basis to determine if there has been an other-than-temporary decline in value. Some of the considerations management makes in the determination are market valuations of particular securities and economic analysis of the securities' sustainable market values based on the underlying companies profitability.

Total loans increased by $47,456,628 for the nine months ended March 31, 1998. The loan portfolio growth was in 1-4 family mortgages, consumer installment and commercial loans. In the March 1998 quarter, the Bank purchased approximately $39,000,000 of 1-4 family mortgages. The purchase consisted of 1-4 family adjustable and fixed rate mortgages secured by property located primarily in the Midwest states. The Bank's local market, as well as the secondary market, continues to be very competitive for loan origination volume. The local competitive environment and customer response to favorable secondary market rates have affected the Bank's ability to increase the loan portfolio. In the effort to increase loan volume, the Bank's offering rates for its loan products have been reduced to compete in the various markets. The Bank will experience some margin compression due to decreased loan rates.

The loan portfolio contains elements of credit and interest rate risk. The Bank primarily lends within its local market areas, which management believes helps them to better evaluate credit risk. The Bank also maintains a well collateralized position in real estate mortgages. Residential real estate mortgages make up 65% of the total loan portfolio, in which 63% of the residential loans are variable rate products, as compared to 70% and 53%, respectively, at March 31, 1997. It is management's intent to increase the volume in variable rate residential loans to reduce the interest rate risk in this area.

At March 31, 1998, 18% of the Bank's total loan portfolio balance is commercial real estate mortgages. Similar to residential mortgages, the Bank tries to mitigate credit risk by lending in its local market area as well as maintaining a well collateralized position in real estate. Commercial real estate loans have minimal interest rate risk as 88% of the portfolio consists of variable rate products.

Commercial loans make up 9% of the total loan portfolio, of which 66% are variable rate instruments. The credit loss exposure on commercial loans is highly dependent on the cash flow of the customer's business. The Bank attempts to mitigate losses in commercial loans through lending in accordance with the Company's credit policies.

Consumer and other loans make up 8% of the loan portfolio. Since these loans are primarily fixed rate products, they have interest rate risk when market rates increase. These loans also have credit risk with, at times, minimal collateral security. Management attempts to mitigate these risks by keeping the products offered short-term, receiving a rate of return commensurate with the measured risks, and lending to individuals in the Bank's known market areas.

The Bank's allowance for loan losses was $3,038,000 as of March 31, 1998 versus $2,741,809 as of June 30, 1997, representing 1.12% and 1.23% of total loans, respectively. The Bank had non-performing loans totaling $2,926,000 at March 31, 1998 compared to $2,881,000 at June 30, 1997. Non-performing commercial mortgages increased by 33% from June 30, 1997 to March 31, 1998. This increase was due to the addition of a single loan and in management's opinion does not indicate a trend. Non-performing loans represented .94% and 1.01% of total assets at March 31, 1998 and June 30, 1997, respectively. The Bank's allowance for loan losses was equal to 104% and 95% of the total non-performing loans at March 31, 1998 and June 30, 1997, respectively. At March 31, 1998, the Bank had approximately $451,000 of loans classified substandard, exclusive of the non-performing loans stated above, that could potentially become non-performing due to delinquencies or marginal cash flows. These substandard loans have been reduced substantially in the past twelve months. The decrease was attributed to the reclassification of loans to lower risk classifications as a result of favorable changes in the borrower's financial condition, indicating a decreased potential for these loans becoming non-performing assets. The following table represents the Bank's non-performing loans as of March 31, 1998 and June 30, 1997, respectively:

Description	March 31, 1998	June 30, 1997
1-4 Family Mortgages	$ 940,000	$ 1,268,000
Commercial Mortgages	1,400,000	1,052,000
Commercial Installment	536,000	492,000
Consumer Installment	50,000	69,000
Total non-performing	$ 2,926,000	$ 2,881,000

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

6-30-97	9-30-97	12-31-97	3-31-98
1.94%	1.64%	1.72%	1.44%

At March 31, 1998, loans classified as non-performing included approximately $646,000 of loan balances that are current and paying as agreed, but which the Bank maintains as non-performing until the borrower has demonstrated a sustainable period of performance. Excluding these loans, the Bank's total delinquencies 30 days or more past due, as a percentage of total loans, would be 1.20% as of March 31, 1998.

