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 September 30, 1996

or

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

For the transition period from _______________ to _______________

Commission File Number 0 - 16123

Northeast Bancorp

(Exact name of registrant as specified in its charter)

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

(207) 777 - 5950

Registrant's telephone number, including area code

Bethel Bancorp

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 November 8, 1996: 1,231,547 of common stock, $1.00 par value per share.

NORTHEAST BANCORP AND SUBSIDIARY
Table of Contents

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

Part II. Other Information

Items 1 - 6.

Signature Page

Index to Exhibits

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Balance Sheets
(Unaudited)

	September 30, 1996	June 30, 1996
Assets		
Cash and due from banks	$ 5,298,792	$ 3,386,263
Interest bearing deposits in other banks	560,365	650,430
Federal Home Loan Bank overnight deposits	6,881,000	7,529,435
Trading account securities at market	196,298	197,621
Available for sale securities	32,395,480	29,650,319
Federal Home Loan Bank stock	2,980,100	2,656,200
Loans held for sale	390,384	448,475
Loans	173,238,611	170,140,264
Less deferred loan origination fees	248,479	289,340
Less allowance for loan losses	2,487,000	2,549,000
Net loans	170,503,132	167,301,924
Bank premises and equipment, net	3,521,672	3,576,386
Real estate held for investment	458,748	459,820
Other real estate owned	772,739	513,831
Goodwill (net of accumulated amortization of $1,014,153 at 9/30/96 and $940,059 at 6/30/96)	2,483,820	2,557,913
Other assets	3,455,774	3,360,998
Total Assets	229,898,304	222,289,615
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	$ 145,544,632	$ 145,195,369
Repurchase Agreements	3,874,811	3,762,966
Advances from Federal Home Loan Bank	59,278,835	52,123,000
Notes payable	1,376,081	1,502,192
Other Liabilities	1,622,447	1,554,846
Total Liabilities	211,696,806	204,138,373
Shareholders' Equity		
Preferred stock, Series A, 45,454 shares issued and outstanding	999,988	999,988
Preferred stock, Series B, 71,428 shares issued and outstanding	999,992	999,992
Common stock, par value $1,1,234,010 shares issued at 9/30/96 and 6/30/96. 1,231,294 and 1,229,910 shares outstanding at 9/30/96 and 6/30/96, respectively	1,234,010	1,234,010
Additional paid in capital	5,455,506	5,455,852
Retained earnings	10,401,790	10,351,031
	19,091,286	19,040,873
Net unrealized loss on available for sale securities	(855,156)	(837,354)
Treasury Stock at cost 2,716 shares at 9/30/96 and 4,100 shares at 6/30/96	(34,632)	(52,277)
Total Shareholders' Equity	18,201,498	18,151,242
Total Liabilities and Shareholders' Equity	$ 229,898,304	$ 222,289,615

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Income
(Unaudited)

Three Months Ended

	September 30, 1996	September 30, 1995
Interest and Dividend Income		
Interest on FHLB overnight deposits	$ 88,064	$ 181,565
Interest on loans & loans held for sale	3,987,260	4,098,163
Interest on investment securities & available for sale securities	590,010	160,580
Dividends on Federal Home Loan Bank stock	46,409	36,850
Other Interest Income	4,891	5,498
Total Interest Income	4,716,634	4,482,656
Interest Expense		
Deposits	1,539,567	1,635,482
Repurchase agreements	38,269	33,913
Other borrowings	854,846	599,959
Total Interest Expense	2,432,682	2,269,354
Net Interest Income	2,283,952	2,213,302
Provision for loan losses	144,814	147,855
Net Interest Income after Provision for Loan Losses	2,139,138	2,065,447
Other Income		
Service charges	267,949	281,609
Available for sale securities gains (losses)	28,300	120,593
Gain (Loss) on trading account	61,366	--
Other	148,069	212,091
Total Other Income	505,684	614,293
Other Expenses		
Salaries and employee benefits	1,024,525	1,043,248
Net occupancy expense	126,970	121,896
Equipment expense	177,028	168,288
Goodwill amortization	74,094	74,335
FDIC Insurance Assessment	380,000	--
Other	561,212	608,156
Total Other Expenses	2,343,829	2,015,923
Income Before Income Taxes	300,993	663,817
Income tax expense	116,732	242,180
Net Income	$ 184,261	$ 421,637
Earnings Per Share		
Primary	$ 0.11	$ 0.32
Fully Diluted	$ 0.11	$ 0.29

NORTHEAST BANCORP AND SUBSIDIARY
Consolidated Statements of Changes in Shareholders' Equity
Three Months Ended September 30, 1996 and 1995
(Unaudited)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings	Net Unrealized Gains(Losses) on Available for Sale Securities	Treasury Stock	Total
Balance at June 30, 1995	$ 547,502	$1,999,980	$4,643,059	$ 10,180,244	$ (95,507)	$ 0	$17,275,278
Net income for three months ended September 30, 1995	--	--	--	421,637	--	--	421,637
Dividends paid on common stock	--	--	--	(43,810)	--	--	(43,810)
Dividends paid on preferred stock	--	--	--	(35,000)	--	--	(35,000)
Issuance of common stock	123	--	2,521	--	--	--	2,644
Common stock warrants exercised	50,000	--	650,000	--	--	--	700,000
Net change in unrealized losses on securities available for sale	--	--	--	--	(27,717)	--	(27,717)
Balance September 30, 1995	$ 597,625	$1,999,980	$5,295,580	$ 10,523,071	$ (123,224)	$ 0	$18,293,032

