SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

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FILER

ABINGTON BANCORP INC

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20429

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31,1998

Commission File No. 0-16018

ABINGTON BANCORP, INC.
(Exact name of Registrant as specified in its charter)

MASSACHUSETTS	04-3334127
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

536 WASHINGTON STREET, ABINGTON, MASSACHUSETTS	02351
(Address of Principal Executive Offices)	(Zip Code)

(617) 982-3200
(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act: None
Securities registered under Section 12(g) of the Act:
Title of Class: Common Stock, par value $0.10 per share

Indicate by check mark whether the Registrant (together with its predecessor in interest) (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based on the closing sales price for the Registrant's Common Stock on March 5, 1999, as reported by the Nasdaq Stock Market, was $45,880,000.

The number of shares outstanding of the Registrant's Common Stock as of March 5, 1999: 3,347,300 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Information required by Part II (Items 6, 7 and 8) of this Form is incorporated by reference herein from the Registrant's Annual Report to Stockholders for the year ended December 31, 1998 (the "Annual Report").

Information required by Part III (Items 10, 11 and 12) of this Form is incorporated by reference herein from the Registrant's definitive proxy statement (the "Proxy Statement") relating to the 1999 Annual Meeting of Stockholders of the Registrant.

When used in this Report, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "believe" or similar expressions are intended to identify "forward-looking statements" within the meanings of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company wishes to caution readers that all forward-looking statements are necessarily speculative and not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and to advise readers that various risks and uncertainties, including regional and national economic conditions, changes in the real estate market, changes in levels of market interest rates, credit risks of lending activities, competitive and regulatory factors, and the so-called

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Year 2000 issue, could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected.

PART I

ITEM 1. BUSINESS

GENERAL

Abington Bancorp, Inc. (the "Company") is a one-bank holding company which owns all of the outstanding capital stock of Abington Savings Bank ("the Bank"). Abington Bancorp, Inc. was reestablished as the Bank's holding company on January 31, 1997. Previously, the Company's predecessor, also known as Abington Bancorp, Inc. had served as the Bank's holding company from February 1988 until its dissolution in December 1992. The Company's primary business is serving as the holding company of the Bank.

The Bank operated as a Massachusetts-chartered mutual savings bank from its incorporation in 1853 until June 1986 when the Bank converted from mutual to stock form of ownership. From June 1986 to the present, the Bank has operated as a stock-owned savings Bank.

In May 1998, the Company formed a Delaware business trust, Abington Bancorp Capital Trust (the "Trust"). All of the common securities of this special purpose Trust are owned by the Company. The Trust exists solely to issue capital securities for financial reporting purposes, the Trust is reported as a subsidiary and is consolidated into the financial statements of Abington Bancorp, Inc. and subsidiaries. The capital securities are presented as a separate line item on the consolidated balance sheet as a guaranteed preferred beneficial interest in the Company's Junior Subordinated Debentures ("Trust Preferred Securities"). The Trust has issued Trust Preferred Securities and has invested the net proceeds in Junior Subordinated Deferrable interest debentures ("Subordinated Debentures") issued to the Trust by the Company. These Subordinated Debentures are the sole assets of the Trust.

The Bank presently has three wholly-owned subsidiaries: Holt Park Place Development Corporation and Norroway Pond Development Corporation, which own properties being marketed for sale, and Abington Securities Corporation, which invests primarily in United States Government obligations and obligations of related agencies and equity securities. ABBK Corporation, which had previously invested in real estate development limited partnerships engaged in qualified housing projects, was dissolved in January 1997.

The Company is engaged principally in the business of attracting deposits from the general public, borrowing funds and investing those deposits and funds. In its investments, the Company has emphasized various types of residential and commercial real estate loans, residential construction loans, consumer loans, and investments in securities. The Company considers its principal market area to be Plymouth County, Massachusetts; primarily Abington, Cohasset, Halifax, Hanson, Holbrook, Hull, Kingston, Pembroke, Randolph and Whitman where it has banking offices, and nearby Rockland, Duxbury, Scituate, Plympton, Brockton, Hanover, East Bridgewater, Plymouth, Carver, Weymouth and Bridgewater.

The Company has grown from $421.8 million in assets and $246.8 million in deposits at December 31, 1994 to $591.2 million in assets and $364.0 million in deposits at December 31, 1998. Deposits in the Company have been insured by the Federal Deposit Insurance Corporation ("FDIC") since 1975. Deposits are insured by the Bank Insurance Fund of the FDIC up to FDIC limits (generally $100,000 per depositor) and by the Depositors Insurance Fund of the Mutual Savings Central Fund, Inc. (the "Depositors Insurance Fund" or "Central Fund") for the portion of deposits in excess of that insured by the FDIC.

On June 3, 1994, the Company acquired Hull Co-Operative Bank ("Hull") by merger. On June 26, 1995, the Company acquired the deposits and certain assets and other liabilities of the Holbrook branch of The First National Bank of Boston ("Holbrook"). Additionally, in August of 1997, the Company opened, in Cohasset, the first of three planned de novo supermarket branches, with the Randolph and Hanson branches opening in April and September, 1998, respectively. These acquisitions and branch openings are consistent with the Company's ongoing strategy of planned growth which will enable the Company to have a greater regional presence.

MARKET AREA AND OFFICES

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The Company considers its primary service area to be Plymouth County, Massachusetts; primarily the towns of Abington, Cohasset, Halifax, Hanson, Holbrook, Hull, Kingston, Pembroke, Randolph and Whitman, where it has banking offices, and nearby Rockland, Duxbury, Scituate, Plympton, Brockton, Hanover, Bridgewater, Plymouth, Carver, Weymouth and Bridgewater. The Company has its corporate headquarters in Abington, Massachusetts. The Company provides the full range of its services at its offices. An Operations Center is also located in Abington. The Company has an additional branch office at the Abington High School which is open on a part-time basis.

LENDING ACTIVITIES

GENERAL. Loans currently originated and purchased for the Company's own portfolio primarily have terms to maturity or repricing of 15 years or less, such as residential construction loans and adjustable-rate and fixed-rate mortgages on owner-occupied residential property. See "Item 7 - Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations -- Liquidity and Capital Resources" for discussion of the Company's asset-liability strategy. The Company also originates one-year and three-year adjustable-rate mortgages on non-owner-occupied residential property as well as commercial and commercial real estate loans. Prior to 1996, commercial, commercial real estate or commercial construction lending had not been a primary source of loan originations. The Company began to emphasize such lending in the latter part of 1996. The Company does anticipate a continued emphasis in 1999 and beyond for this type of loan origination. The Company has stressed the origination or purchase of shorter-term 15-year fixed rate or adjustable residential mortgage loans or seasoned 30-year fixed rate residential mortgage loans for its own portfolio in connection with the asset/liability management. (See "Lending Activities-Residential and Commercial Construction and Commercial Real Estate Loans.") At December 31, 1998, the Company's loan portfolio included $208.9 million in fixed-rate mortgage loans of which $3.9 million were held for sale.

The Company's net loan portfolio, including loans held for sale, totaled $360.7 million at December 31, 1998, representing approximately 61.0% of its total assets. The majority of the Company's loans are secured by real estate and are made within Plymouth County, although the Company also purchases loans in other areas of the United States. Generally, loans purchased outside of Massachusetts are well collateralized and reflect an adequate payment history. Approximately 34.5% of the Company's total loan portfolio represent owner-occupied first mortgages located outside of Massachusetts. The two states (other than Massachusetts) in which the Company has its largest concentrations of residential loans were California and Rhode Island in which there were $33,000,000 and $18,000,000, of loans, respectively. No other states had a 5% or greater concentration.

The Company originated $30.1 million in commercial and commercial real estate loans and $47.0 million in residential first mortgage loans during the year ended December 31, 1998. Of the latter amount, loans aggregating $11.0 million were retained for the Company's own portfolio, of which approximately $3.9 million were held for sale at December 31, 1998, and loans aggregating $32.1 million were sold in the secondary market. As of December 31, 1998, loan commitments to borrowers or potential borrowers of $25.3 million were outstanding. These commitments included $2.6 million under existing construction loans, $11.1 million in residential and commercial and commercial real estate loans, $11.6 million under existing lines of credit (including home equity loans). Additionally the Company had outstanding commitments to acquire approximately $26.6 million of primarily 5 - and 7 - year adjustable residential first mortgages.

RESIDENTIAL LOANS. The Company currently sells in the secondary market most first mortgage loans originated on owner-occupied residential property. The Company generally sells loans it has originated to investors on a non-recourse basis. Prior to 1996, the Company had generally retained the servicing rights on sold loans. Currently, the Company typically sells the servicing rights along with the loans. The Company currently receives annual loan servicing fees, where servicing was retained, generally ranging from .25% to .425% of the principal balance of the loans plus all late charges on previous loan sales (generally before 1996) where servicing rights were retained. At December 31, 1998, the Company's loan servicing portfolio amounted to $153.2 million.

As of December 31, 1998, the outstanding balance of residential first mortgage loans totaled $270.9 million or 73.8% of the gross loans in the Company's loan portfolio. Residential first mortgage loans purchased or originated are generally written in amounts up to 95% of value if the property is owner-occupied. Borrowers on residential first mortgage loans with a loan-to-value ratio in excess of 80% are required to carry private mortgage insurance. Adjustable-rate mortgage loans to owner occupants of one- to four-family residential property are subject to certain requirements and limitations under guidelines issued by the Massachusetts Commissioner of Banks

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(the "Commissioner"), including limitations on the amount and frequency of changes in interest rates.

In most cases, the Company requires the residential first mortgage loans it originates or purchases to meet Federal National Mortgage Association and Federal Home Loan Mortgage Corporation standards in order to provide for the flexibility to sell such loans in the secondary market.

On March 8, 1999, the Company announced that the Bank had signed a definitive purchase and sale agreement to acquire all of the outstanding capital stock of Old Colony Mortgage Corporation ("Old Colony"). Headquartered in Brockton, Massachusetts, Old Colony has offices in Plymouth, Fall River and Auburn and originated over $125 million in residential mortgages in 1998. This acquisition will enhance the Company's mortgage production capabilities in the future and at the same time expands the products that the Company can offer customers. Currently all of Old Colony's production is sold in the secondary market on a servicing released basis.

HOME EQUITY AND SECOND MORTGAGE LOANS. The Company offers home equity loans, which are revolving lines of credit secured by the equity in the borrower's residence. The majority of home equity loans have interest rates that adjust with movements in the prime lending rate although the Company does offer fixed rate home equity loans. Home equity loans are currently written in amounts from $7,500 to $100,000, but generally not more than the difference between 80% of the appraised value of the property and the outstanding balance of the existing first mortgage. However, home equity loans with higher loan-to-value ratios up to 90% are available on a limited basis provided certain underwriting criteria are met. Generally home equity loans must have a current appraisal of the value of the mortgaged property at origination. At December 31, 1998, the Company had in its portfolio approximately $20.3 million of outstanding home equity and second mortgage loans and unused commitments amounting to $11.1 million.

RESIDENTIAL AND COMMERCIAL CONSTRUCTION AND COMMERCIAL AND COMMERCIAL REAL ESTATE LOANS. The Company also originates residential construction loans and, from time to time, commercial construction and other commercial real estate loans. Most construction loans are for residential single-family dwellings. They are usually made with construction terms of no more than one year (residential construction-to-permanent financing loans are offered with a 30-year loan) post-construction mortgage. The Company generally makes construction loans to builders who have pre-sold the homes to the future occupants. In most cases, permanent financing is arranged through the Company on properties for which the Company has been the construction lender. It is the Company's policy to require on-site inspections before releasing funds on construction loans. Inspections on construction loans are generally performed by third-party inspectors. At December 31, 1998, gross construction loans totaled $7.1 million, or 1.9% of the Company's total loan portfolio.

Commercial real estate loans generally relate to properties which are typically non-owner occupied, income producing such as shopping centers, small apartment buildings and other types of commercial properties. Commercial real estate loans are generally written for maximum terms of 5 years, and interest rates on these loans generally are fixed. Currently, commercial real estate loans are generally written in amounts up to $3,000,000 and are usually made in Massachusetts counties of Plymouth, Norfolk, Bristol and Barnstable. At December 31, 1998, the Company had a total of $50.5 million of commercial real estate loans, or 13.8% of the Company's total loan portfolio. The Company plans to maintain its emphasis on commercial real estate lending into 1999 in an attempt to further expand the portfolio, although commercial (business) loans as described below are preferred.

Commercial loans are generally provided to small-to-medium-sized businesses located within the Company's market area. Commercial loans may be structured as term loans or as revolving lines of credit. Commercial loans generally have a repayment schedule of five years or less, with interest rates which float in relation to the Wall Street Journal prime rate. The majority of commercial loans are collateralized by equipment, machinery, receivables, inventory or other corporate assets. In addition, the Bank generally obtains personal guarantees from the principals of the borrower for virtually all of its commercial loans. At December 31, 1998, the Company had approximately $9.5 million of commercial (non-real estate) loans outstanding, up from $7.6 million at December 31, 1997. The Company is emphasizing this type of lending as a continued key business focus in the future.

Commercial, commercial construction and commercial real estate lending

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entails greater risk than residential mortgage (including residential construction) lending to owner occupants. Compared to residential mortgage loans to owner occupants, the repayment of these types of loans is more dependent on the underlying business and financial condition of the borrower and/or cash flows from leases on the subject properties and, in the case of construction loans, the economic viability of the project, and is more susceptible to adverse future developments. Since 1996, the Company has emphasized commercial, commercial real estate or commercial construction lending and intends to continue to place an emphasis on commercial, commercial construction and commercial real estate loan originations.

CONSUMER LOANS. The Company also makes a variety of consumer loans, such as new and used automobile and boat loans, unsecured loans, education loans, and passbook and stock-secured loans. Education loans are periodically sold in the secondary market. The Company's consumer loans totaled $8.8 million at December 31, 1998, representing 2.4% of its total loan portfolio.

COMPOSITION OF LOAN PORTFOLIO. The following table shows the composition of the Company's loan portfolio by type of loan.

<TABLE>
<CAPTION>

	At December 31,					
	1998		1997		1996	
	Amount	Percent to Gross Loans	Amount	Percent to Gross Loans	Amount	Percent to Gross Loans
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Mortgage loans:						
Conventional	$ 270,887	73.8%	$ 249,165	74.1%	$ 236,635	77.7%
Second mortgages and home equity	20,339	5.5	20,392	6.1	17,368	5.7
Commercial real estate	50,493	13.8	39,341	11.7	24,718	8.1
Construction	7,109	1.9	7,681	2.3	5,956	2.0
Total mortgage loans	348,828	95.0	316,579	94.2	284,677	93.5
Less:						
Due to borrowers on incomplete loans	(2,557)		(2,166)		(2,758)	
Net deferred loan fees and unearned discounts	(626)		(813)		(986)	
Subtotal	345,645		313,600		280,933	
Commercial loans:						
Unsecured lines of credit	211	0.1	245	0.1	324	0.1
Secured and unsecured	9,262	2.5	7,399	2.2	4,210	1.4
Subtotal	9,473	2.6	7,644	2.3	4,534	1.5
Consumer loans:						
Indirect automobile	158	--	1,263	0.4	4,355	1.4
Personal	1,393	0.4	1,562	0.4	1,625	0.5
Education	62	--	423	0.1	509	0.2
Passbook and stock secured	6,951	1.9	8,323	2.5	8,416	2.8
Home improvement	257	0.1	381	0.1	485	0.1
Total consumer loans	8,821	2.4	11,952	3.5	15,390	5.1
Net deferred loan costs (fees)	(127)		(124)		(76)	
Subtotal	8,694		11,828		15,314	
Total loans	363,812		333,072		300,781	
Less allowance for loan losses	(3,077)		(2,280)		(1,811)	
Loans, net	360,735		330,792		298,970	
Add (recapitulation):						
Due to borrowers on incomplete loans	2,557		2,166		2,758	
Net deferred loan fees and unearned discounts	753		937		1,062	
Allowance for loan loss	3,077		2,280		1,811	
Loans, gross	$ 367,122	100.0%	$ 336,175	100.0%	$ 304,601	100.0%

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<CAPTION>

	At December 31,			
	1995		1994	
	Amount	Percent to Gross Loans	Amount	Percent to Gross Loans
	(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Mortgage loans:				
Conventional	$ 200,368	75.6%	$158,607	65.6%
Second mortgages and home equity	18,027	6.8	19,756	8.2
Commercial real estate	17,622	6.6	26,961	11.1
Construction	6,805	2.5	7,017	2.9
Total mortgage loans	242,822	91.5	212,341	87.8
Less:				
Due to borrowers on incomplete loans	(2,499)		(2,850)	
Net deferred loan fees and unearned discounts		(940)		(1,005)
Subtotal	239,383		208,486	
Commercial loans:				
Unsecured lines of credit	477	0.2	677	0.2
Secured and unsecured	1,861	0.7	1,772	0.8
Subtotal	2,338	0.9	2,499	1
Consumer loans:				
Indirect automobile	10,049	3.8	18,738	7.7
Personal	1,715	0.6	1,726	0.7
Education	728	0.3	746	0.3
Passbook and stock secured	6,980	2.6	5,320	2.2
Home improvement	675	0.3	599	0.3
Total consumer loans	20,147	7.6	27,129	11.2
Net deferred loan costs (fees)	150		395	
Subtotal	20,297		27,524	
Total loans	262,018			238,459
Less allowance for loan losses	(1,433)		(2,845)	
Loans, net	260,585		233,614	
Add (recapitulation):				
Due to borrowers on incomplete loans	2,499		2,850	
Net deferred loan fees and unearned discounts	790		610	
Allowance for loan loss	1,433		2,845	
Loans, gross	$ 265,307	100.0%	$ 241,919	100.0%

</TABLE>

ORIGINATION AND UNDERWRITING. Residential and consumer loan originations are developed by the Company's officers and lending personnel from a number of sources, including referrals from branches, realtors, builders, attorneys, customers and Directors. The Company employs three retail loan representatives who are paid a base salary plus incentives for consumer and residential loans originated for the Company. Consumer loan services are also solicited by direct mail to existing customers. Advertising media is also used to promote loans. The Company currently receives origination fees on most new first mortgage loans that it originates. Fees to cover the costs of appraisals and credit reports are also collected. In addition, the Company collects late charges on real estate loans.

Commercial and commercial real estate loan originations are developed by the Company's officers and lending personnel from a number of sources, including referrals from attorneys, CPAs, customers, realtors , direct solicitation and

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Directors. The Company employs four commercial loan officers who are paid a salary and performance bonus. Loans originated by these officers are maintained in the commercial loan portfolio.

Applications for all types of loans offered by the Company are taken at all of the Company's offices, and in some cases over the phone, and referred to the Company's operations center or commercial loan division for processing. The Company's loan underwriting process is performed in accordance with a policy approved by the Board of Directors. The process includes but is not limited to the use of credit applications, property appraisals, verification of an applicant's credit history, and analysis of financial statements, employment and banking relationships, and other measures management deems appropriate in the circumstances.

All loans to Directors must be approved by the full Board of Directors after review by management. Commercial loans are prohibited to Executive officers, officers or employees of the Company or the Bank.

The following table shows the Company's loans by maturity or repricing interval at December 31, 1998.

<TABLE>
<CAPTION>

	Within 1 Year	1 - 5 Years	Over 5 Years	Total
	(Dollars in Thousands)			
<S>	<C>	<C>	<C>	<C>
Conventional mortgages	$ 61,457	$169,973	$ 38,831	$270,261
Commercial real estate loans	14,159	36,334	--	50,493
Second mortgages and home equity	12,425	4,966	2,948	20,339
Construction, net	4,552	--	--	4,552
Commercial loans	9,346	--	--	9,346
Other loans	2,959	5,862	--	8,821
Total	$104,898	$217,135	$ 41,779	$363,812
Percent of total	28.8%	59.7%	11.5%	100.0%

</TABLE>

The following table shows the composition of fixed-rate and adjustable-rate loans, excluding $8.9 million in other loans, as set forth above by maturity or repricing interval at December 31, 1998.