The level of the allowance for loan losses as a percentage of total loans has decreased due to the increase of loan volume, while the level of allowance for loan losses as a percentage of non-performing loans increased at March 31, 1998, when compared to June 30,1997. Based on reviewing the credit risk and collateral of delinquent, non-performing and classified loans, management considers the allowance for loan losses to be adequate.

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

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

Total deposits were $173,971,101 and securities sold under repurchase agreements were $4,440,979 as of March 31, 1998. These amounts represent an increase of $1,049,815 and a decrease of $657,643, respectively, compared to June 30, 1997. The fluctuations in deposits and repurchase agreements were due to normal business transactions. Brokered deposits represented $7,078,080 of the total deposits at March 31, 1998. The Bank utilizes brokered deposits as alternative sources of funds. Brokered deposits are similar to local deposits, in that both are interest rate sensitive with respect to the Bank's ability to retain the funds. Cross selling strategies are employed by the Bank to develop deposit growth. Even though deposit interest rates are competitive in our local markets, the rate of return remains stronger in other financial instruments such as mutual funds and annuities. Like other companies in the banking industry, the Bank will be challenged to maintain and/or increase its core deposit base.

Total advances from the FHLB were $105,113,653 as of March 31, 1998, an increase of $24,619,182 compared to June 30, 1997. The cash received from the increase in FHLB advances was utilized for the increased volume in loans. The Bank's current advance availability, subject to the satisfaction of certain conditions, is approximately $22,000,000 greater than the March 31, 1998 advances reported. Mortgages, free of liens, pledges and encumbrances are required to be pledged to secure FHLB advances. The Bank utilizes FHLB advances as alternative sources of funds, when the interest rates of the advances are less than market deposit interest rates and to fund short-term liquidity demands for loan volume. With the borrowing capacity at the Federal Home Loan Bank, the normal growth in bank deposits and repurchase agreements and the immediate availability of the Bank's cash equivalents as well as securities available for sale, management believes that the Company's available liquidity resources are sufficient to support the Company's needs.

Total equity of the Company was $23,744,915 as of March 31, 1998 versus $22,095,581 at June 30, 1997. Book value per common share was $9.72 as of March 31, 1998 versus $9.16 at June 30, 1997. Total equity to total assets of the Company as of March 31, 1998 was 7.64%. On December 15, 1997, the Company paid a 50% stock dividend to all shareholders. As a result of the stock dividend, the Company's common shares outstanding increased by 740,807 shares. The June 30, 1997 book value per common share and the March 31, 1997 earnings per share have been restated as a result of the stock dividend.

At March 31, 1998, the Bank's regulatory capital was in compliance with regulatory capital requirements as follows:

	Actual Capital		Required Capital		Excess Capital
	Amount	Ratio	Amount	Ratio	Amount
Tangible capital	$ 21,789,000	7.06%	$ 4,629,000	1.50%	$ 17,160,000
Core capital	$ 21,789,000	7.06%	$ 9,257,000	3.00%	$ 12,532,000
Leverage capital	$ 21,789,000	7.06%	$ 12,343,000	4.00%	$ 9,446,000
Risk-based capital	$ 23,062,000	11.35%	$ 16,257,000	8.00%	$ 6,805,000

Results of Operations

Net income for the quarter ended March 31, 1998 was $732,361. Basic earnings per share were $.31 and diluted earnings per share were $.27 for the quarter ended March 31, 1998. This compares to earnings of $420,634 or basic earnings per share of $.18 and diluted earnings per share of $.16 for the quarter ended March 31, 1997. Net income for the nine months ended March 31, 1998 was $1,658,992 versus $1,122,422 for the period ended March 31, 1997. Basic earnings per share were $.70 and diluted earnings per share were $.62 for the nine months ended March 31, 1998 versus basic earnings per share of $.48 and diluted earnings per share of $.44 for the period ended March 31, 1997. Net income and earnings per share have been restated to include the acquisition of Cushnoc Bank under the pooling of interest method of accounting and the effect of the Company's 50% stock dividend in December, 1997.