Balance at June 30, 1996	1,234,010	1,999,980	5,455,852	10,351,031	(837,354)	(52,277)	18,151,242
Net income for three months ended September 30, 1996	--	--	--	184,261	--	--	184,261
Dividends paid on common stock	--	--	--	(98,503)	--	--	(98,503)
Dividends paid on preferred stock	--	--	--	(34,999)	--	--	(34,999)
Issuance of common stock	--	--	(346)	--	--	17,645	17,299
Net change in unrealized losses on securities available for sale	--	--	--	--	(17,802)	--	(17,802)
Balance September 30, 1996	$ 1,234,010	$1,999,980	$5,455,506	$ 10,401,790	$ (855,156)	$ (34,632)	$18,201,498

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

	Three Months Ended September 30, 1996	1995
Cash provided by operating activities	$ 542,157	$ 6,862
Cash flows from investing activities:		
FHLB stock purchased	(323,900)	--
Available for sale securities purchased	(8,763,065)	(8,572,245)
Available for sale securities principal reductions	572,283	154,533
Available for sale securities sold	5,447,793	8,467,522
New loans, net of repayments & charge offs	(3,741,933)	2,146,169
Net capital expenditures	(60,543)	(107,654)
Real estate owned sold	126,608	8,157
Real estate held for investment purchased	--	(56,096)
Real estate held for investment sold	--	30,000
Net cash provided by (used in) investing activities	(6,742,757)	2,070,386
Cash flows from financing activities:		
Net change in deposits	349,263	651,422
Net change in repurchase agreements	111,845	1,204,649
Dividends paid	(133,502)	(78,810)
Proceeds from stock issuance	17,299	702,645
Net (decrease) increase in advances from Federal Home Loan Bank of Boston	7,155,835	(2,000,000)
Net change in notes payable	(126,111)	(127,683)
Net cash provided by financing activities	7,374,629	352,223
Net (decrease) increase in cash and cash equivalents	1,174,029	2,429,471
Cash and cash equivalents, beginning of period	11,566,128	14,740,070
Cash and cash equivalents, end of period	$ 12,740,157	$ 17,169,541

Cash and cash equivalents include cash on hand, amounts due from banks, interest bearing deposits and federal funds sold

Supplemental schedule of noncash investing activities:		
Net increase (decrease) in valuation for unrealized market value adjustments on available for sale securities	(17,802)	(27,717)
Net transfer (to) from Loans to Other Real Estate Owned	447,039	(251,771)
Supplemental disclosure of cash paid during the period for:		
Income taxes paid, net of refunds	--	1,500
Interest paid	2,391,111	2,278,724

NORTHEAST BANCORP AND SUBSIDIARY
Notes to Consolidated Financial Statements
September 30, 1996

1. Basis of Presentation

The accompanying unaudited condensed and consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended September 30, 1996 are not necessarily indicative of the results that may be expected for the year ending June 30, 1997. For further information, refer to the audited consolidated financial statements and footnotes thereto for the fiscal year ended June 30, 1996 included in the Company's annual report on Form 10-K.

2. Securities

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

	September 30, 1996		June 30, 1996	
	Cost	Market Value	Cost	Market Value
Debt securities issued by the U.S. Treasury and other U.S. Government corporations and agencies	$ 1,250,000	$ 1,222,338	$ 1,497,111	$ 1,424,690
Corporate bonds	149,658	139,828	149,646	139,005
Mortgage-backed securities	31,666,203	30,475,543	28,810,113	27,646,294
Equity securities	625,310	557,771	462,167	440,330
	$33,691,171	$32,395,480	$30,919,037	$29,650,319

	September 30, 1996		June 30, 1996	
	Cost	Market Value	Cost	Market Value
Due in one year or less	--	--	$ 247,111	$ 246,790
Due after one year through five years	250,000	239,525	250,000	237,900
Due after five years through ten years	149,658	139,828	149,646	139,005
Due after ten years	1,000,000	982,813	1,000,000	940,000
Mortgage-backed securities (including securities with interest rates ranging from 5.15% to 8.5% maturing September 2003 to August 2026)	31,666,203	30,475,543	28,810,113	27,646,294
Equity securities	625,310	557,771	462,167	440,330
	$33,691,171	$32,395,480	$30,919,037	$29,650,319

3. Allowance for Loan Losses

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

	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995
Balance at beginning of year	$ 2,549,000	$ 2,396,000
Add provision charged to operations	144,814	147,855
Recoveries on loans previously charged off	21,431	6,842
	2,715,245	2,550,697
Less loans charged off	228,245	56,697
Balance at end of period	$ 2,487,000	$ 2,494,000

4. Advances from Federal Home Loan Bank

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

September 30, 1996

Principal Amounts	Interest Rates	Maturity Dates
$ 30,100,000	5.17% - 6.87%	1997
10,243,800	4.97% - 6.39%	1998
14,500,000	5.64% - 5.96%	1999
1,965,953	6.21% - 6.49%	2001
2,469,082	6.36% - 6.67%	2003
$ 59,278,835		

June 30, 1996

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

5. New Accounting Pronouncements

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

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

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

NORTHEAST BANCORP AND SUBSIDIARY
Part I.