<TABLE>
<CAPTION>

	Within 1 Year	1 - 5 Years	Over 5 Years	Total
		(Dollars in thousands)		
<S>	<C>	<C>	<C>	<C>
Fixed-rate residential mortgages	$ 35,808	$129,965	$ 41,779	$207,552
Construction loans, net - all fixed	4,552	--	--	4,552
Adjustable-rate residential mortgages	38,074	44,974	--	83,048
Commercial real estate loans - all fixed rate	14,159	36,334	--	50,493
Commercial loans - all variable rate....	9,346	--	--	9,346
Total fixed and adjustable-rate loans...	$101,939	$211,273	$ 41,779	$354,991

</TABLE>

NON-PERFORMING ASSETS. The Company attempts to manage its loan portfolio so as to recognize problem loans at an early point in order to manage each situation and thereby minimize losses. Interest on loans is generally not accrued when such interest is not paid for a three month period and/or in the judgment of management, the collectibility of the principal or interest becomes doubtful. When a loan is placed on a non-accrual status, all interest previously accrued but not collected is reversed against interest income in the current period. Interest income is sometimes subsequently recognized only to the extent

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that cash payments are received. Those loans that continue to accrue interest after reaching a three month

delinquency status generally include only consumer loans, although, on occasion, some residential mortgage loans have been included. Real estate acquired by foreclosure and other real estate owned is stated at the lower of the carrying value of the underlying loan or the estimated fair value less estimated selling costs. For further discussion of non-performing assets, see "Item 7 - Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations."

During 1995, the Company sold, at a discount, of a group of approximately $9.2 million of non-performing and high maintenance loans. The loans consisted of approximately $5.7 million of loans which were on non-accrual and certain other loans which, although performing, were expected to require a higher than average level of attention and out of pocket costs in order to maintain performance and/or to potentially foreclose upon or workout. Those loans were sold at approximately 64% of par. The loss associated with this sale was reflected as a charge-off to the allowance for possible loan losses which necessitated an additional provision for possible loan losses of $1,654,000 in 1995.

At December 31, 1998, non-performing assets were 0.12% of total assets, compared with 0.18% and 0.34% at December 31, 1997 and 1996, respectively.

The following table sets forth non-performing assets at the dates indicated:

<TABLE>
<CAPTION>

	AT DECEMBER 31,				
	1998	1997	1996	1995	1994
	(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Loans accounted for on a non-accrual basis- impaired	$ 681	$ 622	$1,028	$ 485	$5,249
Accruing loans past due 90 days or more as to principal or interest	50	91	144	243	153
Total non-performing loans	731	713	1,172	728	5,402
Real estate acquired by foreclosure and other real estate owned	--	265	500	1,070	1,272
Total non-performing assets	$ 731	$ 978	$1,672	$1,798	$6,674

</TABLE>

Impaired loans totaling $77,000 and $293,000, at December 31, 1998 and 1997, respectively, required an allocation of $20,000 and $45,000, respectively of the allowance for possible loan losses. The remaining impaired loans did not require any allocation of the reserve for possible loan losses.

The average balance of impaired loans was approximately $622,000, $966,000 and $721,000 in 1998, 1997 and 1996, respectively. The total amount of interest income recognized on impaired loans during 1998, 1997 and 1996 was approximately $55,000, $50,000 and $48,500 respectively, which approximated the amount of cash received for interest during that period. The Company has no commitments to lend additional funds to borrowers whose loans have been deemed to be impaired.

Currently, in the single family home sector, prices are stable and properties are not taking as long to sell. Additionally, Boston area vacancy rates on commercial real estate properties have remained relatively low in comparison to the early 1990's which has helped to support the market values of those properties. The Company cannot predict the impact on future provisions for possible loan losses that may result from future market conditions. While the regional economy is stable and the local residential real estate market has been strong over the past couple of years, it is difficult to predict to what extent such stabilization and overall strong economic conditions will continue.

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ALLOWANCE FOR POSSIBLE LOAN LOSSES. The following table summarizes changes in the allowance for possible loan losses and other selected statistics for the years indicated:

<TABLE>
<CAPTION>

	YEARS ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
	(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Balance, beginning of year	$2,280	$ 1,811	$1,433	$2,845	$ 2,051
Loans charged off:					
Real estate - residential	18	100	48	1,090	245
Real estate - commercial	-	20	-	2,496	88
Real estate - construction	-	-	-	-	-
Commercial	-	-	-	18	22
Consumer	206	246	247	273	66
Total loans charged-off	224	366	295	3,877	421
Loan recoveries:					
Real estate - residential	7	5	17	32	-
Real estate - commercial	119	38	120	145	1
Real estate - construction	-	-	-	-	6
Consumer	135	162	56	55	16
Commercial	-	-	-	-	5
Total recoveries	261	205	193	232	28
Net charge-offs (recoveries)	(37)	161	102	3,645	393
Reserves acquired from Hull	-	-	-	-	577
Provision charged to operations	760	630	480	2,233	610
Balance, end of year	$3,077	$ 2,280	$ 1,811	$ 1,433	$ 2,845
Average loans outstanding, net	$335,871	$304,925	$282,530	$243,949	$222,313
Ratio of net charge-offs (recoveries) to average loans outstanding, net	(.01)%	.05%	.04%	1.49%	.18%
Ratio of allowance for possible loan losses to gross loans at year end	.85%	.68%	.60%	.55	1.18%
Ratio of allowance for possible loan losses to non-performing loans	420.9%	319.8%	154.5%	196.8%	52.7%

</TABLE>

The following table summarizes the allocation of the allowance for possible loan losses for the years indicated:

<TABLE>
<CAPTION>

At December 31,									
1998		1997		1996		1995		1994	
Amount	Percent of loans in category to gross Loans	Amount	Percent of loans in category to gross Loans	Amount	Percent of loans in category to gross Loans	Amount	Percent of loans in category to gross Loans	Amount	Percent of loans in category to gross Loans

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	(Dollars in thousands)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate - residential	$ 899	79.3%	$ 869	80.2%	$ 854	83.5%	$ 743	82.4%	$ 863	73.8%
Real estate - commercial	479	13.8	372	11.7	224	8.1	226	6.6	713	11.1
Real estate - construction	71	1.9	77	2.3	60	1.9	68	2.5	70	2.9
Commercial	189	2.6	153	2.3	91	1.5	47	.9	25	1.0
Consumer	195	2.4	218	3.5	200	5.0	195	7.6	440	11.2
Unallocated	1,244	N/A	591	N/A	382	N/A	154	N/A	734	N/A
Total	$3,077	100.0%	$2,280	100.0%	$1,811	100.0%	$1,433	100.0%	$2,845	100.0%

</TABLE>

The Company uses two methodologies to establish ranges of exposure to measure the adequacy of the allowance for possible loan losses. The first or "base" methodology is the Specific Identification Method. This method relies upon the Company's risk monitoring systems, timely identification of all potential problem credits and an accurate evaluation of related specific loss exposures. Additionally, this methodology employs the use of "normalized" charge-off or loss histories by loan category in order to establish reserves for those loans not specifically reviewed. The Company also utilizes a Risk Rating Approach which uses "actual" loss histories to determine reserve levels on "pass-rated" portions of its loan portfolios while utilizing regulatory reserve percentages for adversely classified loans. The Company then uses a Migration Approach which utilizes the Risk Rating Approach adjusted for potential migration of non-pass rated credits to a more adverse category. This methodology recognizes that no risk identification system has comprehensive knowledge at a point in time and therefore, there is an inherent unidentified risk of loss which is not accurately characterized or identified in the loan portfolio. As of December 31, 1998, it was noted that the Specific Identification Methodology, which was used for the compilation of the table above for consistency purposes, demonstrates the lowest requirement. The Risk Rating/Migration methodologies supported allocated reserve levels of up to $3,015,000 at December 31, 1998. Therefore, the allowance for possible loan losses is within the range of estimated exposures and is deemed adequate but not excessive by management.

The Company's provision for possible loan losses in 1998 was $760,000, compared to $630,000 and $480,000 in 1997 and 1996, respectively. The provision for 1998 exceeded 1997 levels as did 1997 levels over 1996 levels reflecting the increased risk associated with the Company's emphasis of commercial and commercial real estate lending activities as evidenced by the increase in "watch assets" in the commercial loan portfolio during 1998.

INVESTMENT ACTIVITIES

The Company's investment portfolio is currently managed in accordance with an investment policy approved by the Board of Directors. The Company's investments are subject to the laws of the Commonwealth of Massachusetts, including regulations of the Commissioner, and certain provisions of the federal law.

The following table sets forth certain information regarding the carrying value of the Company's investment portfolio, excluding mortgage-backed securities and Federal Home Loan Bank stock:

<TABLE>
<CAPTION>

	AT DECEMBER 31,		
		1997	1996
	(Dollars in thousands)		
<S>	<C>	<C>	<C>
Short-term investments	$ 143	$ 88	$ 77
Federal funds sold	4,150	75	75
Total	$ 4,293	$ 163	$ 152
Percent of total assets	.73%	.03%	.03%
Investment securities:			
U. S. Government and federal agency obligations, at market	$26,629	$30,890	$18,498

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Other bonds and obligations, at market	20,221	3,120	1,138
Subtotal	46,850	34,010	19,636
Marketable equity securities, at market	4,796	5,027	4,411
Total investment securities	$51,646	$39,037	$24,047
Percent of total assets	8.7%	7.3%	4.9 %

</TABLE>

A schedule of the maturity distribution of investment securities held by the Company, other than equity securities and FHLB stock, and the related weighted average yield, at December 31, 1998 follows:

<TABLE>
<CAPTION>

	Within one year		After one but within five years		After five but within ten years		After ten years	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
				(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
U. S. Government and federal agency obligations	$--	--%	$ 3,700	7.04%	$21,929	6.88%	$ 1,000	6.75%
Other bonds and obligations	--	--	1,102	7.56%	--	--	19,119	7.15
Total	$--	--%	$ 4,802	7.16%	$21,929	6.88%	$20,119	7.13%

</TABLE>

At December 31, 1998, the Company had six mortgage backed securities and two corporate bonds which had a total amortized cost of $39,942,385, each of which individually had a book value in excess of ten percent of stockholders' equity, and were not obligations of the U. S. Government or federal agencies.

SOURCES OF FUNDS

GENERAL. Deposits and borrowings are the Company's primary sources of funds for investment. The Company also derives funds from operations, amortization and prepayments of loans and sales of assets. Deposit flows vary significantly and are influenced by prevailing interest rates, money market conditions, economic conditions, location of Company offices and competition.

DEPOSITS. Most of the Company's deposits are derived from customers who work or reside in the Company's primary service area. The Company's deposits consist of passbook savings accounts, special notice accounts, NOW accounts, money market deposit accounts, club accounts, money market certificates, negotiated rate certificates and term deposit certificates. The Company also offers Individual Retirement Accounts, which currently include a one-year variable rate account with monthly interest rate adjustments, a 2.5 year fixed-rate account, or a 3- or 4-year fixed-rate account. In addition, the Company currently offers non-interest NOW accounts for commercial customers and individuals. Although in previous years the Company has solicited brokered deposits, at December 31, 1998 there were no such deposits.

At December 31, 1998, the Company's outstanding certificates of deposit with balances in excess of $100,000 are scheduled to mature as follows:

<TABLE>
<CAPTION>

	(In thousands)
<S>	<C>
Three months or less	$ 9,847
Over three to six months	7,949
Over six to twelve months	7,015
Over twelve months	7,576
	$32,387

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</TABLE>

For information regarding the average amounts of and rates paid on deposit liabilities, see "Item 7 - Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations--Liquidity and Capital Resources."

BORROWINGS. For a discussion of borrowings, see "Item 8 - Notes 9 and 10 to the Consolidated Financial Statements" and "Item 7 - Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations-Liquidity and Capital Resources".

INTEREST RATE HEDGE STRATEGY. For a discussion of the Company's interest rate hedge strategy, see "Item 8 - Note 5 to the Consolidated Financial Statements".

OTHER ACTIVITIES

SAVINGS BANK LIFE INSURANCE. The Company sells savings bank life insurance as an agent but not as an issuer and receives a commission on the sale.

OTHER. The Company also offers safe deposit box services, an automated teller machine and drive-up banking services. The Company also provides its borrowers the opportunity to purchase life, accident and disability insurance. The Company offered investment services (including annuities) to its customers in 1998 through a third-party broker-dealer, and its insurance agency affiliate. The third-party paid rent to the Company for the space it occupied, and also paid fees to the Company based upon referrals of the Company's customers to purchase alternative investments, regardless of whether or not a sale was made to the customer. In January 1999, the Company entered into a new third-party contract relating to the sale of non-deposit investment products to the Company's customers. The new contract replaces the original third-party arrangement. Under the new contract, the Company will receive, as compensation, a percentage of the sales of investment products to the Company's customers.

SUPERVISION AND REGULATION

As an FDIC-insured, state-chartered bank, the Bank is subject to supervision and regulation by the Commissioner and the FDIC and is subject to periodic examination. The Company is subject to regulation and supervision of the Federal Reserve as a bank holding company.

COMPETITION

The Company faces substantial competition both in attracting deposits and in originating loans.

Competition in originating loans comes generally from other thrift institutions, commercial banks, credit unions, finance companies, insurance companies, other institutional lenders and mortgage companies. The Company competes for loans principally on the basis of interest rates and loan fees, the types of loans originated, service and geographic location.

In attracting deposits, the Company's primary competitors are other savings banks, commercial banks and co-operative banks, credit unions, and mutual funds. Other competition for deposits comes from government securities as investments. The Company's attraction and retention of deposits depends on its ability to provide investment opportunities that satisfy the requirements of investors with respect to rate of return, liquidity, risk and other factors. The Company attracts a significant amount of its deposits from the communities in which its offices are located, and, accordingly, competition for these deposits comes principally from other thrift institutions and commercial banks located in the same geographic areas. The Company competes for these deposits by attempting to offer competitive rates, convenient branch locations, and convenient business hours and by attempting to build an active, civic-spirited image in these communities.

Financial institutions that are not now located within the Company's market area may find entry in the Company's market area attractive. Such entry could have an adverse effect on the Company's growth or profitability. The Company's potential competitors may have substantially greater financial and other resources than the Company. In addition, increased competition for deposits has had an impact on the rates which the Company pays on certificates of deposit.

EMPLOYEES

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As of December 31, 1998, the Bank had 197 full-time employees, consisting of 25 full-time officers and 115 full-time non-officers, as well as 57 part-time employees. None of the Company's employees is represented by a union or other labor organization. The Company provides its employees with a comprehensive range of employee benefit programs. Management believes that its employee relations are good.

ITEM 2. PROPERTIES.

The following table sets forth certain information relating to real estate owned or leased by the Company at December 31, 1998.

	Year Opened	Owned or Leased	Original Lease Term	Lease Renewal Option
Main Office:				
533 Washington St. Abington, MA	1929	Owned	--	--
Branches:				
319 Monponsett Street Halifax, MA	1975	Owned	--	--
584 Washington St. Whitman, MA	1992	Owned	--	--
157 Summer Street Kingston, MA	1995	Leased	20 years	10 years
175 Center Street Pembroke, MA	1992	Owned	--	--
523 Nantasket Ave. Hull, MA	1994	Leased	15 years	--
778 S. Franklin St. Holbrook MA	1995	Leased	10 years	2-5 years
739 Chief Justice Cushing Way Cohasset, MA 02025	1997	Leased	5 years	2-5 years
121 Memorial Parkway Randolph, MA 02368	1998	Leased	5 years	2-5 years
430 Liberty Street Hanson, MA 02341	1998	Leased	5 years	2-5 years

	Year Opened	Owned or Leased	Original Lease Term	Lease Renewal Option
Operation Center/Corporate Office				
536 Washington St. Abington, MA	1989	Owned	--	--
Administrative Offices:				
538 Bedford St. Abington, MA	1995	Leased	2 Years	18 months

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</TABLE>

ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant in various legal matters, none of which is believed by management to be material to the consolidated financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCK HOLDER MATTERS.

The common stock of the Company is currently listed on the Nasdaq Stock Market National Market System (NMS) under the symbol "ABBK".

The table below sets forth the range of high and low sales prices for the stock of the Company for the quarters indicated. Market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

Transactions through January 31, 1997 are for common stock of the Bank. Transactions after that date are for common stock of the Company.

<TABLE>
<CAPTION>

	Price		Dividends
	High	Low	Declared
1999 (through March 5, 1999)	$ 15 1/8	$ 12 3/4	$ --
1998			
4th quarter	17	12	$.05
3rd quarter	19 1/2	12 1/2	$.05
2nd quarter	22 3/4	17 1/2	$.05
1st quarter	22 1/2	18 3/4	$.15
1997			
4th quarter	23 1/2	15 5/8	$.05
3rd quarter	17	12 3/4	$.05
2nd quarter	13	10 1/4	$.05
1st quarter	11 5/8	9 1/2	$.05
1996			
4th quarter	10 7/8	8 7/16	$.05
3rd quarter	9	7 3/4	$.05
2nd quarter	8 1/8	7 1/4	$.05
1st quarter	8 7/8	7 23/32	$.05

</TABLE>

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As of March 6,1999, the Company had approximately 803 stockholders of record who held 3,347,300 outstanding shares of the Company's Common Stock. The number of stockholders indicated does not reflect the number of persons or entities who hold their common stock in nominee or "street" name through various brokerage firms. If all of such persons are included, the Company believes that there are approximately 1,100 beneficial owners of the Company's common stock.

ITEM 6. SELECTED FINANCIAL DATA

Information required by Item 6 of this Form is incorporated by reference herein from the section of the Company's Annual Report entitled "Financial Highlights."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by Item 7 of this Form is incorporated by reference herein from the section of the Company's Annual Report entitled "Management's Discussion and Analysis". Certain Guide 3 information which is required by Item 7 is included in Item 1 of this Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Information required by Item 7A of this Form is incorporated by reference herein from the section of the Company's Annual Report entitled "Management's Discussion and Analysis."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by Item 8 of this Form is incorporated by reference from the sections of the Company's Annual Report entitled Report of Independent Public Accountants

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Changes in Stockholders' Equity

Consolidated Statements of Comprehensive Income

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS OR ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by Item 10 of this Form is incorporated by reference herein from the Company's Proxy Statement relating to the 1999 Annual Meeting of Stockholders of the Company.

ITEM 11. EXECUTIVE COMPENSATION

Information required by Item 11 of this Form is incorporated by reference herein from the Company's Proxy Statement relating to the 1999 Annual Meeting of Stockholders of the Company.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by Item 12 of this Form is incorporated by reference herein from the Company's Proxy Statement relating to the 1999 Annual Meeting of Stockholders of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information required by Item 13 of this Form is incorporated by reference here in from the Company's Proxy Statement related to the 1999 Annual Meeting of

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Stockholders of the Company.

7 PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Contents

1) Financial Statements. See Part II Item 8 of this Report.

2) Financial Statement Schedules. All financial statement schedules have been omitted because they are not applicable, the data is not significant or the required information is shown elsewhere in this report.

3) Exhibits

2.1 Plan of Reorganization and Acquisition dated as of October 15, 1996 between the Company and Abington Savings Bank incorporated by reference to the Company's Registration Statement on Form 8-A, effective January 13, 1997.

3.1 Articles of Organization of the Company incorporated by reference to the Company's Registration Statement on Form 8-A, effective January 13, 1997.

3.2 By-Laws of the Company, incorporated by reference to the Company's Registration Statement on Form 8-A, effective January 13, 1997.

4.1 Specimen stock certificate for the Company's Common Stock incorporated by reference to the Company's Registration Statement on Form 8-A, effective January 31, 1997.

4.2 Form of Indenture between Abington Bancorp, Inc. and State Street Bank and Trust Company incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-2 of the Company and Abington Bancorp Capital Trust, filed on May 12, 1998.

4.3 Form of Junior Subordinated Debenture incorporated by reference to Exhibit 4.2 of the Registration Statement on Form S-2 of the Company and Abington Bancorp Capital Trust, filed on May 12, 1998.

4.4 Form of Amended and Restated Trust Agreement by and among the Company, State Street Bank and Trust Company, Wilmington Trust Company and the Administrative Trustees of the Trust incorporated by reference to Exhibit 4.4 of the Registration Statement on Form S-2 of the Company and Abington Bancorp Capital Trust, filed on May 12, 1998.

4.5 Form of Preferred Securities Guarantee Agreement by and between the Company and State Street Bank and Trust Company incorporated by reference to Exhibit 4.6 of the Registration Statement on Form S-2 of the Company and Abington Bancorp Capital Trust, filed on May 12, 1998.

*10.1 (a) Amended and Restated Special Termination Agreement dated as of January 1997 among the Company, the Bank and James P. McDonough incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 filed on March 31, 1997.

*(b) Amendment to Amended and Restated Special Termination Agreement, dated as of July 1, 1997 among the Company, the Bank and James P. McDonough, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1997, filed on August 13, 1997.

*10.2 Special Termination Agreement dated as of November 2,

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1998 among the Company, the Bank and Kevin M. Tierney, incorporated by reference to the Company's quarterly report on Form 10-Q for the third quarter of 1998, filed on November 12, 1998.