The Company completed the acquisition of Cushnoc in the quarter ended December 31, 1997. The one-time costs associated with the acquisition totaled approximately $283,000 after tax of which $276,000 after tax was recognized in the quarter ended December 31, 1997. The Company's net operating income, before the aforementioned one-time charge, was $1,941,469, basic earnings per share were $.82 and diluted earnings per share were $.72 for the nine months ended March 31, 1998.

On December 31, 1997, the Company adopted FASB Statement No. 128, "Earnings Per Share" and Statement No. 129 "Disclosure of Information about Capital Structure". Earnings per share for prior periods have been restated in accordance with the requirements of Statement No. 128.

In September of 1996, Congress enacted comprehensive legislation amending the FDIC BIF-SAIF deposit insurance assessment on savings and loan institution deposits. The legislation imposed a one-time assessment on institutions holding SAIF deposits on March 31, 1995, in an amount necessary for the SAIF to reach its 1.25% Designated Reserve Ratio. Institutions with SAIF deposits were required to pay an assessment rate of 65.7 cents per $100 of domestic deposits held as of March 31, 1995. The Bank held approximately $57,900,000 of SAIF deposits as of March 31, 1995. The net effect of the one time assessment was $296,860 and decreased the Company's basic earnings per share by $.09 and the diluted earnings per share by $.08 for the six months ended December 31, 1996. Commencing in 1997 and continuing through 1999, the Bank is required to pay an annual assessment of 1.29 cents for every $100 of domestic BIF insured deposits and 6.44 cents for every $100 of domestic SAIF insured deposits. Commencing in 2000 and continuing through 2017, banks will be required to pay a flat annual assessment of 2.43 cents for every $100 of domestic deposits.

The Company's net interest income was $8,372,751 for the nine months ended March 31, 1998, versus $7,899,594 for the nine months ended March 31, 1997, an increase of $473,157. Total interest income increased $1,472,289 during the nine months ended March 31, 1998 compared to the nine months ended March 31, 1997, resulting primarily from an increase in the volume of loans offset in part by a decrease in rates. The increase in total interest expense of $999,132 for the nine months ended March 31, 1998 resulted primarily from the increased volume of deposits and borrowings.

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

Northeast Bancorp
Rate/Volume Analysis for the nine months ended
March 31, 1998 versus March 31, 1997

	Difference Due to		
	Volume	Rate	Total
Investments	$ (472,716)	$ (21,055)	$ (493,771)
Loans	2,047,717	(215,663)	1,832,054
FHLB & Other Deposits	130,894	3,112	134,006
Total	1,705,895	(233,606)	1,472,289

Deposits	347,483	49,686	397,169
Repurchase Agreements	16,757	(6,157)	10,600
Borrowings	615,191	(23,828)	591,363
Total	979,431	19,701	999,132
Net Interest Income	$ 726,464	$ (253,307)	$ 473,157

Rate/Volume amounts spread proportionately between volume and rate.

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

Approximately 22% of the Bank's loan portfolio is comprised of floating rate loans based on a prime rate index. Interest income on these existing loans will increase as the prime rate increases, as well as on approximately 41% of other loans in the Bank's portfolio that are based on short-term rate indices such as the one-year treasury bill. An increase in short-term interest rates will also increase deposit and FHLB advance rates, increasing the Company's interest expense. The Company is experiencing and anticipates additional net interest margin compression due to fluctuating rates. The impact on net interest income will depend on, among other things, actual rates charged on the Bank's loan portfolio, deposit and advance rates paid by the Bank and loan volume.