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

Financial Condition

Total consolidated assets at September 30, 1996 were $229,898,304, which was an increase of $7,608,689 from June 30, 1996. Total loans increased by $3,201,208, while securities and cash equivalents increased by $3,067,738 and $1,174,029, respectively during the same period. Total deposits increased by $349,263, total repurchase agreements increased by $111,845, and total borrowings from the Federal Home Loan Bank (FHLB) increased by $7,155,835 from June 30, 1996 to September 30, 1996.

Cash and due from banks has increased by $1,912,529, from fiscal year end, due to large cash items cleared through the Federal Reserve Bank and the Maine clearing house on September 30, 1996. FHLB overnight deposits decreased by $648,435 due to the use of cash to support the increase in the loan and investment portfolios.

Total loans increased by $3,201,208 for the three months ended September 30, 1996. The loan portfolio growth was in 1-4 family mortgages and commercial loans. The Company's local market as well as the secondary market has become and continues to be very competitive for loan volume. The local competitive environment and customers response to favorable secondary market rates have affected the Company's ability to increase the loan portfolio. In an effort to increase loan volume, the Company's offering rates for its loan products has been reduced to compete in various markets. While the loan portfolio has increased in the first quarter of this fiscal year, the Company will experience some margin compression due to decreased loan rates.

The loan portfolio contains elements of credit and interest rate risk. The Company primarily lends within its local market areas, which management believes helps it to better evaluate credit risk. The Company also maintains a well collateralized position in real estate mortgages. Residential real estate mortgages make up 69% of the total loan portfolio, in which 47% of the residential loans are variable rate products. It is management's intent to increase the proportion of variable rate residential loans, by selling fixed rate loans to the secondary market and maintaining portfolio variable rate loans, to reduce the interest rate risk in this area.

Fifteen percent of the Company's total loan portfolio balance is commercial real estate mortgages. Similar to the residential mortgages, the Company tries to mitigate credit risk by lending in its local market area as well as maintaining a well collateralized position in the real estate. The commercial real estate loans have minimal interest rate risk as 87% of the portfolio consists of variable rate products.

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

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

Other real estate owned has increased by $258,908 from June 30, 1996 to September 30,1996. This increase was attributable to foreclosures on loan collateral.

The Bank continues to attract new deposit relationships. Total deposits were $145,544,632 and securities sold under repurchase agreements were $3,874,811 as of September 30, 1996. These amounts represent increases of $349,263 and $111,845, respectively, when compared to June 30, 1996. Brokered deposits represented $4,859,868 of the total deposits for the quarter ended September 30, 1996 a decrease of $787,270 compared to June 30, 1996. The Company utilizes, as alternative sources of funds, brokered CD's when the national brokered CD interest rates are less than the interest rates on local market deposits. Brokered deposits are similar to local deposits, in that both are interest rate sensitive with the respect to the Company's ability to retain the funds.

Total advances from the Federal Home Loan Bank were $59,278,835 as of September 30, 1996, an increase of $7,155,835 from June 30, 1996. The cash received from FHLB advances was utilized for the increase in loans and investments. The Company's current advance availability, subject to the satisfaction of certain conditions, is approximately $41,200,000 over and above the September 30, 1996 advances reported. Mortgages, free of liens, pledges and encumbrances are required to be pledged to secure FHLB advances. The Company utilizes Federal Home Loan Bank advances to fund short-term liquidity demand for loan volume and as an alternative sources of funds when the interest rates of the advances are less than market deposit interest rates. With the borrowing capacity at the Federal Home Loan Bank and the continued growth in bank deposits and repurchase agreements, management believes that the Company's available liquidity resources are sufficient to support future loan growth.

Total equity of the Company was at $18,201,498 as of September 30, 1996 versus $18,151,242 at June 30, 1996. Book value per common share was $13.16 as of

September 30, 1996 versus $13.13 at June 30, 1996. Total equity to total assets of the Company as of September 30, 1996 was 7.92%.

At September 30, 1996, the Bank's regulatory capital was in compliance with regulatory capital requirements as follows:

	Northeast Bank, F.S.B.
Capital Requirements:	
Tangible capital	$ 3,417,000
Percent of tangible assets	1.50%
Core capital	$ 6,835,000
Percent of adjusted tangible assets	3.00%
Leverage capital	$ 9,113,000
Percent of adjusted leverage assets	4.00%
Risk-based capital	$ 10,865,000
Percent of risk-weighted assets	8.00%
Actual:	
Tangible capital	$ 16,000,000
Percent of adjusted total assets	7.02%
Excess of requirement	$ 6,535,000
Core capital	$ 16,000,000
Percent of adjusted tangible assets	7.02%
Excess of requirement	$ 9,165,000
Leverage capital	$ 16,000,000
Percent of adjusted leverage assets	7.02%
Excess of requirement	$ 6,887,000
Risk-based capital	$ 17,094,000
Percent of risk-weighted assets	12.59%
Excess of requirement	$ 6,229,000

The carrying value of securities available for sale of the Company was $32,395,480, which is $1,295,691 less than the cost of the underlying securities, at September 30, 1996. The difference from the cost and the carrying value of the securities was primarily due to the decline in market value of mortgage-backed securities, which was due to the change in current market prices from the prices at the time of purchase. The Company has primarily invested in mortgage-backed securities. Substantially all of the mortgage-backed securities are high grade government backed securities. As in any long term earning asset in which the earning rate is fixed, the market value of mortgage-backed securities will decline when market interest rates increase from the time of purchase. Since these mortgage-backed securities are backed by the U.S. government, there is little or no risk in loss of principal. Management believes that it would be advantageous to hold these securities until the market values recover and the that yields currently received on this portfolio are satisfactory.

