SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10 - Q

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

For the quarter ended December 31, 1997

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

Not Applicable

2

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

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

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

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

Not Applicable

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Shares outstanding as of February 11, 1998: 2,234,638 of common stock, $1.00 par value per share.

NORTHEAST BANCORP AND SUBSIDIARIES
Table of Contents

Notes to Consolidated Financial Statements

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

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Part II. Other Information

Items 1 - 6.

Signature Page

Index to Exhibits

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Balance Sheets
(Unaudited)

	December 31, 1997	June 30, 1997
Assets		
Cash and due from banks	$ 5,354,321	$ 6,112,425
Interest bearing deposits in other banks	317,052	443,021
Federal Home Loan Bank overnight deposits	11,968,000	12,218,898
Trading account securities at market	25,000	25,000
Available for sale securities	18,875,202	28,810,624
Federal Home Loan Bank stock	4,364,000	4,121,000
Loans held for sale	370,749	240,000
Loans	228,544,431	222,885,954
Less deferred loan origination fees/cost	(22,183)	203,819
Less allowance for loan losses	2,773,000	2,741,809
Net loans	225,793,614	219,940,326
Bank premises and equipment, net	4,561,119	4,774,561
Real estate held for investment	279,458	361,654
Other real estate owned (net of allowance for losses of $0 at 12/31/97 and $50,839 at 6/30/97)	518,791	563,207
Goodwill (net of accumulated amortization of $1,384,621 at 12/31/97 and $1,236,434 at 6/30/97)	2,072,102	2,220,289
Other assets	4,233,799	4,198,689
Total Assets	278,733,207	284,029,694
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	$ 174,361,238	$ 172,921,286
Repurchase Agreements	5,737,121	5,098,622
Advances from Federal Home Loan Bank	72,563,725	80,494,471

Notes payable	1,145,833	1,298,611
Other Liabilities	1,891,611	2,121,123
Total Liabilities	255,699,528	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 $1,2,222,691 and 1,462,909 shares issued and outstanding at 12/31/97 and 6/30/97, respectively	2,222,691	1,462,909
Additional paid in capital	7,774,396	7,699,883
Retained earnings	11,174,839	11,266,984
	23,171,906	22,429,756
Net unrealized losses on available for sale securities	(138,227)	(334,175)
Total Shareholders' Equity	23,033,679	22,095,581
Total Liabilities and Shareholders' Equity	$ 278,733,207	$ 284,029,694

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Income
(Unaudited)

	Three Months Ended December 31, 1997	1996
Interest and Dividend Income		
Interest on FHLB overnight deposits	$ 121,584	$ 91,020
Interest on loans & loans held for sale	5,256,343	4,652,547
Interest on available for sale securities	437,952	597,753
Dividends on Federal Home Loan Bank stock	71,904	51,894
Other Interest Income	4,596	7,601
Total Interest Income	5,892,379	5,400,815
Interest Expense		
Deposits	1,901,610	1,727,321
Repurchase agreements	54,618	54,686
Other borrowings	1,128,589	938,321
Total Interest Expense	3,084,817	2,720,328
Net Interest Income	2,807,562	2,680,487
Provision for loan losses	227,663	153,443
Net Interest Income after Provision for		

Loan Losses	2,579,899	2,527,044
Other Income		
Service charges	237,235	264,768
Available for sale securities gains (losses)	99,696	46,117
Gain (Loss) on trading account	0	(11,241)
Other	405,177	111,650
Total Other Income	742,108	411,294
Other Expenses		
Salaries and employee benefits	1,272,952	1,121,180
Net occupancy expense	221,148	177,534
Equipment expense	234,410	209,382
Goodwill amortization	74,094	74,094
FDIC Insurance Assessment	--	(83,140)
Other	963,019	627,847
Total Other Expenses	2,765,623	2,126,897
Income Before Income Taxes	556,384	811,441
Income tax expense	200,318	300,894
Net Income	$ 356,066	$ 510,547
Earnings Per Share		
Basic	$ 0.14	$ 0.22
Diluted	$ 0.13	$ 0.20

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Income
(Unaudited)