Total non-interest income was $595,359 and $1,892,531 for the three and nine months ended March 31, 1998 versus $657,503 and $1,597,378 for the three and nine months ended March 31, 1997. Service fee income was $227,757 and $741,397 for the three and nine months ended March 31, 1998 versus $259,084 and $813,967 for the three and nine months ended March 31, 1997. The $31,327 and $72,570 service fee decrease for the three and nine months ended March 31, 1998, respectively, was primarily due to a reduction in loan servicing and deposit fee income. Gains from available for sale securities were $37,439 and $245,131 for the three and nine months ended March 31, 1998 versus $10,652 and $115,532 for the three and nine months ended March 31, 1997. The Company sold some of its available for sale securities during the three and nine month period ended March 31, 1998, taking advantage of the fluctuation in market prices in the mortgage-backed security portfolio. Income from trading account securities was $1,797 for the nine month period ended March 31, 1998 versus $84,503 for the nine month period ended March 31, 1997. Larger gains on the trading account portfolio were attained in the nine month period ended March 31, 1997, due to the appreciation in the market values of the securities classified as trading in that time period.

Other income was $330,163 and $904,206 for the three and nine months ended March 31, 1998, which was an increase of $7,237 and $320,830 when compared to other income of $322,926 and $583,376 for the three and nine months ended March

31, 1997, respectively. The increase in other income in the three and nine months ended March 31,1998, was primarily due to gains from 1-4 family mortgage and SBA guaranteed loan sales as well as income generated from the Bank's trust department and revenue from the sale of investments to customers through the Bank's relationship with Commonwealth Financial Services, Inc..

Total operating expense, or non-interest expense, for the Company was $2,123,636 and $7,166,480 for the three and nine months ended March 31, 1998 versus $2,456,126 and $7,221,650 for the three and nine months ended March 31, 1997. The increase in compensation expense for the nine month period ended March 31, 1998 was primarily due to acquisition costs associated with Cushnoc Bank. The increase in occupancy and equipment expense for the three and nine months ended March 31, 1998 was due to costs associated with the new branch opened in Auburn, Maine, the branches acquired from Cushnoc Bank as well as normal growth and maintenance. Other expenses decreased by $220,524 for the three months and increased by $67,057 for the nine months ended March 31, 1998, compared to March 31, 1997. The decrease in other expenses during the three month period was primarily due to the reduction in professional fees, advertising expenses, loan expenses and director fees.

Impact of Inflation

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

Year 2000

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

Awareness Phase

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

Assessment Phase
- ----------------

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

The assessment phase has been materially completed, but is considered an ongoing phase for the Company. The Company has instituted a comprehensive plan to communicate with all its borrowers that the Company considers to be at risk concerning the Year 2000 issue. The Company considers this plan necessary to mitigate the risk associated with borrowers not having the ability to make loan payments due to a Year 2000 issue. The company has currently estimated the following costs associated with the Year 2000 issue, (1) computer hardware replacement $470,000, (2) software replacement $30,000, (3) testing and administrative costs $84,000, and (4) potential contingency costs $95,000. These costs are under continuous review and will be revised as needed. As of March 31, 1998, the Company's current computer hardware and software have been substantially depreciated.

Renovation Phase
- ----------------

This phase includes code enhancements, hardware and software upgrades, system replacements, vendor certification, and other associated changes. Work should be prioritized based on information gathered during the assessment phase. For institutions relying on outside servicers or third-party software providers, ongoing discussions and monitoring of vendor progress are necessary. The Company has limited out-side servicers and vendors. Each servicer and vendor has been contacted and has or will provide information to the Company concerning their efforts to comply with the Year 2000 issue. The Company anticipates to have this phase completed by December 31, 1998.