The Company increased its investment in FHLB stock by $323,900, compared to June 30, 1996, due to the increase in FHLB borrowings. The FHLB requires institutions to hold a certain level of FHLB stock based on advances outstanding.

The Company's allowance for loan losses was $2,487,000 as of September 30, 1996 versus $2,549,000 as of June 30, 1996, representing 1.44% and 1.50% of total loans, respectively. The Company had non-performing loans totaling $2,345,000 at September 30, 1996 compared to $2,603,000 at June 30, 1996. Non-performing loans represented 1.02% and 1.17% of total assets at September 30 and June 30, 1996, respectively. The Company's allowance for loan losses was equal to 106% and 98% of the total non-performing loans at September 30, 1996 and June 30, 1996, respectively. At September 30, 1996, the Company had approximately $1,500,000 of loans classified substandard, exclusive of the non-performing loans stated above, that could potentially become non-performing due to delinquencies or marginal cash flows. The loans classified substandard, as of September 30, 1996, have decreased from the June 30, 1996 amount of $2,541,000. This 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. Even though substandard loans decreased, there is a continuation of economic weakness in the Oxford county region served by the Bank. Along with non-performing and delinquent loans, management takes an aggressive posture in reviewing its loan portfolio to classify loans substandard. The following table represents the Company's non-performing loans as of September 30 and June 30, 1996, respectively:

Description	September 30, 1996	June 30, 1996

1-4 Family Mortgages	$ 1,224,000	$ 1,092,000
Commercial Mortgages	781,000	1,154,000
Commercial Installment	304,000	283,000
Consumer Installment	36,000	74,000
Total non-performing	$ 2,345,000	$ 2,603,000

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

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

12-31-95	3-31-96	6-30-96	9-30-96
3.51%	2.82%	2.77%	1.53%

While the level of the allowance for loan losses as a percentage of total loans at September 30, 1996 decreased from June 30, 1996, the level of the allowance for loan losses as a percentage of non-performing loans and total delinquencies as a percentage of total loans improved during the quarter ended September 30, 1996. Loans classified substandard decreased from June 30, 1996 to September 30, 1996. Based on reviewing the credit risk and collateral of delinquent, non-performing and classified loans, management considers the allowance for loan losses to be adequate.

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

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

While management uses its best judgement in recognizing loan losses in light of available information, there can be no assurance that the Company will not have to increase its provision for loan losses in the future as a result of changing economic conditions, adverse markets for real estate or other factors. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance for loan losses based on their judgements about information available to them at the time of their examination. The Company's most recent examination by the OTS was on August 19, 1996. At the time of the exam the regulators proposed no additions to the allowance for loan losses.

Results of Operations

Net income for the quarter ended September 30, 1996 was $184,261. The primary and fully diluted earnings per share were $.11 for the quarter ended September 30, 1996. This compares to earnings of $421,637, or primary earnings per share of $.32 and fully diluted earnings per share of $.29, for the quarter ended September 30, 1995. The 1995 earnings per share have been restated as a result of the Company's 100% stock dividend in December, 1995.

The reduction in net income for the quarter ended September 30, 1996, compared to the quarter ended September 30, 1995 was due to the FDIC special insurance assessment on thrift SAIF deposits. 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 Ration. Institutions with SAIF deposits will be required to pay an up-front 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, which resulted in a first quarter expense of $380,000 to the Company. This one time assessment decreased the Company's primary earnings per share by $.19 and the fully diluted earnings per share by $.16 for the quarter ended September 30, 1996. Commencing in 1997 and continuing through 1999, the Bank is required to pay an annual assessment of 1.29 cents for every $100 of domestic BIF insured deposits and 6.44 cents for every $100 of domestic SAIF insured deposits. At the Bank's current deposit level of former SAIF deposits, the 1997 annual assessment would be approximately $47,000. 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. If there are no additional deposit insurance assessments in the future, it is anticipated that the Company will save approximately $95,000 annually commencing in fiscal 1998.

The Company's net interest income was $2,283,952 for the quarter ended September 30, 1996, versus $2,213,302 for the quarter ended September 30, 1995, an increase of $70,650. Total interest income increased $233,978 during the three months ended September 30, 1996 compared to the three months ended September 30, 1995, resulting from the following items: (I) Interest income on loans and loans held for sale decreased by $110,903 for the three months ended September 30, 1996 resulting from a $19,374 increase due to an increase in the volume of loans, which was more than offset by a decrease of $130,277 due to decreased rates on loans. (II) Interest income on investment securities increased by $438,989 resulting from a $402,776 increase due to an increase in volume as well as an increase of $36,213 due to increased rates on investments. (III) Interest income on short term liquid funds decreased by $94,108 resulting from a $78,738 decrease due to a decrease in volume as well as a decrease of $15,370 due to decreased rates on FHLB overnight deposits.