	Six Months Ended December 31, 1997	1996
Interest and Dividend Income		
Interest on FHLB overnight deposits	$ 263,677	$ 192,096
Interest on loans & loans held for sale	10,428,625	9,095,960
Interest on available for sale securities	926,435	1,207,023
Dividends on Federal Home Loan Bank stock	141,741	100,127
Other Interest Income	9,377	19,918
Total Interest Income	11,769,855	10,615,124
Interest Expense		
Deposits	3,785,093	3,466,915
Repurchase agreements	103,056	92,956
Other borrowings	2,308,883	1,801,733

Total Interest Expense	6,197,032	5,361,604
Net Interest Income	5,572,823	5,253,520
Provision for loan losses	390,163	307,257
Net Interest Income after Provision for Loan Losses	5,182,660	4,946,263
Other Income		
Service charges	513,640	554,883
Available for sale securities gains (losses)	207,692	74,417
Gain (Loss) on trading account	1,797	50,124
Other	573,420	260,450
Total Other Income	1,296,549	939,874
Other Expenses		
Salaries and employee benefits	2,436,566	2,295,733
Net occupancy expense	442,534	339,212
Equipment expense	454,096	411,651
Goodwill amortization	148,187	148,187
FDIC Insurance Assessment	--	296,860
Other	1,560,839	1,273,880
Total Other Expenses	5,042,222	4,765,523
Income Before Income Taxes	1,436,987	1,120,614
Income tax expense	510,356	418,826
Net Income	$ 926,631	$ 701,788
Earnings Per Share		
Basic	$ 0.39	$ 0.30
Diluted	$ 0.35	$ 0.27

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Changes in Shareholders' Equity
Six Months Ended December 31, 1997 and 1996
(Unaudited)

	Common	Preferred	Additional Paid-In	Retained	Net Unrealized (Gains(Losses) on Available for Sale	Treasury

	Stock	Stock	Capital	Earnings	Securities	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 six months ended December 31, 1996	--	--	--	701,788	--	--	701,788
Employee Stock Bonus	--	--	(268)	--	--	13,642	13,374
Employee Stock Purchase	567	--	6,647	--	--	--	7,214
Dividends paid on common Stock	--	--	--	(197,027)	--	--	(197,027)
Dividends paid on preferred Stock	--	--	--	(69,999)	--	--	(69,999)
Net change in unrealized losses on available for sale securities	--	--	--	--	126,853	--	126,853
Balance December 30, 1996	$ 1,422,517	$1,999,980	$7,522,607	$ 10,749,805	$ (710,501)	$ (38,635)	$20,945,773
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 six months ended December 31, 1997	--	--	--	926,631	--	--	926,631
Employee Stock Bonus	180	--	3,159	--	--	--	3,339
Employee Stock Purchase	345	--	5,341	--	--	--	5,686
Stock Split in the form of a dividend	740,807	--	--	(741,902)	--	--	(1,095)
Dividends paid on common stock	--	--	--	(206,875)	--	--	(206,875)
Dividends paid on preferred stock	--	--	--	(69,999)	--	--	(69,999)
Stock Options Exercised	18,450	--	66,013	--	--	44,988	129,451
Treasury Stock Purchased	--	--	--	--	--	(44,988)	(44,988)
Net change in unrealized losses on available for sale securities	--	--	--	--	195,948	--	195,948

Balance December 31, 1997	$ 2,222,691	$1,999,980	$7,774,396	$ 11,174,839 $ (138,227)	$ 0	$23,033,679

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

	Six Months Ended December 31, 1997	1996
Cash provided by operating activities	$ 654,801	$ 1,307,419
Cash flows from investing activities:		
FHLB stock purchased	(243,000)	(777,000)
Available for sale securities purchased	(14,775,583)	(11,808,967)
Available for sale securities principal reductions	750,117	1,030,230
Available for sale securities matured	749,497	650,000
Available for sale securities sold	23,662,251	11,059,818
New loans, net of repayments & charge offs	(5,759,169)	(18,686,790)
Net capital expenditures	(141,207)	(403,715)
Real estate owned sold	87,038	389,510
Real estate held for investment sold	68,743	--
Net cash provided by (used in) investing activities	4,398,687	(18,546,914)
Cash flows from financing activities:		
Net change in deposits	1,439,952	(3,897,640)
Net change in repurchase agreements	638,499	1,450,880
Dividends paid	(276,874)	(267,026)
Proceeds from stock issuance	93,488	20,588
Net decrease (increase) in advances from Federal Home Loan Bank of Boston	(7,930,746)	16,508,985
Net change in notes payable	(152,778)	(127,193)
Net cash used (provided) by financing activities	(6,188,459)	13,688,594
Net decrease in cash and cash equivalents	(1,134,971)	(3,550,901)
Cash and cash equivalents, beginning of period	18,774,344	13,873,947