Validation Phase
- ----------------

Testing is a multifaceted process that is critical to the Year 2000 project and inherent in each phase of the project management plan. This process includes the testing of incremental changes to hardware and software components. In addition to testing upgraded components, connections with other systems must be verified, and all changes should be accepted by internal and external users. Management will establish controls to assure the effective and timely completion of all hardware and software testing prior to final implementation. As with the renovation phase, the Company will be in ongoing discussions with their vendors on the success of their validation efforts. The Company anticipates to have this phase completed by March 31, 1999.

Implementation Phase

In this phase, systems should be certified as Year 2000 compliant and be accepted by the business users. For any system failing certification, the business effect must be assessed clearly and the organization's Year 2000 contingency plans should be implemented. Any potentially noncompliant mission-critical system should be brought to the attention of executive management immediately for resolution. In addition, this phase must ensure that any new systems or subsequent changes to verified systems are compliant with Year 2000 requirements. The Company anticipates to have this phase completed by June 30, 1999.

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

Item 3. Quantitative and Qualitative Disclosure about Market Risk

There have been no material changes in the Company's market risk from June 30, 1997. For information regarding the Company's market risk, refer to the Annual Report on Form 10-K dated as of June 30, 1997.

Forward - Looking Statements

Certain statements contained herein are not based on historical facts and are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, which are based on various assumptions (some of which are beyond the Company's control), may be identified by reference to a future period or periods, or by the use of forward-looking terminology; such as "may", "will", "believe", "expect", "estimate", "anticipate", "continue", or similar terms or variations on those terms, or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, those related to the economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset/liability management, the financial securities markets, and the availability of and the costs associated with sources of liquidity.

NORTHEAST BANCORP AND SUBSIDIARIES
Part II - Other Information

Item 1. Legal Proceedings

Not Applicable.

Item 2. Changes in Securities

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

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

Not Applicable.

Item 5. Other Information

(a) Not applicable

Item 6. Exhibits and Reports on Form 8 - K

(a) Exhibits

11 Statement regarding computation of per share earnings.

27 Financial data schedule

(b) Reports on Form 8 - K

On January 14, 1998, the Company filed a report on Form 8-K announcing second quarter earnings which reflects combined earnings of Cushnoc Bank & Trust and Northeast Bancorp.

NORTHEAST BANCORP AND SUBSIDIARIES
Signatures

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

NORTHEAST BANCORP
(Registrant)

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

/s/ Richard Wyman

Richard Wyman
Chief Financial Officer

Date: May 12, 1998

NORTHEAST BANCORP AND SUBSIDIARIES
Index to Exhibits

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

NORTHEAST BANCORP AND SUBSIDIARIES
Exhibit 11. Statement Regarding Computation of Per Share Earnings

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
EQUIVALENT SHARES:		
Weighted Average Shares Outstanding	2,232,162	2,158,395
Total Diluted Shares	2,743,406	2,573,419
Net Income	$ 732,361	$ 420,634
Less Preferred Stock Dividend	35,000	35,000
Income Available to Common Stockholders	$ 697,361	$ 385,634
Basic Earnings Per Share	$ 0.31	$ 0.18
Diluted Earnings Per Share	$ 0.27	$ 0.16

	Nine Months Ended March 31, 1998	Nine Months Ended March 31, 1997
EQUIVALENT SHARES:		
Weighted Average Shares Outstanding	2,224,194	2,138,682
Total Diluted Shares	2,683,732	2,552,011
Net Income	$ 1,658,992	$ 1,122,422
Less Preferred Stock Dividend	104,998	104,998
Income Available to Common Stockholders	$ 1,553,994	$ 1,017,424
Basic Earnings Per Share	$ 0.70	$ 0.48
Diluted Earnings Per Share	$ 0.62	$ 0.44

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JUN-30-1998
MAR-31-1998
4,976,642
4,360,735
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58,063
16,398,409
0
0
270,526,305
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2,236,668
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