The increase in total interest expense of $163,328 for the three months ended September 30, 1996 resulted from the following items: (I) Interest expense on deposits decreased by $95,915 for the three months ended September 30, 1996 resulting from a $25,225 decrease due to a decrease in the volume of deposits as well as a decrease of $70,690 due to decreasing deposit rates. (II) Interest expense on repurchase agreements increased $4,356 due to an increase in the volume of repurchase agreements offset by a decrease of $5,103 due to a decrease in rates. (III) Interest expense on borrowings increased $254,887 for the three months ended September 30, 1996 resulting from an increase of $344,042 due to an increase in the volume of borrowings offset by a decrease of $89,155 due to a change in the mix of interest rates on borrowings. The changes in net interest income, as explained above, are also presented in the schedule below.

Northeast
Bancorp
Rate/Volume Analysis for the three months ended
September 30, 1996 versus September 30, 1995

	Difference Due to Volume	Rate	Total
Investments	$ 402,776	$ 36,213	$ 438,989
Loans	19,374	(130,277)	(110,903)
FHLB & Other Deposits	(78,738)	(15,370)	(94,108)
Total	343,412	(109,434)	233,978
Deposits	(25,225)	(70,690)	(95,915)
Repurchase Agreements	9,459	(5,103)	4,356
Borrowings	344,042	(89,155)	254,887
Total	328,276	(164,948)	163,328
Net Interest Income	$ 15,136	$ 55,514	$ 70,650

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 20% of the Company's loan portfolio is comprised of floating rate loans based on a prime rate index. Interest income on these existing loans will increase as the prime rate increases, as well as on approximately 32% of other loans in the Company's portfolio that are based on short-term rate indices such as the one-year treasury bill. An increase in short-term interest rates will also increase deposit and Federal Home Loan Bank advance rates, increasing the Company's interest expense. The Company is experiencing and anticipates additional net interest margin compression due to fluctuating rates. The impact on net interest income will depend on, among other things, actual rates charged on the Company's loan portfolio, deposit and advance rates paid by the Company and loan volume.

Total non-interest income was $505,684 for the three months ended September

30, 1996 versus $614,293 for the three months ended September 30, 1995. Service fee income was $267,949 for the quarter ended September 30, 1996 versus $281,609 for the quarter ended September 30, 1995. The $13,660 service fee decrease was primarily due to the reduction in loan fee income. Income from available for sale securities gains was $28,300 for the three months ended September 30, 1996 versus $120,593 for the three months ended September 30, 1995. Gains from the sale of securities decreased in the September 30, 1996 quarter by $92,293 compared to the quarter ended September 30, 1995. The Company sold some of its available for sale securities in the September 30, 1995 quarter, taking advantage of the fluctuation in market prices in the mortgage-backed security portfolio. Income from trading account securities was $61,366 and $0 for the three months ended September 30, 1996 and 1995, respectively. The gain on trading account, in the September 30, 1996 quarter, was due to the sale and appreciation in market value of the securities classified as trading.

Other income was $148,069 for the three months ended September 30, 1996, which was a $64,022 decrease from the September 30, 1995 $212,091 balance. The reduction in other income was primarily due to the decrease in gains on the sale of loans held for sale, which amounted to $19,879 for the three months ended September 30, 1996 versus $82,815 for the three months ended September 30, 1995. The reduction in gains from the sale of loans was due to decreased secondary market activity.

Total operating expense, or non-interest expense, for the Company was $2,343,829 for the three months ended September 30, 1996 versus $2,015,923 for the three months ended September 30, 1995. As previously discussed above, the Company's operating expenses increased primarily due to the FDIC-SAIF deposit insurance assessment of $380,000. Excluding the FDIC-SAIF deposit assessment, the Company's total operating expense was $1,963,829 for the three months ended September 30,1996, which was a decrease of $52,094 when compared to the three months ended September 30, 1995.

Cash provided by operating activities increased by $535,295 for the three months ended September 30, 1996. During the quarter ended September 30, 1995 there was a reduction in cash from operating activities due to the increase in assets held for sale of $616,000.

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

Impact of Inflation

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

NORTHEAST BANCORP AND SUBSIDIARY
Part II - Other Information

Item 1. Legal Proceedings

Not Applicable.

Item 2. Changes in Securities

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

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

SUMMARY OF VOTING AT 10/23/96 ANNUAL SHAREHOLDERS' MEETING

At the Annual Meeting of Shareholders held in Auburn, Maine on October 23, 1996, 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 - Election of Directors:

	Votes For	Votes Against	Votes Abstaining

Joseph A. Aldred, Jr.	1,125,975	9,300	0
A. William Cannan	1,125,975	9,300	0
James D. Delamater	1,134,975	300	0
Normand R. Houde	1,120,413	14,862	0
Philip C. Jackson	1,135,075	200	0
Ronald C. Kendall	1,135,075	200	0
Robert Morrell	1,125,975	9,300	0

Mr. Aldred was elected to serve until the 1997 Annual Meeting. Mr. Cannan was elected to serve until the 1998 Annual Meeting and Messrs. Delamater, Houde, Jackson, Kendal and Morrell were elected to serve until the 1999 Annual Meeting. The terms of the following Directors continued after the meeting: Ms. Hayes and Messrs. Bouchard, Brown, Goguen, Trinward, Vachon, Wight, and Wilson. There was no solicitation in opposition to management's nominees, and all nominees were elected without contest.