Cash and cash equivalents, end of period	$ 17,639,373	$ 10,323,046
	===============	===============
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	195,947	126,853
Net transfer from Loans to Other Real Estate Owned	56,325	600,014
Supplemental disclosure of cash paid during the period for:		
Income taxes paid, net of refunds	366,000	13,000
Interest paid	6,229,407	5,274,161

NORTHEAST BANCORP AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 1997

1. Basis of Presentation

The accompanying unaudited condensed and consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended December 31, 1997 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 30, 1996	1997	Six months ended December 31, 1996
Interest Income			
Northeast	$ 4,716,634	$ 5,396,273	$ 9,634,223
Cushnoc	497,675	481,203	980,901
Combined	5,214,309	5,877,476	10,615,124
Net Income			
Northeast	$ 184,261	$ 552,841	$ 711,421
Cushnoc	6,980	17,724	(9,633)
Combined	191,241	570,565	701,788

	At September 30, 1996	1997	At December 31, 1996
Shareholders' Equity			
Northeast	$ 18,201,498	$ 20,464,660	$ 18,743,078
Cushnoc	2,218,058	2,212,693	2,202,695
Combined	20,419,556	22,677,353	20,945,773

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.

	December 31, 1997		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	$ 5,197,349	$ 5,189,871	$ 2,948,525	$ 2,905,400
Corporate bonds	203,466	203,526	259,749	252,805
Mortgage-backed securities	12,432,055	12,465,680	25,211,936	24,801,837
Equity securities	1,251,767	1,016,125	896,739	850,582

	$19,084,637	$18,875,202	$29,316,949	$28,810,624

	December 31, 1997		June 30, 1997	
	Cost	Market Value	Cost	Market Value
Due in one year or less	$ 347,964	$ 346,714	$ 398,829	$ 398,829
Due after one year through five years	703,748	702,813	1,403,991	1,396,491
Due after five years through ten years	1,349,718	1,347,308	405,454	398,510
Due after ten years	2,999,385	2,996,562	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)	12,432,055	12,465,680	25,211,936	24,801,837
Equity securities	1,251,767	1,016,125	896,739	850,582
	$19,084,637	$18,875,202	$29,316,949	$28,810,624

4. Allowance for Loan Losses

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

	Six Months Ended December 31, 1997	1996
Balance at beginning of year	$ 2,741,809	$ 2,767,883
Add provision charged to operations	390,163	307,257
Recoveries on loans previously charged off	90,350	33,075
	3,222,322	3,108,215
Less loans charged off	449,322	414,149
Balance at end of period	$ 2,773,000	$ 2,694,066

5. Advances from Federal Home Loan Bank

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

December 31, 1997

Principal Amounts	Interest Rates	Maturity Dates
$ 55,695,891	4.97% - 6.39%	1998
2,800,000	5.64% - 5.96%	1999
3,000,000	6.27%	2000
1,535,991	6.21% - 6.49%	2001
5,000,000	5.71%	2002
2,531,843	6.36% - 6.67%	2003
2,000,000	6.65%	2005
$ 72,563,725		

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.

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 $278,733,207 on December 31, 1997, which represents a decrease of $5,296,487 from June 30, 1997. Total net loans, loans held for sale and Federal Home Loan Bank ("FHLB") stock increased by $5,853,288, $130,749 and $243,000, respectively, while cash equivalents and securities available for sale decreased by $1,134,971 and $9,935,422, respectively, during the same period. Total deposits and repurchase agreements increased by $2,078,451, while FHLB borrowings decreased by $7,930,746, from June 30, 1997 to December 31, 1997.