*10.3 Special Termination Agreement dated as of May 28, 1998 among the Company, the Bank and John R. Sylva, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1998, filed on August 10, 1998.

*10.4 (a) Amended and Restated Special Termination Agreement dated as of January 31, 1997 among the Company, the Bank and Mario A. Berlinghieri incorporated by reference to the Company's Annual Report for the year ended December 31, 1996 on Form 10-K filed on March 31, 1997.

(b) Amendment to Amended and Restated Special Termination Agreement, dated as of July 1, 1997 among the Company, the Bank and Mario A. Berlinghieri, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1997, filed on August 13, 1997.

(c) Amendment No. 2 to Amended and Restated Special Termination Agreement, dated as of April 16, 1998, by and among the Company, the Bank and Mario A. Berlinghieri, incorporated by reference to the Company's quarterly report on Form 10-Q for the first quarter of 1998, filed on May 8, 1998.

*10.5 Abington Bancorp, Inc. Incentive and Nonqualified Stock Option Plan, as amended and restated to reflect holding company formation incorporated by reference to the Company's Annual Report for the year ended December 31, 1996 on Form 10-K filed on March 31, 1997.

*10.6 Management Incentive Compensation Program dated March 1997, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1997, filed on August 13, 1997.

*10.7 Long Term Performance Incentive Plan dated July 1997, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1997, filed on August 13, 1997.

10.8 (a) Lease for office space located at 538 Bedford Street, Abington, Massachusetts ("lease"), used for the Bank's principal and administrative offices dated January 1, 1996 incorporated by reference to the Company's Annual Report for the year ended December 31, 1996 on Form 10-K filed on March 31, 1997. Northeast Terminal Associates, Limited owns the property. Dennis E. Barry and Joseph L. Barry, Jr., who beneficially own more than 5% of the Company's Common Stock, are the principal beneficial owners of Northeast Terminal Associates, Limited.

(b) Amendment to Lease dated December 31, 1997, incorporated by reference to the Company's Annual Report for the year ended December 31, 1997 on Form 10-K filed on March 25, 1998.

10.9 Dividend reinvestment and Stock Purchase Plan is incorporated by reference herein to the Company's Registration Statement on Form S-3, effective January 31, 1997.

*10.10 Abington Bancorp, Inc. 1997 Incentive and Nonqualified Stock Option Plan, incorporated by reference herein to Appendix A to the Company's proxy statement relating to its special meeting in lieu of annual meeting held on June 17, 1997, filed with the Commission on April 29, 1997.

*10.11 (a) Special Termination Agreement dated as of July 1, 1997 among the Company, the Bank and Robert M. Lallo, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1997,

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filed on August 13, 1997.

(b) Amendment No. 1 to Special Termination Agreement, dated April 16, 1998, by and among the Company, the Bank and Robert M. Lallo, incorporated by reference to the Company's quarterly report on Form 10-Q for the first quarter of 1998, filed on May 8, 1998.

*10.12 Merger Severance Benefit Program dated as of August 28, 1997, incorporated by reference to the Company's Quarterly Report on Form 10-Q for the third quarter of 1997, filed on November 15, 1997.

*10.13 Supplemental Executive Retirement Agreement between the Bank and James P. McDonough dated as of March 26, 1998, incorporated by reference to the Company's quarterly report on Form 10-Q for the first quarter of 1998, filed on May 8, 1998.

*10.14 Deferred Stock Compensation Plan for Directors, effective July 1, 1998 incorporated by reference to Appendix A to the Company's proxy statement (schedule 14A) for its 1998 Annual Meeting, filed with the Commission on April 13, 1998.

11.1 A statement regarding the computation of earnings per share is included in Item 8 of this Report.

13.1 Annual Report to Stockholders for the Year Ended December 31, 1998 which is furnished for the information of the Securities and Exchange Commission only and is not deemed to be "filed" as part of this Report except to the extent expressly incorporated by reference herein.

21.1 Subsidiaries of the Company.

23.1 Consent of Accountants.

24.1 Power of Attorney is included on signature page

27.1 Financial Data Schedule, December 31, 1998

(b) Reports on Form 8-K.

The Company filed no reports on Form 8-K during the fourth quarter of 1998.

----

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ABINGTON BANCORP, INC.

Date: March 25, 1999

By: /S/ JAMES P. MCDONOUGH

James P. McDonough
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints James P. McDonough, his true and lawful

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attorney-in-fact and agent with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Form 10-K, and to file the same, will all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing which he may deem necessary or advisable to be done in connection with this Form 10-K, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or any substitute may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Name	Title	Date
/S/ JAMES P. MCDONOUGH ------------------------------ James P. McDonough	President and Chief Executive Officer; Director (Principal Executive Officer)	March 25, 1999

</TABLE>

<TABLE>
<CAPTION>

Name	Title	Date
/S/ ROBERT M. LALLO -------------------------- Robert M. Lallo	Chief Financial Officer & Treasurer (Principal Financial Officer)	March 25, 1999
/S/ BRUCE G. ATWOOD -------------------------- Bruce G. Atwood	Director	March 25, 1999
/S/ WILLIAM F. BORHEK --------------------------- William F. Borhek	Director	March 25, 1999
/S/ RALPH B. CARVER, JR. --------------------------- Ralph B. Carver, Jr.	Director	March 25, 1999
/S/ JOEL S. GELLER ------------------------------ Joel S. Geller	Director	March 25, 1999
/S/ RODNEY D. HENRIKSON ------------------------- Rodney D. Henrikson	Director	March 25, 1999
/S/ A. STANLEY LITTLEFIELD ---------------------------- A. Stanley Littlefield	Director	March 25, 1999
/S/ JAY TIMOTHY NOONAN ------------------------ Jay Timothy Noonan	Director	March 25, 1999
/S/ GORDON N. SANDERSON ------------------------- Gordon N. Sanderson	Director	March 25, 1999

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/S/ JAMES J. SLATTERY Director March 25, 1999

James J. Slattery

/S/ WAYNE P. SMITH Director March 25, 1999

Wayne P. Smith

</TABLE>

INDEX TO EXHIBITS

2.1 Plan of Reorganization and Acquisition dated as of October 15, 1996 between the Company and Abington Savings Bank incorporated by reference to the Company's Registration Statement on Form 8-A, effective January 13, 1997.

3.1 Articles of Organization of the Company incorporated by reference to the Company's Registration Statement on Form 8-A, effective January 13, 1997.

3.2 By-Laws of the Company, incorporated by reference to the Company's Registration Statement on Form 8-A, effective January 13, 1997.

4.1 Specimen stock certificate for the Company's Common Stock incorporated by reference to the Company's Registration Statement on Form 8-A, effective January 31, 1997.

4.2 Form of Indenture between Abington Bancorp, Inc. and State Street Bank and Trust Company incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-2 of the Company and Abington Bancorp Capital Trust, filed on May 12, 1998.

4.3 Form of Junior Subordinated Debenture incorporated by reference to Exhibit 4.2 of the Registration Statement on Form S-2 of the Company and Abington Bancorp Capital Trust, filed on May 12, 1998.

4.4 Form of Amended and Restated Trust Agreement by and among the Company, State Street Bank and Trust Company, Wilmington Trust Company and the Administrative Trustees of the Trust incorporated by reference to Exhibit 4.4 of the Registration Statement on Form S-2 of the Company and Abington Bancorp Capital Trust, filed on May 12, 1998.

4.5 Form of Preferred Securities Guarantee Agreement by and between the Company and State Street Bank and Trust Company incorporated by reference to Exhibit 4.6 of the Registration Statement on Form S-2 of the Company and Abington Bancorp Capital Trust, filed on May 12, 1998.

*10.1 (a) Amended and Restated Special Termination Agreement dated as of January 31, 1997 among the Company, the Bank and James P. McDonough incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 filed on March 31, 1997.

*(b) Amendment to Amended and Restated Special Termination Agreement, dated as of July 1, 1997 among the Company, the Bank and James P. McDonough, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1997, filed on August 13, 1997.

*10.2 Special Termination Agreement dated as of November 2, 1998 among the Company, the Bank and Kevin M. Tierney, incorporated by reference to the Company's quarterly report on Form 10-Q for the third quarter of 1998, filed on November 12, 1998.

*10.3 Special Termination Agreement dated as of May 28, 1998 among the Company, the Bank and John R. Sylva, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1998, filed on August 10, 1998.

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*10.4 (a) Amended and Restated Special Termination Agreement dated as of January 31, 1997 among the Company, the Bank and Mario A. Berlinghieri incorporated by reference to the Company's Annual Report for the year ended December 31, 1996 on Form 10-K filed on March 31, 1997.

(b) Amendment to Amended and Restated Special Termination Agreement, dated as of July 1, 1997 among the Company, the Bank and Mario A. Berlinghieri, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1997, filed on August 13, 1997.

(c) Amendment No. 2 to Amended and Restated Special Termination Agreement, dated as of April 16, 1998, by and among the Company, the Bank and Mario A. Berlinghieri, incorporated by reference to the Company's quarterly report on form 10-Q for the first quarter of 1998, filed on May 8, 1998.

*10.5 Abington Bancorp, Inc. Incentive and Nonqualified Stock Option Plan, as amended and restated to reflect holding company formation incorporated by reference to the Company's Annual Report for the year ended December 31, 1996 on Form 10-K filed on March 31, 1997.

*10.6 Management Incentive Compensation Program dated March 1997, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1997, filed on August 13, 1997.

*10.7 Long Term Performance Incentive Plan dated July 1997, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1997, filed on August 13, 1997.

10.8 (a) Lease for office space located at 538 Bedford Street, Abington, Massachusetts ("Lease"), used for the Bank's principal and administrative offices dated January 1, 1996 incorporated by reference to the Company's Annual Report for the year ended December 31, 1996 on Form 10-K filed on March 31, 1997. Northeast Terminal Associates, Limited owns the property. Dennis E. Barry and Joseph L. Barry, Jr., who beneficially own more than 5% of the Company's Common Stock, are the principal beneficial owners of Northeast Terminal Associates, Limited.

(b) Amendment to Lease dated December 31, 1997, incorporated by reference to the Company's Annual Report for the year ended December 31, 1997 on Form 10-K filed on March 25, 1998.

10.9 Dividend reinvestment and Stock Purchase Plan is incorporated by reference herein to the Company's Registration Statement on Form S-3, effective January 31, 1997.

*10.10 Abington Bancorp, Inc. 1997 Incentive and Nonqualified Stock Option Plan, incorporated by reference herein to Appendix A to the Company's proxy statement relating to its special meeting in lieu of annual meeting held on June 17, 1997, filed with the Commission on April 29, 1997.

*10.11 (a) Special Termination Agreement dated as of July 1, 1997 among the Company, the Bank and Robert M. Lallo, incorporated by reference to the Company's quarterly report on Form 10-Q for the second quarter of 1997, filed on August 13, 1997.

(b) Amendment No. 1 to Special Termination Agreement, dated as of April 16, 1998, by and among the Company, the Bank and Robert M. Lallo, incorporated by reference to the Company's quarterly report on Form 10-Q for the first quarter of 1998, filed on May 8, 1998.

*10.12 Merger Severance Benefit Program dated as of August 28, 1997, incorporated by reference to the Company's Quarterly Report on Form 10-Q for the third quarter of 1997, filed on November 15, 1997.

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*10.13 Supplemental Executive Retirement Agreement between the Bank and James P. McDonough dated as of March 26, 1998, incorporated by reference to the Company's quarterly report on Form 10-Q for the first quarter of 1998, filed on May 8, 1998.

*10.14 Deferred Stock Compensation Plan for Directors, effective July 1, 1998 incorporated by reference to Appendix A to the Company's proxy statement (schedule 14A) for its 1998 Annual Meeting, filed with the Commission on April 13, 1998.

11.1 A statement regarding the computation of earnings per share is included in Item 8 of this Report.

13.1 Annual Report to Stockholders for the Year Ended December 31, 1998 which is furnished for the information of the Securities and Exchange Commission only and is not deemed to be "filed" as part of this Report except to the extent expressly incorporated by reference herein.

21.1 Subsidiaries of the Company.

23.1 Consent of Accountants.

24.1 Power of Attorney is included on signature page.

27.1 Financial Data Schedule, December 31, 1998

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* Management contract or compensatory plan or arrangement.

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Present vision. Future sites.

ABINGTON BANCORP
1998 annual report

mission statement

We will deliver such extraordinary service and value that our employees and customers will tell their friends and associates about us.

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[PHOTO]

A MESSAGE FROM THE PRESIDENT

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DEAR FELLOW SHAREHOLDERS:

I am pleased to report to you that Abington Bancorp made considerable progress in 1998 toward fulfilling our vision of becoming the provider of choice for a comprehensive selection of financial services for consumers and businesses. We believe this transformation, in addition to the strong commitment to customer service that comes with being a community bank, will place our company in a strong competitive position and significantly increase the long-term value of our organization.

We are confident that the consolidation and convergence taking place in the financial services industry has created a profitable niche for community banks offering a wide range of products along with the type of personalized service that is highly valued by customers yet difficult for larger banks to duplicate. We believe this customer-oriented approach and the dynamic retail culture we have developed gives us a great advantage over these larger banks. At the same time, our ability to successfully and efficiently integrate new products and services gives us a competitive edge over smaller institutions that may find this strategy unfeasible.

ONCE AGAIN, HEALTHY DEPOSIT GROWTH

Deposits
reached $363.9

DEPOSIT GROWTH (DOLLARS IN MILLIONS)
1995: $33.2
1996: $20.4
1997: $24.5
1998: $39.0

Since the introduction of High Performance Checking in 1995, deposits have grown by 47%.

Deposits increased 12% by year-end 1998 over 1997. While this accomplishment is solid for any bank in this competitive market, it is really secondary to other underlying accomplishments in this area. Deposit balances can be achieved through a variety of means, including paying above-market interest rates to attract deposits. A more valid measurement of a bank's franchise value is growth of core deposits. We are pleased to have finished in the top 8% among all Massachusetts banks, including major regional institutions, in total dollars of growth in this area. This is a remarkable achievement for a bank of our size. This kind of deposit growth helped reduce our overall cost of deposits to 3.87% in 1998 from 3.95% in 1997.

In addition to deposit dollar growth, we continued to enjoy tremendous success in obtaining new checking account relationships in 1998 through the High Performance Checking program. These accounts grew from 31,000 in 1997 to over 36,000 in 1998, an increase of over 15%. This growth not only provides us with a solid customer base for cross-selling products and services, but also produced a 16.5% increase in customer service fees for the year.

SOLID EARNINGS DESPITE A CHALLENGING ECONOMY

Net income for 1998 was $4,371,000 or $1.17 per diluted share in 1998, as compared to $4,378,000 or $1.10 per diluted share in 1997. These results were affected by falling interest rates and the resulting prepayment environment that tightened spreads and net interest margins overall. Also impacting 1998 results was our recent investment in supermarket banking, which decreased 1998 net income by approximately $.09 per share. Excluding the effect of this investment, earnings per share would have grown approximately 15% in 1998 over 1997 levels, which would be considered solid in any interest rate environment.

In 1998, we opened supermarket branches in Randolph and Hanson, giving us three new branches opened in the 18 months prior to year's end. We are confident our retail strategies and product lines combined with innovative supermarket banking

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methodologies should enhance core earnings and franchise values in future periods. As evidence of this, our first supermarket branch, opened in Cohasset in August 1997, continued to exceed our internal financial forecasts as of its one-year anniversary. This early, measurable success provides us with even greater optimism that we will enjoy success from these endeavors in future years.

STEADY LENDING GROWTH

Business Banking
ended the year at $60.0

Business Banking (dollars in millions)

Our business banking
portfolio grew by
approximately 28% in 1998.

Our Business Banking division once again posted significant gains in both commercial loan balances and customer relationships in 1998. Our business banking portfolio grew 28% to reach approximately $60 million. This growth was achieved despite strong pricing pressures in our market area for business and commercial real estate loans. We also obtained more non-transaction-oriented business loans over the past year. These borrowers are more focused on developing a business relationship with their bank, which tends to produce more stable loan balances and provides deposit relationships as well.

Residential lending also performed extremely well in 1998. Loan originations grew to approximately $47 million in 1998, compared to $20 million a year ago. This growth reflected 1998's strong refinance market as well as the on-going economic expansion occurring in Southeastern Massachusetts thanks, in large part, to the return of commuter rail service to our region.

Year End
Delinquency Rate .36%

DELINQUENCY RATE

Our delinquency rate
is one of the lowest
among 80 Northeastern
banking companies
tracked by a leading
bank analyst firm.

RENEWED VISION

WE WILL SET OUR SIGHTS ON NEW IDEAS, FOCUS ON OUR TECHNOLOGY AND CONCENTRATE ON SERVICE.

ASSET QUALITY

With the economic good times we have enjoyed in the United States and our region over the past few years, credit problems are a distant memory for many of us. We know, however, that at times like these, the temptation can be great to lower credit standards to keep loan growth at strong levels. We are pleased to note that our current asset quality is at a very high level, with non-performing loans at a near all time low of $731,000 at year's end and delinquencies below .5% throughout the year. Our seasoned and experienced lenders have not let desires for greater loan growth, particularly in the business banking area, overcome our sound underwriting practices and good credit culture. This type of discipline is critical to achieving long-term success for our shareholders.

SETTING SIGHTS ON FUTURE VALUE

Total
Supermarket Branches 5

SUPERMARKET BRANCHES

Supermarket branches in
Randolph and Hanson
opened in 1998; they will

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be followed in 1999 by
branches in West Brockton and Canton.

As I've already alluded to, much effort at Abington Bancorp in 1998 was directed to preparing our organization to compete as a total financial services provider to mid-market consumers and businesses. In 1999 we plan to open two more supermarket branches in West Brockton and Canton. When these two branches open, we will have 12 offices spread throughout Plymouth County and reaching into Norfolk County. This increases our market penetration considerably from a year ago.

In addition to this market expansion, Abington Bancorp is embracing the trend toward alternative service delivery channels. In 1999, we will launch an interactive, world-class web site that will enable our customers to obtain product information and enjoy the convenience of banking from their homes or offices. We are excited about the potential of this new market channel to support our objectives of enhancing our retail franchise and our business banking relationships.

We also recently announced the acquisition of a well-established and highly regarded mortgage company, Old Colony Mortgage, another undertaking conceived in 1998. This acquisition expands our service area as far west as Auburn, MA, and provides more complete coverage of the South Shore.

Old Colony Mortgage's experienced and quality mortgage company management team and seasoned production staff, when combined with our mortgage personnel, will create a formidable mortgage origination network offering a full array of mortgage-related products to our customers and providing us with even greater sales opportunities. In addition, this expansion in mortgage banking will provide us with another source of non-interest income. We anticipate that production levels in our mortgage area for 1999 will exceed $150 million.

In addition, we have recently introduced Personal Bankers into each branch. These trained, service-oriented individuals will build upon the success of High Performance Checking by increasing our ability to cross-sell products and services to our retail customers, and, when applicable, business products as well. Our objective is to build an aggressive retail referral program that will result in new business and strengthen existing customer relationships. We already enjoy an extremely loyal customer base and are confident that the increased service provided by the Personal Banker model will strengthen the bond our customers have with our institution.

These initiatives further support our belief that our future growth will be driven by a passion for selling. We have taken successful first steps toward building this "sales culture" with the enormous success of High Performance Checking and its related cross sales effort along with our early success at supermarket banking. As we look to the future, we plan on fostering a sales culture that optimizes the benefit of each and every customer's relationship with the bank.

RETRAINING IN THE WORKPLACE

ENHANCING THE KNOWLEDGE AND SKILLS OF OUR WORKFORCE HAS A POSITIVE IMPACT ON OUR ABILITY TO PREPARE FOR THE FUTURE.

OLD VALUES/NEW PERSPECTIVES

As we make progress in the exciting new directions I've described so far, we retain a strong dedication to superior levels of service. A major key to assuring our ability to maintain this focus is enhancing the knowledge and skills of our workforce. We are working hard through improved training to make sure we provide that all-important personal touch valued so much by the many people who still prefer to do business with their local bank.

As we broaden our services and product offering and simultaneously expand our market reach, the ability of our senior management team to make good strategic decisions to support this growth is critical to our staying on track toward our vision. In the second quarter, John R. Sylva, who has 25 years of experience in retail banking, joined us as Senior Vice President with responsibility for all consumer banking activities. Also, near year's end we gained a new senior operations officer as Kevin M. Tierney, Sr., joined us as Executive Vice President. With nearly 20 years' experience in financial services, Kevin is a recognized leader in marketing and technology aimed at maximizing efficiency and supporting aggressive growth and market penetration strategies. These two additions give our senior management team experience that has already had a positive impact on our ability to prepare for a new future.