Proposal 2 - Amendment to the Company's Articles of Incorporation to change its name to Northeast Bancorp.

Votes For	Votes Against	Votes Abstaining	Broker Non-Votes
1,130,351	1,860	3,064	0

Proposal 3 - Appointment of Baker Newman & Noyes, Limited Liability Company as auditors for fiscal year 1997.

Votes For	Votes Against	Votes Abstaining
1,133,935	100	1,240

Item 5. Other Information

Not Applicable.

Item 6. Exhibits and Reports on Form 8 - K

(a) Exhibits

3.1 Conformed Articles of Incorporation of Northeast Bancorp as amended October 23, 1996 are filed herewith as Exhibit 3.1.

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

27 Financial data schedule is filed herewith as exhibit 27.

(b) Reports on Form 8 - K

Not Applicable.

NORTHEAST BANCORP AND SUBSIDIARY
Signatures

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

NORTHEAST BANCORP
(Registrant)

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

/s/ Richard Wyman

Richard Wyman
Chief Financial Officer

Date: November 13, 1996

NORTHEAST BANCORP AND SUBSIDIARY
Index to Exhibits

EXHIBIT NUMBER	DESCRIPTION
3.1	Conformed Articles of Incoporation of Northeast Bancorp as amended October 23, 1996
11	Statement regarding computation of per share earnings
27	Financial Data Schedule

NORTHEAST BANCORP
CONFORMED 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
158 Court 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 fifteen 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 be entitled.

There shall be no cumulative voting for Directors or otherwise.

II. INTERNAL AFFAIRS OF THE CORPORATION

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

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

(b) Vacancies.

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

(c) Removal of Directors.

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

(d) Nomination of Directors.

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

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

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

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

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

Section 2. Voting for Business Combinations.

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

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

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

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

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

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

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

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

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

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

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

Section 3. Special Meetings and Consent Meetings.

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

Section 4. Acquisition of Stock.

(a) Restrictions on Offers and Acquisitions.

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

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

For the purposes of this Section 4:

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

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

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

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

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

(c) Readoption of Restriction by Shareholders.

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

(d) Exception in Cases of Advance Approval.

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

(e) Enforcement of this Section 4.

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

(f) Amendments of this Section 4.

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

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

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

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

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

Section 5. Amendments.

(a) Amendments to Articles of Incorporation.

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

(b) Amendments to By-Laws.

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

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.

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.

RESOLUTION OF THE BOARD OF DIRECTORS
OF BETHEL BANCORP
ESTABLISHING THE RIGHTS AND PREFERENCES OF THE
CONVERTIBLE PREFERRED STOCK, SERIES A.

WHEREAS, Bethel Bancorp (the "Corporation") has entered into a Stock Purchase Agreement dated as of September 17, 1990 (the "Stock Purchase Agreement") by and between the Corporation and Square Lake Holding Corporation (the "Purchaser"), pursuant to which the Corporation will sell, and the Purchaser will buy, certain shares of the Corporation's Series A Preferred Stock, as defined below (the "Stock Purchase"); and

WHEREAS, the Corporation intends to effect the Stock Purchase in part through the designation and issuance of such preferred stock; and

WHEREAS, the Articles of Incorporation of the Corporation (the "Articles") authorize the issuance of up to 1,000,000 shares, $1.00 par value per share, of preferred stock and the Board of Directors of the Corporation has the authority to issue preferred stock in one or more series and to fix and determine the relative rights and preferences of the shares of any series of preferred stock so established, including the rate of dividend, whether shares of such series may be converted or redeemed, and, if so, the terms and conditions of conversion or redemption, the amount payable upon shares in event of voluntary and involuntary liquidation with respect to shares of such series, sinking fund provisions, if any, for the redemption or purchase of shares of such series, voting rights, if any, and the number of shares constituting any series without any further action by shareholders of the Corporation.

NOW, THEREFORE, BE IT RESOLVED THAT a series of preferred stock shall be established with the following terms, rights and preferences:

1. Designation.

Forty Five Thousand Four Hundred Fifty Four (45,454) shares of the preferred stock of the Corporation are hereby constituted as a series of preferred stock, designated as Convertible Preferred Stock, Series A (hereinafter called the "Series A Preferred Stock"). The number of shares of Series A Preferred Stock may not be increased but may be decreased by a resolution duly adopted by the Board of Directors, but not below the number of shares of Series A Preferred Stock then outstanding.

2. Dividends.

Holders of shares of the Series A Preferred Stock shall be entitled to receive cumulative cash dividends, when, as and if declared by the Board of Directors of the Corporation out of funds legally available therefor, payable at a rate equal to the prime rate of the First National Bank of Boston,as announced by such bank from time to time (or if such rate is no longer announced or available, the prime rate of some other national bank headquartered in Boston, Massachusetts to be designated by the Board of Directors of the Corporation), less two percent (2%), provided however, that in no event shall such rate be less than seven percent (7%) per annum based on $22.00 value per share. Dividends shall be cumulative and shall be determined and payable quarterly on the first day of January, April, July and October in each year. The dividend earned in the period from the issue date to the first quarterly payment date will be prorated. If the dividend accrued on the Series A Preferred Stock for any dividend period shall not have been paid or set apart in full for the Series A Preferred Stock, the aggregate deficiency shall be cumulative and shall be fully paid or set apart for payment before any dividends shall be paid upon or set apart for payment on any class of common stock of the Corporation. Accumulations of dividends on the Series A Preferred Stock shall not bear interest. No dividends shall be paid upon, or declared or set apart for, any shares of Series A Preferred Stock if the Board of Directors shall have failed duly and lawfully to declare and pay in full all accumulated dividends required to be paid to the holders of the Series A Preferred Stock for all past dividend periods.