The decrease in cash equivalents and the increase in Bank's deposits were utilized to support the increase in the loan portfolio from June 30, 1997 to December 31, 1997. FHLB stock increased due to previous 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 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 December 31, 1997, the carrying value of securities available for sale by the Company was $18,875,202, which is $209,435 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 during the quarter, which had a greater affect on the market values 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. Management believes that the yields currently received on this portfolio are satisfactory and intends to hold these securities for the foreseeable future.

Total loans increased by $5,658,477 for the six months ended December 31, 1997. The loan portfolio growth was in consumer installment and commercial loans. The Bank sold approximately $9,000,000 of 1-4 family fixed rate mortgages during the second quarter. In December, 1997, the Bank replaced the loans sold by purchasing approximately $9,000,000 of 1-4 family mortgages. The purchase consisted of 1-4 family adjustable rate mortgages secured by property located primarily in the state of Maine. 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 62% of the total loan portfolio, in which 59% of the residential loans are variable rate products, as compared to 69% and 49%, respectively, at December 31, 1996. It is management's intent to increase the volume in variable rate residential loans to reduce the interest rate risk in this area.

Twenty one percent 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 89% of the portfolio consists of variable rate products.

Commercial loans make up 10% of the total loan portfolio, of which 70% 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 7% of the loan portfolio. Since these loans are primarily fixed rate products, they have interest rate risk when market rates increase. These loans also have credit risk with, at times, minimal collateral security. Management attempts to mitigate these risks by keeping the products offered short-term, receiving a rate of return commensurate with the measured risks, and lending to individuals in the Bank's known market areas.

The Bank's allowance for loan losses was $2,773,000 as of December 31, 1997 versus $2,741,809 as of June 30, 1997, representing 1.21% and 1.23% of total loans, respectively. The Bank had non-performing loans totaling $2,945,000 at December 31, 1997 compared to $2,881,000 at June 30, 1997. Non-performing commercial mortgages increased by 50% from June 30, 1997 to December 31, 1997. 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 1.06% and 1.01% of total assets at December 31, 1997 and June 30, 1997, respectively. The Bank's allowance for loan losses was equal to 94% and 95% of the total non-performing loans at December 31, 1997 and June 30, 1997, respectively. At December 31, 1997, the Bank had approximately $534,000 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 December 31, 1997 and June 30, 1997, respectively:

Description	December 31, 1997	June 30, 1997
1-4 Family Mortgages	$ 780,000	$ 1,268,000
Commercial Mortgages	1,577,000	1,052,000
Commercial Installment	539,000	492,000
Consumer Installment	49,000	69,000
Total non-performing	$ 2,945,000	$ 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:

3-31-97	6-30-97	9-30-97	12-31-97
2.16%	1.94%	1.64%	1.72%

At December 31, 1997, loans classified as non-performing included approximately $888,000 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 1.34% as of December 31, 1997.

The level of the allowance for loan losses as a percentage of total loans has remained constant as well as the level of allowance for loan losses as a percentage of non-performing loans at December 30, 1997, 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 $174,361,238 and securities sold under repurchase agreements were $5,737,121 as of December 31, 1997. These amounts represent an increase of $1,439,952 and $638,499, respectively, compared to June 30, 1997. The increase in deposits and repurchase agreements was due to normal business growth. Brokered deposits represented $7,178,760 of the total deposits at December 31, 1997. 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 $72,563,725 as of December 31, 1997, a decrease of $7,930,746 compared to June 30, 1997. The cash received from the sale of securities was utilized to decrease FHLB advances. The Bank's current advance availability, subject to the satisfaction of certain conditions, is approximately $38,000,000 greater than the December 31, 1997 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 $23,033,679 as of December 31, 1997 versus $22,095,581 at June 30, 1997. Book value per common share was $9.46 as of December 31, 1997 versus $9.16 at June 30, 1997. Total equity to total assets of the Company as of December 31, 1997 was 8.26%. 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 December 31, 1996 earnings per share have been restated as a result of the stock dividend.