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YEAR 2000 PREPAREDNESS

Closely following FDIC guidelines for all United States financial institutions, Abington Savings Bank focused considerable effort in 1998 to assure that all issues related to the year 2000 computer problem will be resolved well in advance of the end of 1999. We are confident that we will be ready to greet the new millennium with well-tested systems and contingency plans that will provide uninterrupted service to our customers. Our task force continues to be very active, and we have a customer awareness program in place to inform and reassure our customers about our Y2K readiness.

We're well
prepared for Y2K

READY FOR Y2K

12/97: Task force established; action plan approved by Board of Directors.

12/98: Assessment completed; testing of mission critical systems completed.

06/99: All systems Y2K ready.

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SPECIAL RELATIONSHIPS

OUR COMMITMENT TOWARDS OUR COMMUNITY CONTINUES TO GROW...

SUPPORTING OUR COMMUNITY

In 1998 we continued to support the well-being of the communities we serve, with a special emphasis on providing financial aid and other assistance to organizations focusing on children. Our special relationship with the Cardinal Cushing School and Training Center continued to blossom as our third annual St. Patrick's Day fundraiser raised over $50,000. Among other things, this money was used to send the graduating class of 22 exceptional children to Disney World. Also at year's end, I had the great privilege of presenting the school with a $15,000 donation raised through employee payroll deductions.

Our employees' strong commitment to the Cardinal Cushing students is part of what makes Abington Savings Bank a special place to work. As we continue our transformation into a larger, more competitive organization, one reason I am confident of our ability to retain the community banking values that are the foundation of our success is the dedication of our work force. Nowhere is this dedication more obvious than in the energy and enthusiasm our people bring to our community relations efforts.

I want to thank all members of our team for their hard work in 1998 and renew my commitment to fostering an organization that sets high performance standards while also providing appropriate rewards for the people whom achieve and exceed those expectations. By making this a great place to work, we help ensure that it is also a great place for our customers to do business.

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Finally, I wish to thank the Board of Directors and our staff for their many efforts in 1998 to safeguard our company's future and well being and to thank our shareholders and customers for their continued support. Everyone at Abington Bancorp is dedicated to repaying your loyalty by building an outstanding financial services organization that enters the new millennium with renewed strength and vitality. We remain optimistic about the future of community banks and are confident our organization is well on its way to becoming the premier provider of financial services in our marketplace.

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Respectfully submitted,

/s/ James P. McDonough

James P. McDonough
President and Chief Executive Officer

The Bank considers its principal market area to be Plymouth County, Massachusetts, primarily Abington, Cohassett,Halifax, Hanson, Holbrook, Hull, Kingston, Pembroke, Randolph, and Whitman, where it has banking offices.

Boston [MAP]

Hull

Cohasset

Canton (Opening in `99)

Randolph

Holbrook

Abington

Brockton (Opening in `99)

Whitman

Pembroke

Hanson

Halifax

Kingston

AT DECEMBER 31, (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	1998	1997	1996	1995	1994
Balance Sheet Data:					
Total assets	$591,151	$531,986	$486,958	$460,492	$421,833
Total loans, net	360,735	330,792	298,970	260,585	235,614
Investment securities (1)	61,184	47,187	31,950	33,343	28,328
Mortgage-backed securities	129,700	126,016	131,184	138,937	133,882
Deposits	363,953	324,934	300,445	280,070	246,843
Borrowed funds	177,128	165,910	147,524	145,609	134,155
Preferred beneficial interest in junior subordinated debentures, net (3)	11,934	--	--	--	--
Stockholders' equity	33,060	36,321	33,546	30,561	28,366
Book value per share (2)	9.88	9.99	8.86	8.11	7.57

YEARS ENDED DECEMBER 31, (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) (2)	1998	1997	1996	1995	1994

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Operating Data:					
Interest and dividend income	$ 38,442	$ 36,297	$ 34,332	$ 31,949	$ 27,082
Interest expense	21,585	20,091	19,517	18,222	14,349
Net interest income	16,857	16,206	14,815	13,727	12,733
Provision for possible loan losses	760	630	480	2,233	610
Net interest income after provision for possible loan losses	16,097	15,576	14,335	11,494	12,123
Non-interest income:					
Loan servicing fees	469	558	646	713	646
Customer service fees	3,816	3,276	2,412	1,644	1,050
Gain on sales of securities	1,731	540	495	181	322
Gain on sales of loans, net	492	236	315	453	389
Write-down of limited partnership	--	--	--	(110)	--
Net gain (loss) on sales and write-down of other real estate owned	43	109	67	(92)	(2)
Other	358	267	242	119	56
Total non-interest income	6,909	4,986	4,177	2,908	2,461
Non-interest expenses	16,267	13,505	12,840	11,955	10,255
Income before income taxes	6,739	7,057	5,672	2,447	4,329
Provision for income taxes	2,368	2,679	2,139	1,018	1,586
Net income	$ 4,371	$ 4,378	$ 3,533	$ 1,429	$ 2,743
Basic earnings per share	$ 1.25	$ 1.18	$ .94	$ .38	$ .73
Diluted earnings per share	$ 1.17	$ 1.10	$ .89	$ .37	$ .70
Dividends per share (4)	$ .30	$ .20	$ .20	$ .20	$ .20

</TABLE>

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YEARS ENDED DECEMBER 31,	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Selected Ratios:					
Return on average total assets	.79%	.87%	.74%	.33%	.70%
Interest rate spread	3.13	3.29	3.14	3.14	3.32
Return on average equity	12.68	12.59	11.00	4.68	9.23
Dividend payout ratio	23.95	16.90	21.34	52.62	27.34
Average equity to average total assets	6.26	6.94	6.69	7.00	7.61

</TABLE>

(1) Includes Federal Home Loan Bank stock.
(2) The Company declared a 2-for-1 stock split in the form of a dividend to holders of record on November 14, 1997. All share and per share data have been adjusted to reflect this transaction.
(3) In June 1998, the Company issued $12.6 million of guaranteed preferred beneficial interests in junior subordinated debentures.
(4) Includes a $.10 per share special dividend declared in March 1998.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

Abington Bancorp, Inc. (the "Company"), became the one-bank holding company for the Abington Savings Bank (the "Bank") on January 31, 1997. The Company's primary business is serving as the holding company of the Bank. The holding company did not conduct any business in fiscal 1996.

The Company's results of operations depend primarily on its net interest income after provision for possible loan losses, its revenue from other banking services and non-interest expenses. The Company's net interest income depends upon the net interest rate spread between the yield on the Company's loan and

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investment portfolios and the cost of funds, consisting primarily of interest expense on deposits and Federal Home Loan Bank advances. The interest rate spread is affected by the match between the maturities or repricing intervals of the Company's assets and liabilities, the mix and composition of interest sensitive assets and liabilities, economic factors influencing general interest rates, prepayment on loans and mortgage-backed investments, loan demand and savings flows, as well as the effect of competition for deposits and loans. The Company's net interest income is also affected by the performance of its loan portfolio, amortization on accretion of premiums or discounts on purchased loans or mortgage-backed securities and the level of non-earning assets. Revenues from loan fees and other banking services depend upon the volume of new transactions and the market level of prices for competitive products and services. Non-interest expenses depend upon the efficiency of the Company's internal operations and general market and economic conditions.

In August 1997, the Company opened, in Cohasset, the first of three planned de novo supermarket branches, with the Randolph and Hanson branches opening in April and September of 1998, respectively. This expansion into supermarket banking is consistent with the Company's strategy of controlled growth with a focus on core retail deposit relationships and will enable the Company to have a greater regional presence.

FORWARD-LOOKING STATEMENTS

When used in this report, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "believe" or similar expressions are intended to identify "forward-looking statements" within the meanings of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company wishes to caution readers that all forward-looking statements are necessarily speculative and not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and to advise readers that various risks and uncertainties, including regional and national economic conditions, changes in the real estate 14 market, changes in levels of market interest rates, credit risks of lending activities, competitive and regulatory factors, and the so-called Year 2000 issue, could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected.

NET INTEREST INCOME

Net interest income is affected by the mix and volume of assets and liabilities, and levels of prepayment primarily on loans and mortgage-backed investments, the movement and level of interest rates, and interest spread, which is the difference between the average yield received on earning assets and the average rate paid on deposits and borrowings. The Company's net interest rate spread was 3.13% and 3.29% for the years ended December 31, 1998 and 1997.

The level of non-accrual loans and other real estate owned also has an impact on net interest income. At December 31, 1998, the Company had $681,000 in non-accrual loans and no other real estate owned compared to $622,000 in non-accrual loans and $265,000 in other real estate owned as of December 31, 1997.

The table on the following page presents average balances, interest income and expense and yields earned or rates paid on the major categories of assets and liabilities for the years indicated.

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,	1998			1997		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
(DOLLARS IN THOUSANDS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Assets						
Earning assets:						
Federal funds sold	$ 1,032	$ 59	5.72%	$ 544	$ 34	6.25%
Other short-term investments	1,027	55	5.36	221	16	7.24
Bonds and obligations (2)	43,034	3,027	7.03	25,025	1,775	7.09
Equity securities (1)	13,758	627	4.56	11,987	589	4.91
Mortgage-backed investments (2)	126,031	8,393	6.66	132,721	9,045	6.82
Loans (3)	335,871	26,281	7.82	304,925	24,838	8.15
Total earning assets	520,753	38,442	7.38	475,423	36,297	7.64

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	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
Cash and due from banks	12,407			9,786		
Other assets	17,435			16,227		
Total assets	$550,595			$501,436		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
NOW deposits	$ 43,938	$ 652	1.48%	$ 37,256	$ 577	1.55%
Savings deposits	102,022	2,281	2.24	97,786	2,168	2.22
Time deposits	157,858	8,818	5.59	145,152	8,312	5.73
Total interest-bearing deposits	303,818	11,751	3.87	280,194	11,057	3.95
Short-term borrowings	42,039	2,279	5.42	45,833	2,557	5.58
Long-term debt	125,521	7,555	6.02	105,950	6,477	6.11
Total interest-bearing liabilities	471,378	21,585	4.58	431,977	20,091	4.65
Non-interest-bearing deposits	37,080			29,447		
Total deposits and borrowed funds	508,458		4.25	461,424		4.35
Other liabilities	7,656			5,239		
Total liabilities	516,114			466,663		
Stockholders' equity	34,481			34,773		
Total liabilities and stockholders' equity	$550,595			$501,436		
Net interest income		$ 16,857			$ 16,206	
Interest rate spread (4)			3.13%			3.29%
Net yield on earning assets (5)			3.24%			3.41%

</TABLE>

<TABLE>
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Years Ended December 31,	1996		
	Average Balance	Interest	Yield/Rate
<S>	<C>	<C>	<C>
Assets			
Earning assets:			
Federal funds sold	$ 614	$ 37	6.03%
Other short-term investments	75	4	5.33
Bonds and obligations (2)	23,489	1,512	6.44
Equity securities (1)	10,966	556	5.07
Mortgage-backed investments (2)	137,166	9,245	6.74
Loans (3)	282,530	22,978	8.13
Total earning assets	454,840	34,332	7.55
Cash and due from banks	8,348		
Other assets	16,891		
Total assets	$480,079		
Liabilities and Stockholders' Equity			
Interest-bearing liabilities:			
NOW deposits	$ 33,392	$ 516	1.55%
Savings deposits	95,661	2,287	2.39
Time deposits	136,541	7,939	5.81
Total interest-bearing deposits	265,594	10,742	4.04
Short-term borrowings	66,790	3,733	5.59
Long-term debt	84,977	5,042	5.93

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Total interest-bearing liabilities	417,361	19,517	4.68
Non-interest-bearing deposits	25,223		
Total deposits and borrowed funds	442,584		4.41
Other liabilities	5,385		
Total liabilities	447,969		
Stockholders' equity	32,110		
Total liabilities and stockholders' equity	$ 480,079		
Net interest income		$ 14,815	
Interest rate spread (4)			3.14%
Net yield on earning assets (5)			3.26%

</TABLE>

(1) Includes Federal Home Loan Bank stock, investments held for investment and available for sale (at amortized cost).
(2) Includes investments available for sale (at amortized cost).
(3) Non-accrual loans net of reserve for possible loan losses and loans held for sale are included in average loan balances.
(4) Interest rate spread equals the yield on average earning assets minus the yield on average deposits and borrowed funds.
(5) Net yield on earning assets equals net interest income divided by total average earning assets.

RATE/VOLUME ANALYSIS

The following table presents, for the periods indicated, the changes in interest income and in interest expense attributable to the change in interest rates and the change in the volume of earning assets and interest-bearing liabilities. The change attributable to both volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31, (DOLLARS IN THOUSANDS)	1998 vs 1997 INCREASE (DECREASE)			1997 vs 1996 INCREASE (DECREASE)		
	Due to Volume	Due to Rate	Total	Due to Volume	Due to Rate	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest and dividend income:						
Loans	$ 2,449	$(1,006)	$ 1,443	$ 1,824	$ 36	$ 1,860
Bonds and obligations	1,267	(15)	1,252	103	160	263
Equity securities	83	(45)	38	51	(18)	33
Mortgage-backed securities	(449)	(203)	(652)	(302)	102	(200)
Federal funds sold	28	(3)	25	(4)	1	(3)
Interest-bearing deposits in banks	44	(5)	39	10	2	12
Total interest and dividend income	3,422	(1,277)	2,145	1,682	283	1,965
Interest expense:						
NOW deposits	100	(25)	75	60	1	61
Savings deposits	95	18	113	50	(169)	(119)
Time deposits	714	(208)	506	495	(122)	373
Short-term borrowings	(207)	(71)	(278)	(1,170)	(6)	(1,176)

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Long-term debt	1,178	(100)	1,078	1,278	157	1,435
Total interest expense	1,880	(386)	1,494	713	(139)	574
Net interest income	$ 1,542	$ (891)	$ 651	$ 969	$ 422	$ 1,391

</TABLE>

COMPARISON OF THE YEARS ENDED DECEMBER 31, 1998 AND 1997

GENERAL

Net income for 1998 was $4,371,000 or $1.17 per diluted share compared to a net income of $4,378,000 or $1.10 per diluted share in 1997, a net decrease of $7,000 or .2%. Earnings, on a per diluted share basis, increased in 1998 over 1997 as a result of the Company's repurchase of shares under current buy back plans. The results in 1998, as compared to 1997, include increases in net interest income, customer service fees and gains on sales of securities and mortgages offset by an increase in non-interest expense related primarily to three newly opened supermarket branches, Year 2000 testing expenses and expenses associated with guaranteed preferred beneficial interest in junior subordinated debentures ("Trust Preferred Securities").

INTEREST AND DIVIDEND INCOME

Interest and dividend income increased $2,145,000 or 5.9% in 1998 as compared to 1997. The increase was attributable to increases in earning assets, particularly loans, offset in part by reductions in the yield earned on those assets. The balance of average earning assets for 1998 was approximately $520,753,000 as compared to $475,423,000 for 1997, an overall increase of $45,330,000 or 9.5%. The increase in earning assets was generally due to increases in average loan balances which were $335,871,000 in 1998, as compared to $304,925,000 in 1997, an increase of $30,946,000 or 10.2%. This increase was generally caused by larger volumes of commercial loan originations in 1997 and into 1998 as well as higher residential loan balances which were the result of the steady volume of loan originations and purchases throughout 1997 and into 1998. See "Liquidity and Capital Resources" and "Asset/Liability Management" for further discussion of the Company's investment strategies.

The average yield earned on loans decreased for 1998 as compared to 1997, primarily due to the effect of faster prepayments on higher yielding residential loans and lower rates earned on newer loan originations or purchases over the past year. Additionally, loan yields were negatively affected by yield adjustments on loan pools which had been acquired at a premium purchase price, which was the result of unusually heavy prepayment activity on those pools associated with the favorable refinancing market which caused an acceleration of premium amortization. The yield on loans for 1998 was 7.82% as compared to 8.15% for 1997. Management estimates that, excluding the unusual prepayment adjustments realized during the first half of 1998, the yield on loans would have been approximately 7.94% or $400,000 higher than reported. Given the current relatively low long-term interest rates and relatively

strong economy, similar yield adjustments could occur in the future. Yields on loans were positively affected by growth in the Company's commercial loan portfolio, which has grown to approximately $59,800,000 at December 31, 1998 from $46,900,000 at December 31, 1997, an increase of $12,900,000 or 27.5%. Commercial loans typically carry a higher yield than residential mortgages.

Average balances of mortgage-backed investments and investment securities were $126,031,000 and $43,034,000, respectively, for 1998 as compared to $132,721,000 and $25,025,000, respectively, for 1997. These 20 balances, when combined, increased by approximately $11,319,000 or 7.2%. The yield on mortgage-backed investments and investment securities decreased to 6.66% and 7.03%, respectively, in 1998 as compared to 6.82% and 7.09%, respectively, in 1997. The declines in these yields reflects the lower interest rate environment for investment opportunities since mid-1997, as well as the effects of increased prepayments on the Company's higher yielding securities in the mortgage-backed investment portfolio, the proceeds of which were invested at lower rates.

INTEREST EXPENSE

Interest expense for 1998 increased $1,494,000 or 7.4% compared to 1997, generally due to increases in deposit and borrowed fund balances, which was partially offset by decreases in the average rates paid on deposits and borrowed

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funds. The blended weighted average rate paid on deposits and borrowed funds was 4.58% for 1998 as compared to 4.65% for the same period in 1997. The weighted average rates paid on interest bearing deposits was 3.87% for 1998 as compared to 3.95% in 1997. The overall cost of deposits has declined in 1998 as compared to 1997, generally due to the continued success of promotional efforts to attract core deposits (NOW accounts, demand deposits, savings and money markets), which typically have a lower cost of funds than time deposits and borrowings, as well as due to overall declines in the rates paid on time deposits. The average balance of core and time deposits rose to $183,040,000 and $157,858,000, respectively, for 1998 as compared to $164,489,000 and $145,152,000, respectively, in 1997, for increases of 11.3% and 8.8%, respectively. Additionally, the weighted average rate paid on time deposits declined to 5.59% for 1998, as compared to 5.73% in 1997. This change reflects the refinancing of various certificates as they have matured at lower rates than they had been paying in previous periods and, to a lesser extent, the result of the generally declining rate environment which has existed over the past year, although competition for time deposit accounts has kept rates at higher levels in 1998 as compared to general economic rates. The Company will continue to closely manage its cost of deposits by continuing to seek methods of acquiring new core deposits and maintaining its current core deposits while adding time deposits at reasonable rates in comparison to local markets and other funding alternatives, including borrowings. The average balances of borrowed funds increased overall during 1998 as compared to 1997, to $167,560,000 from $151,783,000, an increase of 10.4%. This increase generally relates to the funding of certain loan portfolio purchases during 1998. The overall weighted average rates paid on borrowed funds decreased to approximately 5.87% for 1998 from 5.95% in 1997. This increase was generally due to the Federal Reserve's decisions to drop the inter-bank borrowing rate by 75 basis points in the latter portion of 1998. This rate change may have a further positive effect on the refinancing of borrowed funds in future periods. The Company will continue to evaluate the use of borrowing as an alternative funding source for asset growth in future periods. See "Asset/Liability Management" for further discussion of the competitive market for deposits and overall strategies for uses of borrowed funds.

NON-INTEREST INCOME

Total non-interest income increased $1,923,000 or 38.6% in 1998 in comparison to 1997. Customer service fees, which were $3,816,000 in 1998 as compared to $3,276,000 for the same period in 1997, for an increase of $540,000 or 16.5%, rose primarily due to growth in deposit accounts, primarily NOW and checking account portfolios. Loan servicing fees and gains on sales of mortgage loans were $469,000 and $492,000, respectively, in 1998 as compared to $558,000 and $236,000, respectively, in 1997, a combined increase of $167,000 or 21.0%. This generally is reflective of the favorable refinancing market for residential loans in 1998 which has resulted in increased saleable volumes and related gains on sales as compared to the same period in 1997. Loan servicing fees have declined as that portfolio has paid down in the current refinance market, as well as in part due to the fact that the Company has been selling mortgage loans servicing released since 1996. Gains on sales of securities were $1,731,000 in 1998 as compared to $540,000 for 1997 for an increase of $1,191,000 or 220.6%. These gains are generally reflective of a consistently strong market for equity securities.