3. Amount Payable on Liquidation.

The amount per share to which the holders of the shares of Series A Preferred Stock shall be entitled to receive for purposes of paragraph (c) of Part I of Exhibit B to the Articles is $22.00 per share, plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution, before any payment and distribution shall be made to the holders of any class of common stock of the Corporation.

4. Conversion.

(a) At the option of the holder, any share of Series A Preferred Stock (a "Share") may, at any time, be converted into shares of the Common Stock of the Corporation (the "Common Stock") as hereinafter provided. In order to exercise the conversion privilege, the holder of any Share to be converted shall surrender such Share to the Corporation, together with the conversion notice in the form provided on the Shares duly executed. As promptly as practicable after the surrender of such Share for conversion as aforesaid, the Corporation shall issue and shall deliver to such holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such Share or portion thereof and a check or cash in respect of any fraction of a share of Common Stock issuable upon such conversion. Such conversion shall be deemed to have been effected on the date on which such notice shall have been received and such Share shall have been surrendered as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on said date the holder or holders of record of the shares represented thereby; provided however, that any such surrender on any date when the stock transfer books of the Corporation shall be closed shall constitute the person or persons in whose name or names the certificates are to be issued as the record holder or holders thereof for all purposes on the next succeeding day on which such stock transfer books are open. In the event the holder of any Share elects to exercise the conversion privilege as to any Shares, he shall be required to exercise such privilege as to the lesser of 100 Shares or all Shares beneficially owned by such shareholder.

(b) The Corporation shall not be required to issue fractions of shares of Common Stock upon conversion of Shares. If more than one Share shall be surrendered for conversion at any time by the same holder, the number of full shares which shall be issuable upon conversion thereof shall be computed on the basis of the aggregate number of the Shares so surrendered. If any fractional interest in a share of Common Stock would be deliverable upon the conversion of any Share or Shares, the Corporation shall make an adjustment therefor in cash equal to the same fraction of the current market price of the Common Stock (as defined in Section 4(e) (4)).

(c) The conversion ratio in the case of conversion pursuant to Section 4(a) shall be one (1) share of the Corporation's common stock for one (1) share of the Series A Preferred Stock.

(d) The Corporation shall at the time of conversion pursuant to Section 4 (a) pay to the holder of record of any share of Series A Preferred Stock any dividend accrued and unpaid on the Series A Preferred Stock. No dividends shall be paid or set apart for payment on any class of Common Stock of the Corporation or, in the case of optional conversion, on any remaining shares of Series A Preferred Stock unless all accrued and unpaid dividends due to the former holders of Series A Preferred Stock have been fully paid or set apart for payment.

(e) The conversion ratio shall be adjusted from time to time as follows:

(1) In case the Corporation shall (i) pay a dividend in shares of its Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares, or (iv) issue by reclassification of its shares of Common Stock any shares of stock of the Corporation, the conversion privilege and conversion ratio in effect immediately prior thereto shall be adjusted so that the holder of any Share thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock which he would have owned or have been entitled to receive after the happening of any of the events described above, had such Share been converted immediately prior to the record date for such dividend or the effective date of such other event, as the case may be.

(2) In case the Corporation shall issue rights or warrants to all holders of shares of its Common Stock entitling them (for a period expiring within 45 days of the record date mentioned below) to subscribe for or purchase shares of Common Stock at a price per share less than the current market price per share of Common Stock (as defined in subdivision (4) below) on the record date mentioned below, the conversion ratio shall be adjusted so that the same shall equal the ratio determined by multiplying the conversion ratio in effect immediately prior to the date of issuance of such rights or warrants by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares of Common Stock which the aggregate exercise price of the shares of Common Stock called for by all such rights or warrants, would purchase at such current market price. Such adjustment shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights or warrants.

(3) In case the Corporation shall distribute to all holders of shares of its Common Stock evidences of its indebtedness or securities or assets (excluding cash dividends, or dividends payable in shares of Common Stock) or rights to subscribe (excluding those referred to in subdivision (2) above), then in each such case the conversion ratio shall be adjusted so that the same shall equal the ratio determined by multiplying the conversion ratio in effect immediately prior to the date of such distribution by a fraction of which the numerator shall be the current market price per share (determined as provided in subsection (4) below) of the Common Stock on the record date mentioned below plus the then current fair market value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive) of the portion of the assets or evidences of indebtedness so distributed or of such subscription rights applicable to one share of Common Stock, and the denominator shall be such current market price per share of the Common Stock.

(4) For the purpose of any computation under subdivisions (2) and (3) above, the current market price per share of Common Stock at any date shall be deemed to be the average of the closing bid and asked prices as reported by the National Association of Securities Dealers Automated Quotation System on the last business day immediately preceding the day in question.

(5) Except as herein otherwise provided, no adjustment in the conversion ratio shall be made by reason of the issuance, in exchange for cash, property or services, of shares of Common Stock, or any securities convertible into or exchangeable for shares of Common Stock, or carrying the right to purchase any of the foregoing.