At December 31, 1997, 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	$ 20,927,000	7.58%	$ 4,144,000	1.50%	$ 16,783,000
Core capital	$ 20,927,000	7.58%	$ 8,288,000	3.00%	$ 12,639,000
Leverage capital	$ 20,927,000	7.58%	$ 11,050,000	4.00%	$ 9,877,000
Risk-based capital	$ 22,131,000	12.34%	$ 14,351,000	8.00%	$ 7,780,000

Results of Operations

Net income for the quarter ended December 31, 1997 was $356,066. Basic earnings per share were $.14 and diluted earnings per share were $.13 for the quarter ended December 31, 1997. This compares to earnings of $510,547 or basic earnings per share of $.22 and diluted earnings per share of $.20 for the quarter ended December 31, 1996. Net income for the six months ended December 31, 1997 was $926,631 versus $701,788 for the period ended December 31, 1996. Basic earnings per share were $.39 and diluted earnings per share were $.35 for the six months ended December 31, 1997 versus basic earnings per share of $.30 and diluted earnings per share of $.27 for the period ended December 31, 1996. 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 $631,665, basic earnings per share were $.27 and diluted earnings per share were $.23 for the three months ended December 31, 1997, and $1,209,390, basic earnings per share were $.51 and diluted earnings per share were $.45, for the six months ended December 31, 1997.

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. This resulted in an expense of $380,000 which was reflected in the Company's September 30, 1996 quarter end financial statements. During the December 31, 1996 quarter, Congress issued final legislation which enabled certain qualifying institutions an ability to apply for a 20% discount on the special assessment. The Bank received a credit of $83,140 reducing the assessment expense in the December 31, 1996 quarter. The credit received from the FDIC increased the Company's basic and diluted earnings per share by $.02 for the quarter ended December 31, 1996. 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 $5,572,823 for the six months ended December 31, 1997, versus $5,253,520 for the six months ended December 31, 1996, an increase of $319,303. Total interest income increased $1,154,731 during the six months ended December 31, 1997 compared to the six months ended December 31, 1996, 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 $835,428 for the six months ended December 31, 1997 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 six months ended
December 31, 1997 versus December 31, 1996

	Difference Due to		
	Volume	Rate	Total
Investments	$ (195,781)	$ (50,619)	$ (246,400)
Loans	1,529,451	(196,786)	1,332,665
FHLB & Other Deposits	70,786	(2,320)	68,466
Total	1,404,456	(249,725)	1,154,731
Deposits	284,532	33,646	318,178
Repurchase Agreements	13,920	(3,820)	10,100
Borrowings	522,431	(15,281)	507,150
Total	820,883	14,545	835,428
Net Interest Income	$ 583,573	$ (264,270)	$ 319,303

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 26% 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 37% 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 $742,108 and $1,296,549 for the three and six months ended December 31, 1997 versus $411,294 and $939,874 for the three and six months ended December 31, 1996. Service fee income was $237,235 and $513,640 for the three and six months ended December 31, 1997 versus $264,768 and $554,883 for the three and six months ended December 31, 1996. The $27,533 and $41,243 service fee decrease for the three and six months ended December 31, 1997, respectively, was primarily due to a reduction in loan servicing and deposit fee income. Gains from available for sale securities were $99,696 and $207,692 for the three and six months ended December 31, 1997 versus $46,117 and $74,417 for the three and six months ended December 31, 1996. The Company sold some of its available for sale securities during the three and six month period ended December 31, 1997, taking advantage of the fluctuation in market prices in the mortgage-backed security portfolio. Income from trading account securities was $1,797 for the six month period ended December 31, 1997 versus $50,124 for the six month period ended December 31, 1996. Larger gains on the trading account portfolio were attained in the six month period ended December 31, 1996, due to the appreciation in the market values of the securities classified as trading in that time period.