NON-INTEREST EXPENSE

Non-interest expense for 1998 increased $2,762,000 or 20.5% compared to 1997. Salaries and employee benefits increased 17.6% or $1,172,000 primarily due to increases in health insurance costs and staffing levels in the Company's business banking and retail areas, including the Bank's new supermarket branches in Cohasset (August 1997), Randolph (April 1998) and Hanson (September 1998). These increases correspond with the Company's strategic focuses of increasing business banking relationships and attracting core deposits. Occupancy expenses increased $259,000 or 10.7% primarily due to increased capital and operating expenditures related to the supermarket branches, and to the general inflationary and capital expenditure increases, particularly in technology. Other non-interest expenses, including trust preferred securities expense, also increased $1,331,000 or 30.0% for 1998, in comparison to the same period in 1997, generally due to increased costs associated with statement rendering and item processing as well as other operating costs associated with servicing an expanded retail customer base. This increased expense also includes approximately $150,000 of expenses related to the Company's efforts to address the Year 2000 issue (see "Impact of Year 2000" for further discussion). Additionally, approximately $586,000 of the aforementioned increase represents expenses related to Trust Preferred Securities which were issued in June 1998. See "Liquidity and Capital Resources" for additional discussion of Trust Preferred Securities.

PROVISION FOR POSSIBLE LOAN LOSS

The provision for possible loan losses was $760,000 in 1998 as compared to $630,000 for the same period in 1997. This increase of $130,000 primarily reflects management's estimate of increased risk associated with increases in the Company's commercial loan portfolios over the past year as compared to residential real estate loans.

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PROVISION FOR INCOME TAXES

The Company's effective income tax rate for 1998 was 35.1% compared to 38.0% for 1997. The lower effective tax rate in comparison to statutory rates for both periods is reflective of income earned by certain non-bank subsidiaries which are taxed, for state tax purposes, at lower rates. Additionally, the overall effective tax rate is influenced by the proportion of income generated by non-bank subsidiaries. In 1998, a greater portion of income was generated through non-bank subsidiaries as compared to 1997.

COMPARISON OF THE YEARS ENDED DECEMBER 31, 1997 AND 1996

GENERAL

Net income for the year ended December 31, 1997 was $4,378,000 or $1.10 per diluted share compared to $3,533,000 or $.89 per diluted share in 1996, an increase of $845,000 or 23.9%. The growth in earnings is generally attributable to increased net interest income, increases in customer service fee revenues and controlled growth in non-interest expenses.

INTEREST AND DIVIDEND INCOME

Interest and dividend income increased $1,965,000 or 5.7% during 1997 as compared to 1996. This increase was attributable to increases in earning assets, particularly loans, and increases in the rates earned on investment securities, including mortgage-backed investments and loans. The balance of average earning assets was $475,423,000 in 1997 as compared to $454,840,000 in 1996, an increase of $20,583,000 or 4.5%. This increase was generally caused by growth in the Company's commercial loan portfolio in 1997 which had an average balance of approximately $37,543,000 in 1997 as compared to $22,515,000 in 1996, an increase of $15,028,000 or 66.7%. This increase is consistent with management's strategy of diversifying the Company's asset-mix by increasing loan growth, particularly higher yielding commercial loans. The remaining asset growth was generated from residential loan purchases and originations partially offset by decreases in the Company's investment and mortgage-backed securities portfolios. The combined average balance of investments, including equity and mortgage-backed securities, decreased to $169,733,000 in 1997, a decrease of approximately $1,888,000 or 1.1% from 1996 average levels of $171,621,000. See "Liquidity and Capital Resources" and "Asset/Liability Management" for a further discussion of the Company's investment strategies. As a result of this strategy, the average yield on interest earning assets increased in 1997 to 7.64% from 7.55% in 1996. Yields on loans increased slightly to 8.15% in 1997 from 8.13% in 1996. Increases due to greater concentrations of commercial loans generally offset the declining interest rates on residential mortgage loans originated/purchased over the second half of 1997 as well as declining yields on those portfolios as the result of customer refinancings into lower yielding loans. The yields on investment, excluding equities, and mortgage-backed securities portfolios in 1997 were 7.09% and 6.82%, respectively, as compared to 6.44% and 6.74%, respectively, in 1996. This increase in yield, despite the generally declining long-term interest rate environment, was achieved through the sale of various lower yielding securities held by the Company in its portfolio of securities available for sale and the acquisition of securities at higher yields, primarily during the second half of 1996 and the first 9 months of 1997.

INTEREST EXPENSE

Interest expense in 1997 increased $574,000 or 2.9% as compared to 1996 generally due to increases in deposit balances and higher rates paid on borrowed funds. This increase was partially offset by decreases in the average rates paid on deposits. The average balance of core deposits (NOW accounts, savings and money markets) and time deposits rose to $164,489,000 and $145,152,000, respectively, in 1997 as compared to $154,276,000 and $136,541,000, respectively, in 1996 for increases of $10,213,000 or 6.6%, and $8,611,000 or 6.3%, respectively. These increases reflect the success of management's strategy to attract retail, core deposit relationships and increasing deposit balances. The overall cost of interest bearing deposits decreased to 3.95% in 1997 from 4.04% in 1996 despite a continued competitive market for deposit relationships. This is generally attributable to the Company's continued growth in less expensive core deposit accounts as well as decreases in overall rates paid on time deposits. While rates paid on time deposits have generally remained flat for most of 1997, the overall cost has declined due to customers shifting to shorter-term maturity time deposits.

Average balances of borrowed funds remained flat at $151,783,000 in 1997 as compared to $151,767,000 in 1996. The overall weighted cost of borrowed funds increased to 5.95% in 1997 from 5.78% in 1996. This increase in cost of borrowed funds was generally due to management's decision to extend approximately

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$28,000,000 of borrowings from short-term to longer-term maturities at the end of the first quarter of 1997. This strategy in part offset the trend of growth in shorter-term maturity time deposits, as noted above, and provided further protection against potential rising interest rates. See "Asset/Liability Management" for further discussion of the competitive market for deposits and overall strategies for uses of borrowed funds.

NON-INTEREST INCOME

Total non-interest income increased $809,000 or 19.4% in 1997 as compared to 1996. Customer service fees, which were $3,276,000 in 1997 as compared to $2,412,000 in 1996, increased $864,000 or 35.8%. This increase is consistent with increases in core deposit accounts, particularly NOW and checking accounts. Non-interest income was also favorably impacted by the sales of various other real estate owned properties at better than anticipated prices. Income related to the sales of other real estate owned was $109,000 in 1997 and $67,000 in 1996.

Gains on securities were $540,000 in 1997, an increase of $45,000 or 9.1% over 1996 levels. These gains were reflective of the strong equity markets experienced over the past 2 years.

Gains on sales of mortgages and loan servicing income decreased during 1997 to $236,000 and $558,000, respectively, from $315,000 and $646,000, respectively, in 1996. This reflects management's decision in 1996 to sell most of its residential loan production on a servicing released basis, as well as fewer loans being originated for sale in 1997. The loan servicing income for 1997 was further negatively impacted by the accelerated amortization of mortgage servicing rights (approximately $76,000) given the acceleration of estimated prepayments on the related loan servicing pools.

NON-INTEREST EXPENSE

Non-interest expense for 1997 increased $665,000 or 5.2% over 1996 levels. Salaries and employee benefits increased 9.6% or $585,000 generally 22 due to increases in health insurance costs and staffing levels of the Company's business banking and retail areas, including the Cohasset supermarket branch. Additionally, costs associated with the Company's employee stock plan and other incentive compensation expenses increased by approximately $280,000 over 1996 levels as the result of the increase in the Company's stock price during 1997 and also because certain performance-related incentives were met as a result of the improved financial performance of the Company in 1997.

Occupancy and equipment expenses increased $46,000 or 1.9% primarily due to the opening of the Cohasset branch and other minor inflationary increases. Other non-interest expenses increased $34,000 or .8%, primarily as the result of increased advertising expenses and other costs associated with the Company's retail banking efforts and the opening of the Cohasset branch.

PROVISION FOR POSSIBLE LOAN LOSS

The provision for possible loan losses was $630,000 for 1997 as compared to $480,000 for 1996. This increase of $150,000 primarily

reflects the increased risk associated with increases in the Company's commercial loan portfolio as compared to residential lending.

PROVISION FOR INCOME TAXES

The Company's effective income tax rate for 1997 was 38.0% compared to 37.7% for 1996. The lower effective tax rate in comparison to statutory rates for both periods is reflective of the levels of income earned by certain non-bank subsidiaries which are taxed, for state tax purposes, at lower rates.

ASSET/LIABILITY MANAGEMENT

The objective of asset/liability management is to ensure that liquidity, capital and market risk are prudently managed. Asset/liability management is governed by policies reviewed and approved annually by the Company's Board of Directors (Board). The Board delegates responsibility for asset/liability management to the corporate Asset/Liability Management Committee (ALCO). ALCO sets strategic directives that guide the day-to-day asset/liability management activities of the Company. ALCO also reviews and approves all major funding, capital and market risk management programs. ALCO is comprised of members of management and executive management of the Company and the Bank.

Interest rate risk is the sensitivity of income to variations in interest rates over both short-term and long-term time horizons. The primary objective of interest rate risk management is to control this risk within limits approved by

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the Board and by ALCO. These limits and guidelines reflect the Company's tolerance for interest rate risk. The Company attempts to control interest rate risk by identifying potential exposures and developing tactical plans to address such potential exposures. The Company quantifies its interest rate risk exposures using sophisticated simulation and valuation models, as well as a more simple gap analysis. The Company manages its interest rate exposures by generally using on-balance sheet strategies, which is most easily accomplished through the management of the durations and rate sensitivities of the Company's investments, including mortgage-backed securities portfolios, and by extending or shortening maturities of borrowed funds. Additionally, pricing strategies, asset sales and, in some cases, hedge strategies are also considered in the evaluation and management of interest rate risk exposures.

The Company uses simulation analysis to measure the exposure of net interest income to changes in interest rates over a 1 to 5 year time horizon. Simulation analysis involves projecting future interest income and expense from the Company's assets, liabilities and off-balance sheet positions under various interest rate scenarios.

The Company's limits on interest rate risk specify that if interest rates were to ramp up or down 200 basis points over a 12 month period, estimated net interest income for the next 12 months should decline by less than 10%. The following table reflects the Company's estimated exposure, as a percentage of estimated net interest income for the next 12 months, which does not materially differ from the impact on net income, on the above basis:

RATE CHANGE (BASIS POINTS)	ESTIMATED EXPOSURE AS A % OF NET INTEREST INCOME
+200	4.4%
-200	2.1%

The Company uses valuation analysis to provide insight into the potential exposure of earnings and equity to changes in interest rates based on the balance sheet position of the Company at a set point in time without regard to potential future strategic changes. Valuation analysis involves projecting future cash flows from the Company's assets, liabilities and off-balance sheet positions and then discounting such cash flows at appropriate interest rates. The Company's economic value of equity is the estimated net present value of its assets, liabilities and off-balance sheet positions.The following table reflects the Company's estimated exposure as a percentage of estimated economic value of equity assuming an immediate shift in interest rates:

RATE CHANGE (BASIS POINTS)	ESTIMATED EXPOSURE AS A % OF ECONOMIC VALUE
+200	(11)%
-200	(29)%

This estimated exposure from an economic value of equity, in management's opinion, does not put the Company at undue interest rate risk given evaluations of other factors including interest rate simulation results and the overall interest rate gap position as described below.

Interest rate gap analysis provides a static view of the maturity and repricing characteristics of the on-balance sheet and off-balance sheet positions. The interest rate gap analysis is prepared by scheduling all assets, liabilities and off-balance sheet positions according to scheduled repricing or maturity. Interest rate gap analysis can be viewed as a short-hand complement to simulation and valuation analysis.

The Company's limits on interest rate risk specify that rate sensitive assets be maintained at at least 40% of rate sensitive liabilities at the cumulative 1-year gap, as presented on a basis consistent with methods prescribed by generally accepted accounting principles. As of December 31, 1998, the Company was liability sensitive with rate sensitive assets at 44% of rate sensitive liabilities at the 1-year gap.

The Company's policy is to match, as well as possible, the interest rate sensitivities of its assets and liabilities. Residential mortgage loans, which the Company currently originates or purchases for the Company's own portfolio, are primarily 1-year, 3-year and 5-year adjustable rate mortgages and shorter term (generally 15-year or seasoned 30-year) fixed rate mortgages. Residential mortgage loans currently originated by the Company are primarily sold in the secondary market.

The Company also emphasizes loans with terms to maturity or repricing of 3 years

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or less, such as certain adjustable rate residential mortgage loans, commercial mortgages, business loans, residential construction loans, second mortgages and home equity loans.

Management desires to expand its interest earning asset base in future periods primarily through growth in the Company's loan portfolio. Loans comprised approximately 64.5% of the average interest earning assets in 1998. In the future, the Company intends to be competitive in the residential mortgage market but plans to place greater emphasis on consumer and commercial loans. The Company also has been, and expects to remain, active in pursuing wholesale opportunities to purchase loans. During 1998 and 1997, the Company acquired approximately $95,600,000 and $57,800,000, respectively, of residential first mortgages.

The Company has also used mortgage-backed investments (typically with weighted average lives of 5 to 7 years) as a vehicle for fixed and adjustable rate investments and as an overall asset/liability tool. These securities have been highly liquid given current levels of prepayments in the underlying mortgage pools and, as a result, have provided the Company with greater reinvestment flexibility.

The level of the Company's liquid assets and the mix of its investments may vary, depending upon management's judgment as to market trends, the quality of specific investment opportunities and the relative attractiveness

of their maturities and yields. Management has been aggressively promoting the Company's core deposit products since the first quarter of 1995, particularly checking and NOW accounts. The success of this program has favorably impacted the overall deposit growth to date, despite interest rate and general market pressures, and has helped the Company to increase its customer base. However, given the strong performance of money market mutual funds and the equity markets in general, the Company and many of its peers have begun to see lower levels of growth in time deposits as compared to prior years as customers reflect their desire to increase their returns on investment. This pressure has been exacerbated currently by the historically low long-term economic interest rates. Management believes that the markets for future time deposit growth, particularly with terms in excess of 2 years, will remain highly competitive. Management will continue to evaluate future funding strategies and alternatives accordingly as well as to continue to focus its efforts on attracting core, retail deposit relationships.

The Company is also a voluntary member of the Federal Home Loan Bank ("FHLB") of Boston. This borrowing capacity assists the Company in managing its asset/liability growth because, at times, the Company considers it more advantageous to borrow money from the FHLB of Boston than to raise money through non-core deposits (i.e., certificates of deposit). Borrowed funds totaled $177,128,000 at December 31, 1998 compared to $165,910,000 at December 31, 1997. These borrowings are primarily comprised of FHLB of Boston advances and have primarily funded residential loan originations and purchases as well as mortgage-backed investments and investment securities.

Additionally, the Company has recently obtained funding through the issuance of Trust Preferred Securities which carry a higher interest rate than similar FHLB borrowings, but at the same time are included as capital, without diluting earnings per share and are tax deductible. See "Liquidity and Capital Resources" for further discussion.

The following table sets forth maturity and repricing information relating to interest sensitive assets and liabilities at December 31, 1998. The balance of such accounts has been allocated among the various periods based upon the terms and repricing intervals of the particular assets and liabilities. For example, fixed rate mortgage loans and mortgage-backed securities, regardless of held in portfolio or available for sale classification, are shown in the table in the time periods corresponding to projected principal amortization computed based on their respective weighted average maturities and weighted average rates using prepayment data available from the secondary mortgage market.

Adjustable rate loans and securities are allocated to the period in which the rates would be next adjusted. The following table does not reflect partial or full prepayment of certain types of loans and investment securities prior to scheduled contractual maturity. Additionally, all securities or borrowings which are callable at the option of the issuer or lender are reflected in the following table based upon the likelihood of call options being exercised by the issuer on certain investments or borrowings in a most likely interest rate environment. Since regular passbook savings and NOW accounts are subject to immediate withdrawal, such accounts have been included in the "Other Savings Accounts" category and are assumed to mature within 6 months. This table does not include non-interest bearing deposits.

While this table presents a cumulative negative gap position in the 6 month to 5

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year horizon, the Company considers its earning assets to be more sensitive to interest rate movements than its liabilities. In general, assets are tied to increases that are immediately impacted by interest rate movements while deposit rates are generally driven by market area and demand which tend to be less sensitive to general interest rate changes. In addition, other savings accounts and money market accounts are substantially stable core deposits, although subject to rate changes. A substantial core balance in these type of accounts is anticipated to be maintained over time.

<TABLE>
<CAPTION>

AT DECEMBER 31, 1998 (DOLLARS IN THOUSANDS)	Repricing/Maturity/Internal						
	0-6 Mos.	6-12 Mos.	1-2 Yrs.	2-3 Yrs.	3-5 Yrs.	Over 5 Yrs.	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets subject to interest rate adjustment:							
Short-term investments	$ 4,293	$ --	$ --	$ --	$ --	$ --	$ 4,293
Bonds and obligations	14,424	3,998	8,049	7,071	11,738	2,013	47,293
Mortgage-backed investments	27,710	16,268	16,076	12,756	21,131	34,165	128,106
Mortgage loans subject to rate review	26,355	11,719	19,804	5,582	19,588	--	83,048
Fixed rate mortgage loans	33,561	20,959	42,789	52,096	71,413	41,779	262,597
Commercial and other loans contractual maturity	9,534	2,771	2,123	1,588	2,151	--	18,167
Total	115,877	55,715	88,841	79,093	126,021	77,957	543,504
Liabilities subject to interest rate adjustment:							
Money market deposit accounts	14,995	--	--	--	--	--	14,995
Savings deposits - term certificates	82,006	38,191	31,421	7,465	4,609	--	163,692
Other savings accounts	141,392	--	--	--	--	--	141,392
Borrowed funds	91,628	15,000	23,000	17,000	--	30,500	177,128
Total	330,021	53,191	54,421	24,465	4,609	30,500	497,207
Guaranteed preferred beneficial interest in junior subordinated debentures	--	--	--	--	--	11,934	11,934
Excess (deficiency) of rate sensitive assets over rate sensitive liabilities	(214,144)	2,523	34,420	54,628	121,412	35,523	34,363
Cumulative excess (deficiency) of rate sensitive assets over rate sensitive liabilities (1)	$(214,144)	$(211,620)	$(177,200)	$(122,572)	$ (1,160)	$ 34,363	
Rate sensitive assets as a percent of rate sensitive liabilities (cumulative)	35.1%	44.8%	59.5%	73.5%	99.8%	106.7%	

</TABLE>

(1) Cumulative as to the amounts previously repriced or matured. Assets held for sale are reflected in the period in which sales are expected to take place. Securities classified as available for sale are shown at repricing/maturity intervals as if they are to be held to maturity as there is no definitive plan of disposition. They are also shown at amortized cost.

LIQUIDITY AND CAPITAL RESOURCES

Payments and prepayments on the Company's loan and mortgage-backed investment portfolios, sales of fixed rate residential loans, increases in deposits,

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borrowed funds and maturities of various investments comprise the Company's primary sources of liquidity. The Company is also a voluntary member of the FHLB of Boston and, as such, is entitled to borrow an amount up to the value of its qualified collateral that has not been pledged to outside sources. Qualified collateral generally consists of residential first mortgage loans, securities issued, insured or guaranteed by the U.S. Government or its agencies, and funds on deposit at the FHLB of Boston. Short-term advances may be used for any sound business purpose, while long-term advances may be used only for the purpose of providing funds to finance housing. At December 31, 1998, the Company had approximately $121,000,000 in unused borrowing capacity that is contingent upon the purchase of additional FHLB of Boston stock. Use of this borrowing capacity is also impacted by capital adequacy considerations.

The Company's short-term borrowing position consists primarily of FHLB of Boston advances with original maturities of approximately 1 to 3 months. The Company utilizes borrowed funds as a primary vehicle to manage interest rate risk, due to the ability to easily extend or shorten maturities as needed. This enables the Company to adjust its cash needs to the increased prepayment activity in its loan and mortgage-backed investment portfolios, as well as to quickly extend maturities when the need to further balance the Company's gap position arises.

The Company regularly monitors its asset quality to determine the level of its loan loss reserves through periodic credit reviews by members of the Company's Management Credit Committee. The Management Credit Committee, which reports to the Executive Committee of the Company's Board of Directors, also works on the collection of non-accrual loans and disposition of real estate acquired by foreclosure. The allowance for possible loan losses is determined by the Management Credit Committee after consideration of several key factors including, without limitation: potential risk in the current portfolio, levels and types of non-performing assets and delinquency, levels of potential problem loans on the watched asset reports and the impact that they may have on loan collateral and repayment. Workout approach and financial condition of borrowers are also key considerations to the evaluation of non-performing loans.