(f) In case of any reclassification or change of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any consolidation of the Corporation with one or more other corporations (other than a consolidation in which the Corporation is the continuing corporation and which does not result in any reclassification or change of outstanding shares of Common Stock), or in case of the merger of the Corporation into another corporation, or in case of any sale or conveyance to another corporation of the property of the Corporation as an entirety or substantially as an entirety, the Corporation, or such successor or purchasing corporation, as the case may be the holder of each Share then outstanding shall have the right to convert such Share into the kind and amount of shares of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock into which such Share might have been converted immediately prior to such reclassification, change, consolidation, merge, sale or conveyance.

(g) The Corporation shall at all times reserve and keep available out of its authorized but unissued shares, for the purpose of effecting the conversion of the Shares, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Shares.

If any shares of Common Stock reserved or to be reserved for the purpose of the conversation of Shares hereunder require registration with or approval of any governmental authority under any federal or state law before such shares may be validly issued upon conversion, then the Corporation covenants that it will in good faith and as expeditiously as possible endeavor to secure such registration or approval, as the case may be.

The Corporation covenants that all shares of Common Stock which may be issued upon conversion of Shares shall upon issue be fully paid and non-assessable by the Corporation and free from all taxes, liens and charges with respect to the issue thereof.

(h) If, and whenever, any event not specified herein occurs which, in the opinion of the Board of Directors of the Corporation, requires a change in the conversion ratio of the Shares or in the property deliverable upon conversion of the Shares, in order to carry out the purposes of these conversion provisions, said Board of Directors will direct such change in the manner, or as nearly as may be in the manner, provided for other changes therein.

5. Shares to be Retired.

All shares of Series A Preferred Stock converted to Common Stock of the Corporation pursuant to Section A herein shall be retired and shall be restored to the status of authorized but unissued shares of preferred stock, without designation as to series, and may thereafter be issued, but not as shares of Series A Preferred Stock.

6. Voting Rights.

(a) Except as hereinafter in this Section 6 expressly provided for and as otherwise from time to time required by the laws of the State of Maine, the holders of the outstanding Series A Preferred Stock shall have the right, voting as a single class with the holders of the Corporation's Common Stock, to vote on all matters presented for a shareholder vote. Each holder of Series A Preferred Stock shall be entitled to one vote for each share held.

So long as any shares of Series A Preferred Stock remain outstanding, the consent of the holders of at least a majority of the shares of Series A Preferred Stock outstanding at the time (voting separately as a class with all other affected series of Preferred Stock ranking on a parity with the Series A Preferred Stock either as to dividends or the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable) given in person or by proxy either in writing or at any special or annual meeting called for the purpose, shall be necessary to permit, effect or validate any one or more of the following:

(i) the authorization, creation or issuance of a new class or series of stock having rights, preferences or privileges prior to the shares of the Series A Preferred Stock as to dividends or the distribution of assets upon liquidation, dissolution or winding up, or any increase in the number of authorized shares of any class or series having rights, preferences or privileges prior to the shares of Series A Preferred Stock as to dividends or the distribution of assets upon liquidation, dissolution or winding up; and

(ii) the amendment, alteration or repeal, whether by merger, consolidation or otherwise, of any of the provisions of Articles of Incorporation of the Corporation or of this resolution which would materially and adversely affect any right, preference, privilege or voting power of the Series A Preferred Stock or of the holders thereof; provided, however, that any increase in the amount of authorized common stock or authorized preferred stock or the creation and issuance of other series of common stock or preferred stock, in each case ranking on a parity with or junior to the Series A Preferred Stock with respect to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

(b) For the purposes of this Section, a new class or series of stock shall not be considered to have rights, preferences or privileges prior to the shares of the Series A Preferred Stock solely by reason of a difference in the dividend rate payable on such new class or series.

BETHEL BANCORP AND SUBSIDIARIES

Exhibit 11. Statement Regarding Computation of Per Share Earnings

	Three Months Ended September 30, 1996	Three Months Ended September 30, 1995
EQUIVALENT SHARES:		
Average Shares Outstanding	1,231,294	1,120,250
Total Equivalent Shares	1,231,294	1,120,250
Total Primary Shares	1,330,400	1,216,523
Total Fully Diluted Shares	1,565,531	1,451,571
Net Income	$ 184,261	$ 421,637
Less Preferred Stock Dividend	34,999	35,000
Net Income after Preferred Dividend	$ 149,262	$ 386,637
Primary Earnings Per Share	$ 0.11	$ 0.32
Fully Diluted Earnings Per Share	$ 0.11	$ 0.29

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NORTHEAST BANCORP
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3-MOS
JUN-30-1997
JUL-01-1996
SEP-30-1996
5,298,792
7,441,366
0
196,298
32,395,480
0
0
172,990,132
2,487,000
229,898,304
145,544,632
34,128,669
1,622,448
30,401,057
0
1,999,980
1,199,379
15,002,138
229,898,304
3,987,260
636,419
92,956
4,716,634
1,539,567
2,432,682
2,283,952
144,815
89,666
2,343,829
300,993
184,261
0
0
184,261
.11
.11
4.222
2,345,000
0
338,004
1,500,000
2,549,000
228,245
21,431
2,487,000
431,393
0
2,055,607