Other income was $405,177 and $573,420 for the three and six months ended December 31, 1997, which was an increase of $293,527 and $312,970 when compared to other income of $111,650 and $260,450 for the three and six months ended December 31, 1996, respectively. The increase in other income in the three and six months ended December 31,1997, was primarily due to gains from the 1-4 family mortgage sale previously discussed 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 $2,765,623 and $5,042,222 for the three and six months ended December 31, 1997 versus $2,126,897 and $4,765,523 for the three and six months ended December 31, 1996. The increase in compensation expense for the three and six month period ended December 31, 1997 was primarily due to acquisition costs associated with Cushnoc Bank. The increase in occupancy and equipment expense for the three and six months ended December 31, 1997 was due to costs associated with the new branch opened in Auburn, Maine as well as normal growth and maintenance. Other expenses increased by $335,172 and $286,959 for the three and six months ended December 31, 1997, compared to December 31, 1996. The increase in other expenses was primarily due to the acquisition costs associated with Cushnoc Bank. Excluding the previously discussed acquisition costs, the Company's total operating expenses were $2,341,624 and $4,607,209 for the three and six months ended December 31, 1997. As previously discussed above, the Company's operating expenses, for the six months ended December 31, 1996, increased primarily due to the FDIC-SAIF deposit insurance assessment of $296,860. Excluding the deposit assessment, the Company's operating expenses were $4,468,663 for the six months ended December 31, 1996.

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 $20,000, (3) testing and administrative costs $27,000, and (4) potential contingency costs $95,000. These costs are under continuous review and will be revised as needed. As of December 31, 1997, the Company's current computer hardware and software have been substantially depreciated. Management anticipates the majority of these costs will be incurred over two fiscal years and will not materially effect the Company's results of operations, liquidity and capital resources.

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 missioncritical 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

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

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

SUMMARY OF VOTING AT 11/12/97 ANNUAL SHAREHOLDERS' MEETING

At the Annual Meeting of Shareholders held in Auburn, Maine on November 12, 1997, the following proposals were approved, each proposal receiving the vote of the Company's outstanding common and preferred shares, voting as one class, as follows:

Proposal 1 - Amendment to the Company's Articles of Incorporation to change the term for newly elected directors to one year.

Votes For	Votes Against	Votes Abstaining	Broker Non-Votes
1,078,654	39,160	2,330	290,380

Proposal 2 - Election of Directors

	Votes For	Votes Against	Votes Abstaining
Ronald J. Goguen	1,225,607	400	660
John W. Trinward, D.M.D.	1,225,607	400	660
John Rosmarin	1,225,607	400	660

Messrs. Goguen, Trinward and Rosmarin were elected to serve until the 1998 Annual Meeting. The terms of the following Directors continued after the meeting: Ms. Hayes and Messrs. Bouchard, Cannan, Delamater, Jackson, Kendall, Wight, and Wilson.

Proposal 3 - Appointment of Baker Newman & Noyes, Limited Liability Company as auditors for fiscal year 1998.

Votes For	Votes Against	Votes Abstaining
1,225,507	760	400

Item 5. Other Information

(a) Not applicable

Item 6. Exhibits and Reports on Form 8 - K

(a) Exhibits

2.1 Agreement and Plan of Merger dated as of May 9, 1997 by and among Northeast Bancorp, Northeast Bank, FSB and Cushnoc Bank and Trust Company incorporated by reference to Exhibit 2 to Northeast Bancorp's Registration Statement on Form S-4 (No. 333-31797) filed with the Securities and Exchange Commission.

3.1 Conformed Articles of Incorporation of Northeast Bancorp as amended November 12, 1997.

11 Statement regarding computation of per share earnings.

27 Financial data schedule

(b) Reports on Form 8 - K

On December 15, 1997, the Company filed a report on Form 8-K announcing a 50% stock dividend.

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: February 12, 1998

NORTHEAST BANCORP AND SUBSIDIARIES
Index to Exhibits

EXHIBIT NUMBER	DESCRIPTION
3.1	Conformed Articles of Incorporation of Northeast Bancorp as amended November 12, 1997.
11	Statement regarding computation of per share earnings
27	Financial data schedule

NORTHEAST BANCORP
ARTICLES OF INCORPORATION

FIRST: The name of the corporation is NORTHEAST BANCORP.