Non-performing assets were $731,000 at December 31, 1998, compared to $978,000 at December 31, 1997, a decrease of $247,000 or 25.3%. The Company's ratio of delinquent loans to total loans was .36% at December 31, 1998, as compared to .42% at December 31, 1997. Management believes that while delinquency rates and non-performing assets remain at relatively low levels at December 31, 1998, it is likely that at some point in the near future some degree of economic slow down is likely which in turn may result in future increases in problem assets and loan loss provisions. Management continues to monitor the overall economic environment and its potential effects on future credit quality on an ongoing basis.

At December 31, 1998, the Company had outstanding commitments to originate, purchase and sell residential mortgage loans in the secondary market amounting to $2,498,000, $26,580,000 and $3,428,000, respectively. The Company also has outstanding commitments to grant advances under existing home equity lines of credit amounting to $11,085,000. Unadvanced commitments under outstanding commercial and construction loans totaled $11,130,000 as of December 31, 1998. The Company believes it has adequate sources of liquidity to fund these commitments.

The Company's total stockholders' equity was $33,060,000 or 5.6% of total assets at December 31, 1998, compared with $36,321,000 or 6.8% of total assets at December 31, 1997. The decrease in total stockholders' equity of approximately $3,261,000 or 9.0% primarily resulted from dividends paid and the effect of the Company's stock repurchase programs, offset in part by earnings of the Company.

As previously discussed, the Company issued $12,650,000 of 8.25% Trust Preferred Securities in June 1998. Under current regulatory guidelines, trust preferred securities are allowed to represent up to generally 25% of the Company's Tier 1 capital with any excess amounts available as Tier 2 capital. As of December 31, 1998, approximately $10,686,000 of these securities was included in Tier 1.

Bank regulatory authorities have established a capital measurement tool called "Tier 1" leverage capital. A 4.00% ratio of Tier 1 capital to assets now constitutes the minimum capital standard for most banking organizations and a 5.00% Tier 1 leverage capital ratio is required for a "well-capitalized" classification. At December 31, 1998, the Company's Tier 1 leverage capital ratio was approximately 7.27%. In addition, regulatory authorities have also implemented risk-based capital guidelines requiring a minimum ratio of Tier 1 capital to risk-weighted assets of 4.00% (6.00% for "well-capitalized") and a minimum ratio of total capital to risk-weighted assets of 8.00% (10.00% for "well-capitalized"). At December 31, 1998, the Company's Tier 1 and total risk-based capital ratios were approximately 12.49% and 13.86%, respectively. The Company is categorized as "well-capitalized" under the Federal Deposit Insurance Corporation Improvement Act of 1991 (F.D.I.C.I.A.). The Bank is also categorized as "well-capitalized" as of December 31, 1998.

IMPACT OF THE YEAR 2000

The Year 2000 problem, which is common to most companies, concerns the inability of information systems, primarily (but not exclusively) computer software

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programs, to properly recognize and process date-sensitive information as the Year 2000 approaches. The following constitutes the Company's Year 2000 readiness disclosure under the Year 2000 Information and Readiness Disclosure Act.

The mission critical information systems of the Company are generally processed in-house using programs or software provided by third party vendors. Thus, the direct effort to correct Year 2000 issues will generally be undertaken by larger companies outside of the Company's control. The Company expects that it will bring its mission critical systems into compliance with Year 2000 generally through software upgrades and releases, covered primarily through pre-existing maintenance contracts on such software or, for some limited exceptions, through the acquisition and installation of compliant alternative solutions.

Bank regulators have recently issued additional guidance under which they are assessing Year 2000 readiness. The failure of a financial institution, such as the Company, to address deficiencies in the Year 2000 management process may result in enforcement actions which could have a material adverse effect on such institution, result in the imposition of civil money penalties or result in the delay (or receipt of an unfavorable or critical evaluation of management of a financial institution in connection with regulatory review) of applications seeking to expand the institutions activities or to acquire other entities.

The Company has had a Year 2000 Task Force (the "Task Force") comprised of middle and senior management personnel starting in 1997. The managers on this Task Force

represent all operating areas of the Company including those who have limited responsibilities for internal system applications but may have Year 2000 exposure resulting from vendor or correspondent relationships. A formal Year 2000 Action Plan has been developed and was approved by the Board of Directors in 1997. The Task Force has had regularly scheduled monthly meetings since its formation with bi-weekly meetings since March 1998 and provides updates to the full Board of Directors on a monthly basis. The Company also established a Year 2000 Committee in June 1998 comprised of the Chief Executive Officer, Chief Operations Officer, Director of Management Information Systems and three outside Directors of the Company. This group has reviewed all Year 2000 plans and the Company's progress against the detailed plans and objectives established in the Year 2000 Action Plan. This Committee meets quarterly. The Task Force has completed an assessment, identifying mission critical systems, and has initiated formal communications with all third party vendors, including correspondent financial institutions, to determine the compliance status of all systems utilized by the Company. Mission critical systems include hardware, software, program interfaces, operating systems and network. Based upon the results of the assessment, the Company has not determined a need to replace significant portions of existing hardware or software systems. As previously stated, many of the Company's software programs include, have included, or will include future upgrades which encompass many other functional changes along with Year 2000 modifications. In most cases these upgrades were covered through pre-existing maintenance contracts which are customarily purchased to cover potential maintenance or functionality issues on acquired software or systems.

The Company's plan to address the Year 2000 issue was developed along the five-phase project management process outlined in the Federal Financial Institutions Examination Council (FFIEC) Year 2000 statement of May 5, 1997 ((i) awareness; (ii) assessment; (iii) renovation; (iv) validation; and (v) implementation). The awareness phase has generally been completed. The assessment phase has consisted of assessing and documenting the Company's business risk, information systems, and third party vendors, including those who are not software and hardware or operating system providers.

This phase also included an assessment of the 29 Company's exposure to additional credit risk as a result of Year 2000 issues with its customers, particularly for commercial and commercial real estate loans and also for large depositors. At this point in time, after the completion of such assessment, management does not believe that there is a material risk or exposure in these specific areas to credit losses or liquidity problems as a result of Year 2000. Although credit risk associated with Year 2000 appears to be low for the Company based upon current assessments, it is not possible to fully evaluate the true magnitude of increased credit risk associated with Year 2000 at this point in time. The impact that Year 2000 has on borrowers could result in increases in problem loans and credit losses in future years. Management will continue, however, to monitor developments in these areas. The overall assessment phase has certain elements, including impact of reliance upon outside vendors, which are currently ongoing. The majority of the assessment phase is otherwise complete with no critical issues noted.

The validation phase, which includes actual testing of software, hardware, network, telecom and programming applications, is in process. Thus far, there have not been any material issues or developments as a result of such testing.

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The only testing that remains to be performed is on the internal network. This testing is expected to be completed by March 31, 1999.

The Company is also in the process of developing contingency plans to ensure that critical operations continue in the event that its information systems or other vendors are unable to achieve Year 2000 requirements. At this point, the Company has not identified any mission critical vendors who have missed target dates or appear to be at material risk of not achieving Year 2000 requirements.

The chief components of the Company's Year 2000 expenses are generally relating to the costs of acquiring testing systems, independent auditors and consultants to assist the Task Force and management in assessing the adequacy of its plan, testing of its systems, and propriety of its conclusions and, in some instances, minor programming for system interfaces and the purchase of non-mission critical software replacements which were necessitated as a result of management's Year 2000 risk assessment and/or testing. It is estimated that the Company has directly incurred an additional $150,000 in expenses in 1998 related to Year 2000 and management conservatively estimates that approximately $150,000 to $250,000 in additional expenses may be incurred in 1999. Costs of the project, however, are based on current estimates and actual results could vary significantly from such estimates once detailed testing is completed.

IMPACT OF INFLATION

The Consolidated Financial Statements of the Company and related Financial Data presented herein have been prepared in accordance with generally accepted accounting principles which generally require the measurement of financial condition and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on operations of the Company is reflected in increased operating costs. Unlike most industrial companies, almost all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the price of goods and services.

PROPOSED ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards for derivative instruments and hedging activities. The Statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company does not expect that the adoption of this Statement will have a material impact on the Company's financial position or results of operation.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF ABINGTON BANCORP, INC.:

We have audited the accompanying consolidated balance sheets of Abington Bancorp, Inc. and subsidiaries ("the Company") as of December 31, 1998 and 1997, and the related statements of operations, changes in stockholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abington Bancorp, Inc. and subsidiaries as of December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Arthur Andersen LLP
Boston, Massachusetts
January 13, 1999

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CONSOLIDATED BALANCE SHEETS

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DECEMBER 31, (Dollars in thousands)	1998	1997
ASSETS		
Cash and due from banks (Note 18)	$ 15,424	$ 13,312
Short-term investments	4,293	163
Total cash and cash equivalents	19,717	13,475
Loans held for sale (Note 6)	3,901	1,332
Securities (Notes 1, 4, 9 and 10):		
Held for investment - at cost (fair value of $64,129 in 1997)	--	64,021
Available for sale - at fair value	181,346	101,031
Total securities	181,346	165,052
Loans (Notes 6, 9 and 10)	360,665	332,677
Less: Allowance for possible loan losses	(3,077)	(2,280)
Unearned income	(754)	(937)
Loans, net	356,834	329,460
Federal Home Loan Bank stock	9,538	8,151
Banking premises and equipment, net (Note 7)	8,328	6,294
Other real estate owned, net (Note 6)	--	265
Intangible assets (Notes 1 and 2)	2,789	3,284
Other assets (Notes 11 and 20)	8,698	4,673
	$ 591,151	$ 531,986
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits (Note 8)	$ 363,953	$ 324,934
Short-term borrowings (Note 9)	66,628	55,910
Long-term debt (Note 10)	110,500	110,000
Accrued taxes and expenses (Notes 11 and 14)	3,286	3,337
Other liabilities	1,790	1,484
Total liabilities	546,157	495,665
Guaranteed preferred beneficial interests in the Company's junior subordinated debentures (Note 2)	11,934	--
Commitments and contingencies (Note 12)		
Stockholders' equity (Notes 3, 4, 13, 16, 17, and 19):		
Serial preferred stock, $.10 par value, 3,000,000 shares authorized; none issued	--	--
Common stock, $.10 par value, 12,000,000 shares authorized; 4,795,000 shares issued in 1998 and 4,676,000 shares issued in 1997	480	468
Additional paid-in capital	21,830	21,094
Retained earnings	23,182	19,858
	45,492	41,420
Treasury stock - 1,448,000 and 1,039,000 shares in 1998 and 1997, at cost	(13,283)	(5,931)
Compensation plans	(114)	(231)
Net unrealized gain on available for sale securities, net of taxes	965	1,063
Total stockholders' equity	33,060	36,321
	$ 591,151	$ 531,986

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The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

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YEARS ENDED DECEMBER 31, (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	1998	1997	1996
<S>	<C>	<C>	<C>
Interest and dividend income:			
Interest and fees on loans (Notes 1, 5 and 6)	$ 26,281	$ 24,838	$ 22,978
Interest on mortgage-backed investments	8,393	9,045	9,245
Interest on bonds and obligations	3,027	1,775	1,512
Dividend income	627	589	556
Interest on short-term investments	114	50	41
Total interest and dividend income	38,442	36,297	34,332
Interest expense:			
Interest on deposits (Note 8)	11,751	11,057	10,742
Interest on short-term borrowings (Note 9)	2,279	2,557	3,733
Interest on long-term debt (Note 10)	7,555	6,477	5,042
Total interest expense	21,585	20,091	19,517
Net interest income	16,857	16,206	14,815
Provision for possible loan losses (Note 6)	760	630	480
Net interest income, after provision for possible loan losses	16,097	15,576	14,335
Non-interest income:			
Loan servicing fees (Note 6)	469	558	646
Other customer service fees	3,816	3,276	2,412
Gain on sales of securities, net	1,731	540	495
Gain on sales of mortgage loans, net	492	236	315
Net gain on sales and write-down of other real estate owned	43	109	67
Other	358	267	242
Total non-interest income	6,909	4,986	4,177
Non-interest expense:			
Salaries and employee benefits (Notes 12, 14 and 17)	7,832	6,660	6,075
Occupancy and equipment expenses (Notes 7 and 12)	2,679	2,420	2,374
Trust preferred securities expense (Note 2)	586	--	--
Other non-interest expenses (Note 15)	5,170	4,425	4,391
Total non-interest expense	16,267	13,505	12,840
Income before income taxes	6,739	7,057	5,672
Provision for income taxes (Note 11)	2,368	2,679	2,139
Net income	$ 4,371	$ 4,378	$ 3,533
Earnings per share (Note 1):			
Basic -			
Net income per share	$ 1.25	$ 1.18	$ .94
Weighted average common shares	3,491,000	3,716,000	3,774,000
Diluted -			
Net income per share	$ 1.17	$ 1.10	$ .89
Weighted average common shares and share equivalents	3,722,000	3,966,000	3,964,000

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The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGE IN STOCKHOLDERS' EQUITY

(DOLLARS IN THOUSANDS)	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Net Unrealized Gain (Loss) on Available for Sale Securities	Compensation Plans	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1995	$ 466	$ 20,811	$ 13,442	$ (3,703)	$ (62)	$ (393)	$ 30,561
Net income	--	--	3,533	--	--	--	3,533
Issuance of stock	1	112	--	--	--	--	113
Amortization of unearned compensation - ESOP	--	--	--	--	--	81	81
Dividends declared ($.20 per share)	--	--	(754)	--	--	--	(754)
Change in market value on available for sale securities, net of taxes	--	--	--	--	12	--	12
Balance at December 31, 1996	$ 467	$ 20,923	$ 16,221	$ (3,703)	$ (50)	$ (312)	$ 33,546
Net income	--	--	4,378	--	--	--	4,378
Issuance of stock	1	171	--	--	--	--	172
Amortization of unearned compensation - ESOP	--	--	--	--	--	81	81
Dividends declared ($.20 per share)	--	--	(741)	--	--	--	(741)
Repurchase of common stock	--	--	--	(2,228)	--	--	(2,228)
Change in market value on available for sale securities, net of taxes	--	--	--	--	1,113	--	1,113
Balance at December 31, 1997	$ 468	$ 21,094	$ 19,858	$ (5,931)	$ 1,063	$ (231)	$ 36,321
Net income	--	--	4,371	--	--	--	4,371
Issuance of stock	12	736	--	--	--	--	748
Amortization of unearned compensation - ESOP	--	--	--	--	--	81	81
Obligation related to directors' deferred stock plan	--	--	--	--	--	36	36
Dividends declared ($.30 per share)	--	--	(1,047)	--	--	--	(1,047)
Repurchase of common stock	--	--	--	(7,352)	--	--	(7,352)
Effect of reclassification of securities from held-to-maturity to available for sale, net of taxes	--	--	--	--	245	--	245
Change in market value on available for sale securities, net of taxes	--	--	--	--	(343)	--	(343)
Balance at December 31, 1998	$ 480	$ 21,830	$ 23,182	$(13,283)	$ 965	$ (114)	$ 33,060

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31,	1998	1997	1996
(Dollars in thousands)			
<S>	<C>	<C>	<C>
Net income, as reported	$4,371	$4,378	$3,533
Unrealized gains on securities, net of taxes	782	1,448	320

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Less: Reclassification adjustment for securities gains included in net income, net of taxes	1,125	335	308
Comprehensive income before transfers of held-to-maturity securities	4,028	5,491	3,545
Add: Net unrealized gains on securities transferred from held-to-maturity to available for sale, net of taxes	245	--	--
Comprehensive income	$4,273	$5,491	$3,545

</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS

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YEARS ENDED DECEMBER 31, (DOLLARS IN THOUSANDS)	1998	1997	1996
Cash flows from operating activities:			
Net income	$ 4,371	$ 4,378	$ 3,533
Adjustments to reconcile net income to net cash from operating activities:			
Provision for possible loan losses	760	630	480
Net gain on sales and write-down of other real estate owned and investment in limited partnership	(43)	(109)	(67)
Amortization, accretion and depreciation, net	1,800	1,798	1,784
Provision for (prepaid) deferred taxes	(66)	(166)	131
Gain on sales of securities, net	(1,731)	(495)	
Gain on sales of mortgage loans, net	(492)	(236)	(315)
Loans originated for sale in the secondary market	(34,481)	(17,688)	(18,344)
Proceeds from sales of loans	32,404	19,768	18,440
Other, net	(3,505)	(1,101)	1,922
Net cash (used in) provided by operating activities	(983)	6,734	7,069
Cash flows from investing activities:			
Purchase of held for investment securities	(2,844)	(8,968)	(3,633)
Proceeds from principal payments received and redemptions of held for investment securities	5,562	8,571	8,734
Proceeds from sales of available for sale securities	74,624	32,126	36,665
Proceeds from principal payments on and maturities of available for sale securities	49,979	19,041	15,517
Purchase of available for sale securities	(142,019)	(58,323)	(47,244)
Loans originated/purchased, net of amortization and payoffs	(28,134)	(34,721)	(41,746)
Proceeds from sales of loans held in portfolio	--	--	3,038
Purchases of FHLB stock	(1,387)	(248)	(504)
Purchase of banking premises and equipment and improvements to other real estate owned	(3,269)	(1,192)	(972)
Proceeds from sales of other real estate owned	308	769	564
Investments and advances made to low income housing limited partnerships	--	--	(40)
Net cash used in investing activities	(47,180)	(42,945)	(29,621)
Cash flows from financing activities:			
Net increase in deposits	39,019	24,489	20,375
Net increase (decrease) in borrowings with maturities of 3 months or less	(14,282)	19,739	11,363
Proceeds from issuance of short-term borrowings with maturities in excess of 3 months	45,000	20,000	37,000
Principal payments on short-term borrowings with maturities in excess of 3 months	(20,000)	(47,000)	(46,500)
Proceeds from issuance of long-term debt	50,000	49,500	37,000
Principal payments on long-term debt	(49,500)	(23,853)	(36,948)
Net proceeds on issuance of guaranteed preferred beneficial interests in junior subordinated debentures	11,915	--	--
Payment of cash dividends	(1,062)	(741)	(754)
Purchase of treasury stock	(7,352)	(2,228)	--
Proceeds from the exercise of stock options	667	72	113
Net cash provided by financing activities	54,405	39,978	21,649
Net increase (decrease) in cash and cash equivalents	6,242	3,767	(903)
Cash and cash equivalents at beginning of year	13,475	9,708	10,611

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Cash and cash equivalents at end of year	$ 19,717	$ 13,475	$ 9,708

</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, (DOLLARS IN THOUSANDS)	1998	1997	1996
Supplemental cash flow information:			
Interest paid on deposits	$11,718	$11,063	$10,741
Interest paid on borrowed funds	9,807	8,935	8,891
Income taxes paid	3,154	3,717	379
Transfers of loans to other real estate owned	--	425	62
Transfers of securities to available for sale from held for investment	61,232	--	--

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND CONSOLIDATION

The consolidated financial statements include the accounts of Abington Bancorp, Inc. (the "Company") and its wholly-owned subsidiaries, Abington Savings Bank (the "Bank") and Abington Bancorp Capital Trust (See Note 2). The Bank also includes its wholly-owned subsidiaries, Holt Park Place Development Corporation and Norroway Pond Development Corporation, each typically owning properties being marketed for sale, ABBK Corporation, which invested in real estate limited partnerships and was dissolved in January 1997, and Abington Securities Corporation, which invests primarily in obligations of the United States Government and its agencies and equity securities.

Abington Bancorp, Inc. was reestablished as the Bank's holding company on January 31, 1997. Previously, the Company's predecessor, also known as Abington Bancorp, Inc., had served as the Bank's holding company from February 1988 until its dissolution in December 1992. The Company's primary business is serving as the holding company of the Bank.

On January 31, 1997, in connection with the holding company formation, each share of the Bank's common stock previously outstanding was converted automatically into one share of common stock of the Company, and the Bank became a wholly-owned subsidiary of the Company. This 37 reorganization had no impact on the consolidated financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting periods. Operating results in the future could vary from the amounts derived from management's estimates and assumptions.

RECLASSIFICATIONS

Certain amounts in the 1997 and 1996 consolidated financial statements have been reclassified to conform to the 1998 presentation.

CASH EQUIVALENTS

Cash equivalents include amounts due from banks, short-term investments with original maturities of less than 3 months and federal funds sold on a daily basis.

SECURITIES

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Investment securities are classified in 1 of 3 categories and are accounted for as follows:

- Debt securities that the Company has the positive intent and ability to hold to maturity are classified as "held for investment" securities and reported at amortized cost.

- Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as "trading securities" and reported at fair value, with unrealized gains and losses included in earnings.

- Debt and equity securities not classified as either held for investment or trading are classified as "available for sale" and reported at fair value with unrealized gains and losses excluded from earnings and reported in a separate component of stockholders' equity, net of applicable income tax effects.

The Company had no securities classified as trading securities at December 31, 1998 and 1997.

Mortgage-backed investments, held for investment, are stated at amortized cost reduced by principal payments with discounts and premiums being recognized in income by the interest method over the expected maturity of the investments.

Gains and losses on the disposition of securities are computed using the specific identification method. Unrealized losses which are deemed to be other than temporary declines in value are charged to operations.

As of June 30, 1998, the Company elected to transfer the balance of its securities classified as held for investment to available for sale in accordance with the guidelines set forth by Statement of Financial Accounting Standards (SFAS) No. 115. This decision was made by the Board of Directors and management of the Company after a review of its policies and practices of accounting for investments in light of recent economic changes and given potential opportunities from an asset/liability management perspective. At the time of transfer there had been no sales or transfers of securities which would otherwise necessitate this broad reclassification. However, the reclassification was made as of June 30, 1998 to more accurately reflect the Company's change in intention with respect to securities previously classified as held for investment. Under Securities Exchange Commission guidelines, this reclassification prohibits the Company from classifying securities as held for investment for a period of at least 2 years.

LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES

The Company grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio consists of mortgage loans in the southeastern Massachusetts area. The ability of the Company's debtors to honor their contracts is generally dependent upon the stability of real estate market and the general economic conditions in the Company's market area.

Of the total loan portfolio at December 31, 1998, approximately 34% represent owner-occupied first mortgages located throughout the United States. In the purchased loan portfolio, the Company owns approximately $33,000,000 and $18,000,000 of loans collateralized by residential properties located in California and Rhode Island, respectively. No other concentrations in any other states, except for Massachusetts, exceed 3% of total 38 loans.

Loan origination and commitment fees and certain direct loan origination costs, as defined, are deferred and amortized as a yield adjustment over the contractual life of the related loans under the interest method. Premiums and discounts on purchased residential loans are also amortized as a yield adjustment by the interest method over the estimated duration of the investments. Unearned discounts are amortized under the interest method over the term of the related loans. All other interest on loans is recognized on a simple interest basis.

Interest on loans is generally not accrued when the principal or interest on the loan becomes delinquent in excess of 90 days, and/or in the judgment of management the collectibility of the principal or interest becomes doubtful. When a loan is placed on a non-accrual status, all interest previously accrued but not collected is reversed against interest income in the current period. Interest income is subsequently recognized only to the extent cash payments are received.

The allowance for possible loan losses is based on management's evaluation of the

level of the allowance required in relation to the estimated loss exposure in

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the loan portfolio. Procedures employed in considering the allowance requirements include, among other factors, management's ongoing review of individual loans, trends in levels of watched or criticized assets, an evaluation of results of examinations by regulatory authorities and analyses of historical trends in charge-offs and delinquencies. Loans are charged-off to the allowance for loan losses when, in the opinion of management, such loans are deemed to be uncollectible. The allowance is an estimate, and ultimate losses may vary from current estimates. As adjustments become necessary, they are reported in earnings during the periods in which they become known.

The allowance for possible loan losses as of December 31, 1998 is based on management's estimate of the amount required to absorb losses in the loan portfolio based on known current circumstances and real estate market conditions. Additionally, management assesses the risk of increased, inherent but unidentified losses which may exist through evaluation of watched asset report trends and migration analysis, the results of which are reflected in current reserves. However, some degree of uncertainty exists as to future trends in the local economy and real estate market which, if there is significant deterioration, could result in the Company experiencing increases in non-performing loans, additional provisions for loan losses and increased lost interest income on non-accrual loans.

Funds for lending are partially derived from selling participating and whole interests in mortgage loans. Loans designated as held for sale are accounted for at the lower of their aggregate cost or market value. Gains or losses on sales of loans are recognized at the time of the sale and are adjusted when the average interest rate on the loans sold, after normal servicing fees, differs from the agreed yield to the buyer.

MORTGAGE SERVICING RIGHTS

On January 1, 1996, the Company adopted SFAS No. 122, "Accounting for Mortgage Servicing Rights." This statement, which was superseded in June 1996 upon the issuance of SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," requires the recognition of a separate asset for the rights to service mortgage loans for others regardless of how those servicing rights were created. SFAS No. 125 impacts the Company to the extent fixed rate loan originations having terms in excess of 15 years are sold in the secondary mortgage market with servicing of the related loan retained by the Company. In such cases, the Company is required to allocate a portion of the cost of the loan to the mortgage servicing rights based on the relative fair values of such servicing rights and the loan. The value of such servicing rights is to be periodically assessed for impairment based on the fair value of those rights. During 1996, the Company capitalized approximately $103,000 of mortgage servicing rights which resulted in a corresponding increase in gains on sales of mortgages. No mortgage servicing rights were capitalized in 1997 nor 1998 as substantially all loan sales on the secondary market were made on a servicing released basis. All previously capitalized mortgage servicing rights were written-off in 1997 as the result of higher than anticipated prepayment experience on the related loan portfolios.

OTHER REAL ESTATE OWNED

Real estate acquired by foreclosure and acquired by deed in lieu of foreclosure are classified as other real estate owned and initially recorded at the lower of cost or fair value less estimated selling costs. In the event subsequent declines in value are identified, other real estate owned is adjusted to fair market value through a charge to non-interest income.

The fair value for these assets is based on periodic analysis of the real estate by management. Factors considered include, but are not limited to, general economic and market conditions, geographic location, the composition of the real estate holdings and property conditions.

ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF

The management of the Company reviews long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is deemed to exist, long-lived assets and certain identifiable intangibles are reported at the lower of the carrying amount or fair value 39 less cost to sell.

BANKING PREMISES AND EQUIPMENT

Land is carried at cost. Buildings, leasehold improvements and equipment are carried at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets, or the terms of the leases, if shorter. The cost of maintenance and repairs are expensed as incurred; major expenditures for betterments are capitalized and depreciated.

INVESTMENT IN REAL ESTATE LIMITED PARTNERSHIP

The Company has investments in a real estate limited partnership which is

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accounted for on the cost recovery method and have been substantially written-off as of December 31, 1998. The carrying value of this investment and related deferred tax assets is periodically evaluated by management as to its expected future recoverability and write-downs are recorded once an impairment in value is identified and quantified.

INTANGIBLE ASSETS

Core deposit intangibles are being amortized on a straight-line basis over their estimated lives of 7 to 10 years. Goodwill is being amortized on a straight-line basis over 10 to 15 years. The carrying value of these assets is periodically evaluated by management as to their expected future recoverability. To date no write-downs have been recognized.

INCOME TAXES

Tax assets and liabilities are reflected at currently enacted income tax rates. As changes in tax laws and rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

EARNINGS PER SHARE

In 1997, the Company adopted the provisions of SFAS No. 128, "Earnings Per Share." The only reconciling difference between the Company's computation of basic and diluted earnings per share is the diluitive effect of stock options issued and unexercised (see Note 16 for stock options). Additionally, on October 30, 1997, the Board of Directors of Abington Bancorp, Inc. approved a split of its common stock on a 2-for-1 basis in the form of a stock dividend payable on December 12, 1997, to share-holders of record as of November 14, 1997. All share and per share data presented in these consolidated financial statements has been retroactively restated for this event.

COMPREHENSIVE INCOME

In 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." This statement establishes standards for the reporting and display of comprehensive income and its components (revenues, expenses, gains and losses). Components of comprehensive income are net income and all other non-owner changes in equity; unrealized gains and losses on debt and equity securities in the case of the Company. This

statement requires that an enterprise (a) classify items of other comprehensive income by their nature in a financial statement 13. Stockholders' Equity and (b) display the accumulated balance of other comprehensive income separate from retained earnings and additional paid-in capital in the equity section of a statement of financial position.

STOCK BASED COMPENSATION

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations in accounting for its stock-based compensation plans (Note 16). Accordingly, no accounting recognition is given to options granted at fair market value until they are exercised. Upon exercise, net proceeds, including tax benefits realized, if any, are credited to equity.

Effective in 1995, the Company adopted the disclosure option of SFAS No. 123, "Accounting for Stock Based Compensation." SFAS No. 123 defines a fair value based method of accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for their employee stock compensation plans. This statement requires that entities which do not choose to account for stock-based compensation as prescribed by this statement shall continue to account for these plans under APB 25 and disclose the pro forma effects on earnings and earnings per 14. Employee Benefit Plan share as if SFAS No. 123 had been adopted.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards for derivative instruments and hedging activities. The Statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. The Company does not expect that the adoption of this Statement will have a material impact on the Company's financial position or results of operation.

2. GUARANTEED PREFERRED BENEFICIAL INTEREST IN THE COMPANY'S JUNIOR SUBORDINATED DEBENTURES (TRUST PREFERRED SECURITIES)

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In May 1998, the Company formed a Delaware business trust, Abington Bancorp Capital Trust (the "Trust"). All of the common securities of this special purpose Trust are owned by the Company; the Trust exists solely to issue capital securities. For financial reporting purposes, the Trust is reported as a subsidiary and is consolidated into the financial statements of Abington Bancorp, Inc. and subsidiaries. The capital securities are presented as a separate line item on the consolidated balance sheet as a guaranteed preferred beneficial interest in the Company's Junior Subordinated Debentures (trust preferred securities). The Trust has issued trust preferred securities and invested the net proceeds in junior subordinated deferrable interest debentures (subordinated debentures) issued to the Trust by the Company. The subordinated debentures are the sole assets of the Trust. The Company has the right to defer payment of interest on the subordinated debentures at any time, or from time to time, for periods not exceeding 5 years. If interest payments on the subordinated debentures are deferred, the distributions on the trust preferred securities are also deferred. Interest on the subordinated debentures is cumulative. The Company, through guarantees and agreements, has fully and unconditionally guaranteed all of the Trust's obligations under the trust preferred securities.

The Federal Reserve Bank has accorded the trust preferred securities Tier 1 capital status. The ability to apply Tier 1 capital treatment, as well as to deduct the expense of the subordinated debentures for income tax purposes, provided the Company with a cost-effective way to raise regulatory capital. The trust preferred securities are not included as a component of total shareholders' equity on the consolidated balance sheet.

The 8.25% trust preferred securities pay quarterly distributions which commenced on the last day of September 1998. The Trust issued 1,265,000 shares of $10 per share liquidation value per preferred security at a total cost of approximately $735,000 which has been deferred and is netted against the outstanding value of the trust preferred securities on the accompanying balance sheet. The offering costs are being amortized over the anticipated life of the trust preferred securities, which will mature on June 30, 2029. Distributions, including those accrued and accumulated, of $325,000 relating to these trust preferred securities is reflected as minority interest in non-interest expense.

The maturity date may be shortened to a date not earlier than 2003 if certain conditions are met, including obtaining approval from the Board of Governors of the Federal Reserve System. The redemption price of the trust preferred securities would equal the liquidation value of each security.

3. REGULATORY MATTERS

The Company and the Bank are subject to various regulatory requirements administered by the federal banking agencies.

Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes as of December 31, 1998, that the Company and the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 1998, the most recent notification from the FDIC categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category. To be considered well-capitalized under the regulatory framework for prompt corrective action, the Bank must maintain minimum Tier 1 leverage, Tier 1 risk-based, and total risk-based capital ratios as set forth in the table below.

<TABLE>
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	ACTUAL AMOUNT	RATIO	FOR CAPITAL ADEQUACY PURPOSES AMOUNT	RATIO	PROMPT CORRECTIVE ACTION PROVISIONS AMOUNT	RATIO
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(DOLLARS IN THOUSANDS)						
As of December 31, 1998:						
Company						
Total Capital (to risk-weighted assets)	$44,399	13.86%	$25,633	8.00%	N/A	N/A
Tier 1 capital (to risk-weighted assets)	$40,004	12.49%	$12,817	4.00%	N/A	N/A
Tier 1 capital (to average assets)	$40,004	7.27%	$22,024	4.00%	N/A	N/A
Bank						
Total Capital (to risk-weighted assets)	$36,792	11.56%	$25,460	8.00%	$31,825	10.00%
Tier 1 capital (to risk-weighted assets)	$33,715	10.59%	$12,730	4.00%	$19,095	6.00%
Tier 1 capital (to average assets)	$33,715	5.95%	$22,668	4.00%	$28,335	5.00%
As of December 31, 1997:						
Company						
Total Capital (to risk-weighted assets)	$34,254	13.02%	$21,053	8.00%	N/A	N/A
Tier 1 capital (to risk-weighted assets)	$31,974	12.15%	$10,526	4.00%	N/A	N/A
Tier 1 capital (to average assets)	$31,974	6.01%	$21,279	4.00%	N/A	N/A
Bank						
Total Capital (to risk-weighted assets)	$32,982	12.54%	$21,047	8.00%	$26,309	10.00%
Tier 1 capital (to risk-weighted assets)	$30,702	11.67%	$10,524	4.00%	$15,785	6.00%
Tier 1 capital (to average assets)	$30,702	5.72%	$21,279	4.00%	$26,845	5.00%

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. SECURITIES

The amortized cost and fair value of securities classified as held for investment at December 31, 1997 is as follows:

<TABLE>
<CAPTION>

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
AT DECEMBER 31,		1997		
(DOLLARS IN THOUSANDS)				
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	$16,502	$ 62	$ 197	$16,367
Federal National Mortgage Association	28,624	358	212	28,770
Government National Mortgage Association	1,434	4	--	1,438
Other	17,461	147	54	17,554
Total mortgage-backed securities	$64,021	$ 571	$ 463	$64,129

</TABLE>

The amortized cost and fair value of securities classified as available for sale at December 31, 1998 and 1997 are as follows:

<TABLE>
<CAPTION>

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
AT DECEMBER 31,			1998				1997	
(DOLLARS IN THOUSANDS)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

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Investment securities:								
U.S. Government obligations	$ 652	$ 23	$ --	$ 675	$ 683	$ --	$ --	$ 683
Federal agency obligations	25,842	204	92	25,954	30,112	143	48	30,207
Other bonds and obligations	20,799	303	881	20,221	3,095	28	3	3,120
Total investment securities	47,293	530	973	46,850	33,890	171	51	34,010
Marketable equity securities	4,339	727	270	4,796	4,137	996	106	5,027
Mortgage-backed securities:								
Federal Home Loan Mortgage Corporation	14,540	125	36	14,629	12,906	186	30	13,062
Federal National Mortgage Association	45,527	818	22	46,323	29,660	586	71	30,175
Government National Mortgage Association	22,943	172	81	23,034	9,476	--	44	9,432
Other	45,096	890	272	45,714	9,235	90	--	9,325
Total mortgage-backed securities	128,106	2,005	411	129,700	61,277	862	145	61,994
	$179,738	$ 3,262	$ 1,654	$181,346	$ 99,304	$ 2,029	$ 302	$101,031

</TABLE>

The fair value and amortized cost of investments and mortgage-backed securities, respectively, at December 31, 1998 by contractual maturity follows. Expected maturities or cash flows from securities will differ from contractual maturities because the issuer may have the right to call or repay obligations with or without call or prepayment penalties. Projected payments and prepayments for mortgage-backed securities have not been considered for purposes of this presentation.

<TABLE>
<CAPTION>

INVESTMENT SECURITIES (DOLLARS IN THOUSANDS)	AMORTIZED COST	% TO TOTAL	FAIR VALUE
<S>	<C>	<C>	<C>
Within 1 year	$ --		$ --
Over 1 year to 5 years	4,726	10.0	4,803
Over 5 years to 10 years	21,842	46.2	21,929
Over 10 years	20,725	43.8	20,118
	$47,293	100.0%	$46,850

</TABLE>

<TABLE>
<CAPTION>

MORTGAGE-BACKED SECURITIES (DOLLARS IN THOUSANDS)	AVAILABLE FOR SALE	
	AMORTIZED COST	FAIR VALUE
<S>	<C>	<C>
Within 1 year	$ --	$ --
Over 1 year to 5 years	5,968	5,998
Over 5 years to 10 years	5,157	5,295
Over 10 years	116,981	118,407
	$128,106	$129,700

</TABLE>

Gross gains on sales of marketable equity securities were $1,591,000, $687,000 and $407,000 for 1998, 1997 and 1996, respectively. There were losses of $118,000 on sales of equity securities in 1998. There were no losses on sales of equity securities in 1997 or 1996.

Gross gains on sales of investment securities were $12,000, $0 and $30,000 for 1998, 1997 and 1996, respectively. Gross losses on sales of investment securities were $0, $54,000 and $54,000 for 1998, 1997 and 1996, respectively.

Proceeds from sales of mortgage-backed investments classified as available for sale during 1998, 1997 and 1996 were $58,011,000, $26,402,000 and $17,082,000, respectively. Gross gains of $324,000, $142,000 and $130,000 in 1998, 1997 and 1996, respectively, were realized on those sales. Gross losses of $78,000,

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$235,000 and $18,000 were realized in 1998, 1997 and 1996, respectively.

A U.S. agency obligation security with a carrying value of $1,098,000 was pledged to collateralize treasury, tax and loan obligations.

All agency and mortgage-backed securities also serve as collateral for FHLB borrowings as part of a blanket collateral agreement as further described in Note 9.

5. INTEREST RATE SWAP AGREEMENT

To help manage interest rate sensitivity on the Company's adjustable rate mortgage loan portfolio, the Company entered into an interest rate swap agreement in July 1994 for a period of 36 months with an international investment banking firm. Under this agreement, the Company received a fixed rate of interest of 5.35% on the notional amount and paid interest based on the 6 month floating LIBOR rate on the notional amount which reset semi-annually (February and August). The notional amount of this swap was initially $15,000,000. This amount amortized at a rate consistent with the amortization and prepayment of a reference pool of residential mortgages as specified in the agreement. In addition to the fixed rate of interest, the Company also received $300,000 in cash upon execution of this agreement. This amount was accreted to income over the life of the agreement at a rate consistent with the aforementioned reference pool of mortgages. The resulting yield received by the Company, including the impact of the accretion, was approximately 6.25% in 1997. This agreement expired on August 15, 1997.

Net interest income (expense) associated with this swap was recognized based on the accrual method. The net interest income recognized by the Bank during 1997 and 1996 as a result of this agreement was $34,000 and $77,000, respectively.

6. LOANS AND OTHER REAL ESTATE OWNED

A summary of the loan portfolio follows:

<TABLE>
<CAPTION>

DECEMBER 31, (DOLLARS IN THOUSANDS)	1998	1997
Mortgage loans:		
Residential	$ 270,887	$ 249,165
Second mortgages and home equity	20,339	20,392
Construction	7,109	7,681
Commercial	50,493	39,341
	348,828	316,579
Less: Due to borrowers on incomplete loans	(2,557)	(2,166)
Net deferred loan fees	(626)	(813)
Total mortgage loans	345,645	313,600
Commercial loans:		
Unsecured lines of credit	211	245
Secured and unsecured	9,262	7,399
	9,473	7,644
Net deferred loan fees	(127)	(124)
Total commercial loans	9,346	7,520
Other loans:		
Indirect automobile	158	1,263
Personal	1,393	1,562
Education	62	423
Passbook and other secured	6,951	8,323
Home improvement	257	381
Total other loans	8,821	11,952
Total loans	363,812	333,072
Less allowance for possible loan losses	(3,077)	(2,280)
Loans and loans held for sale, net	$ 360,735	$ 330,792

</TABLE>

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Included in residential real estate mortgages at December 31, 1998 and 1997, respectively, are approximately $3,901,000 and $1,332,000 of loans held for sale. At December 31, 1998 and 1997, the estimated market values of loans held for sale was in excess of their carrying value. The Company was servicing mortgage loans sold under non-recourse agreements amounting to approximately $153,145,000 and $208,073,000 at December 31, 1998 and 1997, respectively.

In the ordinary course of business, the Company has granted loans to certain of its officers and directors and their affiliates. All transactions are on substantially the same terms as those prevailing at the same time for individuals not affiliated with the Bank and do not involve more than the normal risk of collectibility. The total amount of such loans which exceeded $60,000 in aggregate amount to any related party amounted to $1,216,000 at December 31, 1998, and $1,714,000 at December 31, 1997. During the year ended December 31, 1998, total principal additions were $213,000 and total principal reductions were $711,000.

The following analysis summarizes the Company's non-performing assets at December 31, 1998 and 1997.