SECOND: The name of its Clerk, who must be a Maine resident, and the address of its registered office shall be:
Ariel Rose Gill
232 Center Street, Auburn, Maine 04212

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

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

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

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

a. The rate of dividend;

b. Whether shares may be redeemed and, if so, the redemption price and the terms and conditions of redemption;
c. The amount payable upon shares in event of voluntary and involuntary liquidation;
d. Sinking fund provisions, if any, for the redemption or purchase of shares;
e. The terms and conditions, if any, on which shares may be converted; or
f. Voting rights, if any.

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

There shall be no cumulative voting for Directors or otherwise.

SUMMARY

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

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

SEVENTH: There are no preemptive rights.

EIGHTH: INTERNAL AFFAIRS OF THE CORPORATION

Section 1.

(a) Number, Qualifications and Term of Office.

Subject to the provisions hereof relating to the initial Board, the number of directors of the corporation shall be no less than 9 and no more than 12. The exact number of Directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by the Board pursuant to a resolution adopted by the majority of the entire Board. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director. Each Director elected to succeed those directors whose terms expire at or after the 1997 annual meeting of Shareholders shall be elected to serve until the next annual meeting of shareholders and until his or her successor is elected and qualified. Directors need not be Shareholders or residents of the State of Maine.

(b) Vacancies.

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

(c) Removal of Directors.

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

(d) Nomination of Directors.

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

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

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

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

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

Section 2. Voting for Business Combinations.

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

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

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

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

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

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

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

(c) Subject to the provisions in (b) above, the vote of the holders of at least seventy-five percent (75%) of the outstanding shares entitled to vote for the election of Directors shall be required to approve or authorize any Business Combination to which the Corporation or any

Subsidiary is a party unless the Business Combination shall have been approved by at least two-thirds (2/3) of the Directors of the Corporation who are not affiliated with, or Shareholders of, the Acquiring Party.

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

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

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

Section 3. Special Meetings and Consent Meetings.

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

Section 4. Acquisition of Stock.

(a) Restrictions on Offers and Acquisitions.

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

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

For the purposes of this Section 4:

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

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

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

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

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

(c) Readoption of Restriction by Shareholders.

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

(d) Exception in Cases of Advance Approval.

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

(e) Enforcement of this Section 4.

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

(f) Amendments of this Section 4.

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

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

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

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

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

Section 5. Amendments.

(a) Amendments to Articles of Incorporation.

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

(b) Amendments to By-Laws.

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

Section 6. Right of Shareholders Following Control Transaction.

The provisions of ME Rev. Stat. Ann.Title 13-A, Section 910 shall not be applicable to the Corporation.

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

	Three Months Ended December 31, 1997	Three Months Ended December 31, 1996
EQUIVALENT SHARES:		
Weighted Average Shares Outstanding	2,222,543	2,129,230
Total Diluted Shares	2,694,993	2,582,815
Net Income	$ 356,066	$ 510,547
Less Preferred Stock Dividend	35,000	35,000
Income Available to Common Stockholders	$ 321,066	$ 475,547
Basic Earnings Per Share	$ 0.14	$ 0.22
Diluted Earnings Per Share	$ 0.13	$ 0.20

	Six Months Ended December 31, 1997	Six Months Ended December 31, 1996
EQUIVALENT SHARES:		
Weighted Average Shares Outstanding	2,220,297	2,129,041
Total Diluted Shares	2,675,982	2,576,813
Net Income	$ 926,631	$ 701,788
Less Preferred Stock Dividend	69,999	69,999
Income Available to Common Stockholders	$ 856,632	$ 631,789
Basic Earnings Per Share	$ 0.39	$ 0.30
Diluted Earnings Per Share	$ 0.35	$ 0.27

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6-MOS
JUN-30-1998
DEC-31-1997
5,354,321
12,285,052
0
25,000
18,875,202
0
0
228,566,614
2,773,000
278,733,207
174,361,238
61,738,568
1,891,611
17,708,111
0
1,999,980
2,222,691
18,811,008
278,733,207
10,428,625
926,435
414,795
11,769,855
3,785,093
6,197,032
5,572,823
390,163
209,489
5,042,222
1,436,987
510,356
0
0
926,631
0.39
0.35
4.214
2,945,000
0
215,723
255,771
2,741,809
449,322
90,350
2,773,000
323,474
0
2,449,526