YEARS ENDED DECEMBER 31, (DOLLARS IN THOUSANDS)	1998	1997
Impaired loans or loans accounted for on a non-accrual basis	$681	$622
Accruing loans past due 90 days or more as to principal or interest	50	91
Total non-performing loans	731	713
Other real estate owned, net	--	265
Total non-performing assets	$731	$978

Impaired loans totaling $77,000 and $293,000 at December 31, 1998 and 1997, respectively, required an allocation of $20,000 and $45,000, respectively, of the allowance for possible loan losses. The remaining impaired loans did not require any allocation of the reserve for possible loan losses. The average balance of impaired loans was approximately $622,000 and $966,000in 1998 and 1997, respectively. The total amount of interest income recognized on impaired loans during 1998 and 1997 was approximately $55,000 and $50,000, respectively, which approximated the amount of cash received for interest during those periods. The Company has no commitments to lend additional funds to borrowers whose loans have been deemed to be impaired. An analysis of the allowance for possible loan losses follows:

YEARS ENDED DECEMBER 31, (DOLLARS IN THOUSANDS)	1998	1997
Balance at beginning of year	$ 2,280	$ 1,811
Provision	760	630
Recoveries	261	205
	3,301	2,646
Loans charged-off	(224)	(366)
Balance at end of year	$ 3,077	$ 2,280

7. BANKING PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of banking premises and equipment and their estimated useful lives is as follows:

DECEMBER 31, (DOLLARS IN THOUSANDS)	1998	1997	ESTIMATED USEFUL LIVES
Banking premises:			
Land	$ 1,971	$ 671	
Buildings and improvements	5,345	5,000	10-25 years

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Leasehold improvements	883	637	10-15 years
Equipment	9,597	8,219	3-10 years
	17,796	14,527	
Less accumulated depreciation	(9,468)	(8,233)	
	$ 8,328	$ 6,294	

</TABLE>

Depreciation expense for the years ended December 31, 1998, 1997 and 1996 amounted to $1,235,000, $1,243,000 and $1,154,000, respectively.

8. DEPOSITS

A summary of deposit balances, by type, is as follows:

<TABLE>
<CAPTION>

DECEMBER 31, (DOLLARS IN THOUSANDS)	1998	1997
<S>	<C>	<C>
Non-interest NOW	$ 43,874	$ 33,925
NOW	50,569	41,278
Other savings	90,823	81,923
Money market deposits	14,995	15,477
Total non-certificate accounts	200,261	172,603
Term certificate accounts	131,305	125,661
Certificates of deposit greater than $100	32,387	26,670
Total certificate accounts	163,692	152,331
Total deposits	$363,953	$324,934

</TABLE>

A summary of certificate accounts by maturity is as follows:

<TABLE>
<CAPTION>

DECEMBER 31, (DOLLARS IN THOUSANDS)	1998		1997	
	AMOUNT	WEIGHTED AVERAGE RATE	AMOUNT	WEIGHTED AVERAGE RATE
<S>	<C>	<C>	<C>	<C>
Within 1 year	$119,064	5.24%	$102,681	5.53%
Over 1 year to 3 years	38,886	5.82	43,846	6.26
Over 3 years to 5 years	5,742	5.25	5,804	5.67
	$163,692	5.38%	$152,331	5.74%

</TABLE>

9. SHORT-TERM BORROWINGS

Short-term borrowings consist primarily of Federal Home Loan Bank advances with original maturities of 1 year or less. All borrowings from the Federal Home Loan Bank of Boston are secured under a blanket lien by certain qualified collateral defined principally as 85% to 90% of the carrying value of U.S. Government and agency obligations, including mortgage-backed securities, and 75% of the carrying value of residential mortgage loans. Information relating to activity and rates paid under these borrowing agreements is presented below:

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,	1998	1997	1996

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(DOLLARS IN THOUSANDS)

Maximum amount of borrowings outstanding during the year	$83,778	$94,506	$78,300
Average month-end borrowings outstanding during the year	$42,039	$45,833	$66,790
Average interest rate during the year	5.42%	5.58%	5.59%
Unused line of credit at Federal Home Loan Bank of Boston	$ 9,733	$ 4,780	$ 8,767
Amount outstanding at end of year	$66,628	$55,910	$63,171
Weighted average interest rate at end of year	5.09%	5.68%	5.68%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. LONG-TERM DEBT

A summary of long-term debt, consisting of FHLB advances with an original maturity of greater than 1 year is as follows:

MATURITY DATE (DOLLARS IN THOUSANDS)	INTEREST RATE	DECEMBER 31, 1998	DECEMBER 31, 1997
February 4, 1998	5.30%	$ -	$ 4,500
July 20, 1998	5.78	-	5,000
September 30, 1998	6.22	-	5,000
November 9, 1998	5.80	-	15,000
November 13, 1998	5.90	-	5,000
May 4, 1999*	5.05	5,000	5,000
May 13, 1999	6.38	4,000	4,000
September 16, 1999	6.66	5,000	5,000
October 20, 1999	6.06	5,000	5,000
November 1, 1999	6.23	5,000	5,000
February 24, 2000**	5.79	16,000	16,000
March 6, 2000	6.51	4,000	4,000
March 20, 2000	6.61	5,000	5,000
April 11, 2000	6.82	4,000	4,000
September 14, 2000	5.15	5,000	-
October 20, 2000	6.21	5,000	5,000
March 6, 2001	6.66	4,000	4,000
March 19, 2001	6.77	5,000	5,000
April 11, 2001	6.98	4,000	4,000
May 14, 2001	6.74	4,000	4,000
January 8, 2008***	4.99	15,000	-
September 2, 2008****	4.99	5,000	-
December 9, 2017	5.66	500	500
July 27, 2017+	4.99	10,000	-
		$110,500	$110,000

* LIBOR Roating advance with a monthly reset

** Variable rate advance with quarterly resets, with prepayment option at reset dates without penalty

*** Option advance; callable quarterly at FHLB option commencing January 8, 1999

**** Option advance; callable quarterly at FHLB option commencing September 1, 1999

\+ Option advance; callable quarterly at FHLB option commencing July 28, 1999

11. INCOME TAXES

The provision for income taxes consists of the following:

YEARS ENDED DECEMBER 31, (DOLLARS IN THOUSANDS)	1998	1997	1996
Current: Federal	$2,325	$2,509	$1,704
State	109	336	304
	2,434	2,845	2,008
Deferred: Federal	(49)	(121)	110

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State	(17)	(45)	21
	(66)	(166)	131
Total	$2,368	$2,679	$2,139

</TABLE>

The reason for the differences between the effective tax rates and the statutory tax rates are summarized as follows:

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Statutory rate	34.0%	34.0%	34.0%
State taxes, net of federal benefit	.9	2.7	3.8
Effect of amortization of non-deductible goodwill	.6	.6	.7
Other, net	(.4)	.7	(.8)
	35.1%	38.0%	37.7%

</TABLE>

The components of net deferred taxes as recorded as of December 31, 1998 and 1997 are as follows (assets/(liabilities)):

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,	1998	1997
(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>
Loan loss reserves	$1,179	$ 827
Loan fee income	-	40
Dividends on deposits not yet deducted for tax purposes	34	74
Pension expense	159	94
Equity in partnership losses	(1,474)	(1,391)
Core deposit intangible	(168)	(312)
Other, net	(40)	76
	(310)	(492)
Deferred tax liabilities applicable to unrealized losses on securities	(658)	(597)
Net deferred tax liabilities included in other liabilities	$(968)	$(1,089)

</TABLE>

In August of 1996, Congress passed the Small Business Job Protection Act of 1996. Included in this bill was the repeal of IRC Section 593, which allowed thrift institutions special provisions in calculating bad debt deductions for income tax purposes. Thrift institutions now will be viewed as commercial banks for income tax purposes. The repeal is effective for tax years beginning after December 31, 1995.

One effect of this legislative change is to suspend the Bank's bad debt reserve for income tax purposes as of its base year (October 31, 1988). Any bad debt reserve in excess of the base year amount is subject to recapture over a 6 year time period. The suspended (i.e., base year) amount is subject to recapture upon the occurrence of certain events, such as complete or partial redemption of the Bank's stock or if the Bank ceases to qualify as a bank for income tax purposes.

At December 31, 1998, the Bank's surplus includes approximately $1,960,000 of bad debt deductions for which income taxes have not been provided. As the Bank does not intend to use the reserve for purposes other than to absorb loan losses, deferred taxes of approximately $820,000 have not been provided on this

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amount.

12. COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding commitments and contingencies which are not reflected in the consolidated financial statements.

LITIGATION

The Company is a defendant in various legal claims incident to its business, none of which is believed by management, based on the advice of legal counsel, to be material to the consolidated financial statements.

SPECIAL TERMINATION AGREEMENTS

The Company has entered into Special Termination Agreements with five officers which provide for a lump-sum severance payment within a 3 year period following a "change in control," as defined in the agreements.

LOAN AND GENERAL COMMITMENTS

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments principally include commitments to extend credit and advance funds on outstanding lines of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts or unpaid principal balance of those instruments reflect the extent of involvement the Company has in these particular classes of financial instruments.

The Company's exposure to credit loss is represented by the contractual amount or unpaid principal balance of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for financial instruments reflected on the balance sheet. Financial instruments which represent credit risk at December 31, 1998 and 1997 are as follows:

AT DECEMBER 31, (DOLLARS IN THOUSANDS)	1998	1997
Contract amount of:		
Commitments to grant loans	$11,071	$ 8,359
Commitments to sell loans	3,428	1,415
Unadvanced funds on home equity lines of credit	11,085	11,230
Unadvanced funds on other lines of credit	499	2,242
Commitments to advance funds under construction loan agreements	2,557	2,166
Commitments to purchase loans	26,580	

Commitments to grant loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis.

LEASE COMMITMENTS

Pursuant to the terms of non-cancelable lease agreements in effect, future minimum rent commitments for the next 5 years and thereafter are as follows at December 31, 1998:

YEAR (DOLLARS IN THOUSANDS)	AMOUNT
1999	$ 360
2000	316

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2001	262
2002	274
2003	290
2004 and thereafter	2,029
	$3,531

</TABLE>

Certain leases also contain renewal options (up to 10 years) and real estate tax escalation clauses. Rent expense for the years ended December 31, 1998, 1997 and 1996 amounted to approximately $338,000, $238,000 and $235,000, respectively.

13. STOCKHOLDERS' EQUITY

At the time of the conversion from mutual to stock form in 1986, the Bank established a liquidation account in the amount of $7,478,000. In accordance with Massachusetts statutes, the liquidation account will be maintained for the benefit of eligible account holders who continue to maintain their accounts in the Bank after the conversion. The liquidation account will be reduced annually to the extent that eligible account holders have reduced their qualifying deposit. Subsequent increases will not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation of the Bank, each eligible account holder will be entitled to receive a distribution in an amount equal to their current adjusted liquidation account balances to the extent that funds are available.

Federal and state banking regulations place certain restrictions on dividends paid and loans or advances made by the Company. The total amount of dividends which may be paid at any date is generally limited to the undivided profits of the Company. Undivided profits at the Company totaled $23,182,000 at December 31, 1998. Additionally, future dividends, if any, will depend on the earnings of the Company and its subsidiary, its need for funds, its financial condition, and other factors, including applicable government regulations. (See Note 3.)

14. EMPLOYEE BENEFIT PLAN

The Company provides basic pension benefits for eligible employees through the Savings Bank's Employees Retirement Associations ("SBERA") Pension Plan. Each employee reaching the age of 21 and having completed at least 1,000 hours of service in a consecutive 12 month period beginning with such employee's date of employment automatically becomes a participant in the pension plan. All participants are fully vested after being credited with 3 years of service or at age 62, if earlier. Employees are also able to participate in a contributory plan administered by SBERA based on the same eligibility requirements. The Company has no obligation to contribute to this plan. Net periodic pension expense for the plan years ended October 31, 1998, 1997 and 1996, consisted of the following:

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,	1998	1997
(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>
Benefit obligation at beginning of year	$3,172	$2,527
Service cost	350	247
Interest cost	215	190
Actuarial loss (gain)	(87)	409
Benefits paid	(149)	(201)
Benefit obligation at end of year	$3,501	$3,172
Value of vested benefits	$2,168	$1,896
Accumulated benefit obligation	$2,212	$1,965

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Change in plan assets:		
Fair value of plan assets at beginning of year	$3,214	$2,709
Actuarial return on plan assets	264	484
Contributions	323	222
Benefits paid	(149)	(201)
Fair value of plan assets at end of year	$3,652	$3,214
Funding status:		
Transition liability/(asset)	$ (80)	$ (86)
Deferred loss/(gain)	(449)	(396)
Accrued/(prepaid) expense	378	440
Net amount recognized	$ (151)	$ (42)

</TABLE>

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,	1998	1997	1996
(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>
Components of net periodic benefit cost:			
Service cost	$350	$247	$247
Interest cost	215	190	180
Expected return on plan assets	(278)	(217)	(347)
Amortization of prior service cost	(6)	(7)	(7)
Recognized net actuarial gain/loss	(23)	(23)	158
Net periodic benefit cost	$258	$190	$231
Weighted average assumptions:			
Discount rate	7.00%	7.25%	7.50%
Expected return on plan assets	8.50%	8.00%	8.00%
Rate of compensation increase	5.50%	6.00%	6.00%

</TABLE>

The Bank has adopted a management incentive plan (the "Plan") whereby all officers and supervisors are eligible to receive a bonus, proportionate to their respective salary, if the Bank meets or exceeds certain base standards of profitability and net worth levels for its fiscal year. The structure of the Plan is reviewed on an annual basis by the Board of Directors. The incentive bonus expense in 1998, 1997 and 1996 was approximately $204,000, $310,000 and $175,000, respectively.

15. OTHER NON-INTEREST EXPENSE

Other non-interest expense consisted of the following:

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,			
(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>
Professional services	$1,317	$1,144	$1,252
Item processing and statement rendering	395	368	371
Advertising	874	746	647
Deposit insurance	65	67	16
Real estate in foreclosure and other real estate owned	56	86	169

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Amortization of intangible assets	495	387	423
Other	1,968	1,627	1,513
	$5,170	$4,425	$4,391

</TABLE>

Professional services include amounts paid for legal services, audits and regulatory examinations.

16. STOCK OPTION PLAN

The Bank adopted a stock option plan, the 1986 Incentive and Nonqualified Stock Option Plan (the "1986 Stock Option Plan"), in connection with its conversion from mutual to stock form in 1986. On the effective date of the Holding Company Plan, the 1986 Stock Option Plan became the Stock Option Plan of the Company. By its terms, the 1986 Stock Option Plan has expired, and new options may no longer be granted. The Company has adopted the Abington Bancorp, Inc. 1997 Incentive and Nonqualified Stock Option Plan ("the 1997 Stock Option Plan") to replace the 1986 Stock Option Plan.

The 1997 Stock Option Plan authorizes the grant of (i) options to purchase common stock intended to qualify as incentive stock options ("Incentive Options") as defined in Section 422 of the Code, and (ii) options that do not so qualify ("Nonqualified Options"). Up to 300,000 shares of common stock (subject to adjustment upon certain changes in the capitalization of the Company) may be issued pursuant to awards granted under the 1997 Stock Option Plan. The 1997 Stock Option Plan is administered by the Company's Compensation Committee (the "Compensation Committee"). The Compensation Committee recommends to the full Board of Directors the individuals to whom awards are granted and determines the terms of each award, subject to the provisions of the 1997 Stock Option Plan. Incentive Options may be granted under the 1997 Stock Option Plan only to officers and other employees of the Company or its subsidiary. Nonqualified Options may be granted under the 1997 Stock Option Plan to officers or other employees of the Company or its subsidiaries, and to members of the Board of Directors and consultants or other persons who render services to the Company.

Each option shall expire on the date specified in the option agreement, which date shall not, in the case of an Incentive Option, extend for more than 10 years from the date of grant (5 years in the case of an optionee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any subsidiary ("greater-than-ten-percent-stockholder")). The exercise price of each option shall be determined by the Compensation Committee at the time the option is granted, provided, however, that the option price of any Incentive Option granted under the 1997 Stock Option Plan must be at least equal to the fair market value of the common stock on the date of grant (110% of fair market value in the case of a greater-than-ten-percent-stockholder). The aggregate fair market value (determined at the time of grant) of shares issuable pursuant to Incentive Options which first become exercisable by an employee or officer in any calendar year may not exceed one hundred thousand dollars ($100,000). Options are non-transferable except by will or by the laws of descent or distribution and are exercisable, during the optionee's lifetime, only by the optionee.

Options generally may not be exercised (i) after termination of the optionee's employment with the Company or any of its subsidiaries, or directorship with the Company, for cause or by reason of such optionee's voluntary resignation, (ii) 30 days after termination of the optionee's employment with the Company or its subsidiary, or directorship with the Company, without cause or by reason of retirement in accordance with the Company's (or the applicable subsidiary's) retirement policies, (iii) 90 days after termination of the optionee's employment with the Company or its subsidiary, or directorship with the Company, by reason of disability, and (iv) 180 days after termination of the optionee's employment with the Company, its subsidiary, or directorship with the Company, by reason of death. In all cases, however, the Board has the discretion to extend the exercise date. Payment of the exercise price of the shares subject to the option may be made (i) in cash in an amount, or by check, bank draft or postal or express money order payable in an amount, equal to the aggregate exercise price for such shares, (ii) with the consent of the Compensation Committee, in the form of shares of common stock having a fair market value equal to the exercise price of such shares, (iii) with the consent of the Compensation Committee, by reducing the number of

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option shares otherwise issuable to the optionee upon exercise of the option by a number of shares having a fair market value equal to the aggregate exercise price of such shares, (iv) with the consent of the Compensation Committee, by delivering such other consideration that is acceptable to the Compensation Committee and that has a fair market value, as determined by the Compensation Committee, equal to the aggregate exercise price of such shares, including any broker-directed cashless exercise/resale procedure adopted by the Compensation Committee, or (v) with the consent of the Compensation Committee, any combination of the foregoing.

At the discretion of the Company, options granted under the 1997 Stock Option Plan may include a so-called "reload" feature pursuant to which an optionee exercising an option by the delivery of a number of shares of common stock would automatically be granted an additional option (with an exercise price equal to the fair market value of the common stock on the date the additional option is granted and with the same expiration date as the original option being exercised, and with such other terms as the Compensation Committee may provide) to purchase that number of shares of common stock equal to the number delivered to exercise the original option.

In the event of a change of control, as defined in the 1997 Stock Option Plan, (i) the time for exercise of all unexercised and unexpired awards will be automatically accelerated, effective as of the effective time of the change of control (or such earlier date as may be specified by the Board) and (ii) after the effective time of the change of control, all unexercised awards will remain outstanding and will be exercisable in full for shares of common stock or, if applicable, for shares of such securities, cash or property as the holders of shares of common stock received in connection with the change of control.

The per share exercise prices of the options granted by the 1986 and 1997 Option Plan range from $1.50 to $20.75 and equaled the fair market value of the shares on the date the options were granted. Stock Option activity for the years ended December 31, 1998, 1997 and 1996 is as follows:

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31,	1998		1997		1996	
	NUMBER OF OPTIONS	WEIGHTED AVG. EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVG. EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVG. Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	430,024	$5.59	398,824	$4.40	367,824	$3.92
Granted	85,000	19.02	46,500	15.50	50,500	8.50
Exercised	(119,624)	5.58	(15,300)	4.75	(19,000)	5.93
Canceled	(24,000)	19.00	-	-	(500)	8.03
Outstanding at end of year	371,400	$7.80	430,024	$5.59	398,824	$4.40
Exercisable at end of year	309,050	$5.53	430,024	$5.59	358,324	$4.12
Option price per share	$1.50-$20.75		$1.50-$15.50		$1.50-$8.50	
Weighted average fair value of options granted during the year	$6.39		$5.09		$3.35	

</TABLE>

In conjunction with the Company's aforementioned Stock Option Plans, the Company adopted a Long Term Performance Incentive Plan to encourage executive management and members of the Board of Directors to build long-term shareholder value. The plan was a 3 year program which provided a mechanism for granting options under the Company's Stock Option Plan. Options to purchase approximately 40,500 to 46,500 shares of common stock for each of the 1995, 1996 and 1997 fiscal years were granted to members of the Board of Directors and certain principal officers. All options granted under this plan are included in the preceding table. The options are granted based on achievement of strategic goals such as acquisitions and asset purchases. The exercise price would be at least equaled to the fair market value of the common stock on the date of grant. The options become exercisable upon a change of control of the Company or after the average market price of the common stock exceeds 120-140% of the exercise price for periods of 5 to 180 days depending on the qualifications set for each issuance. As of December 31, 1998, all but 44,000 of the previously issued options under this plan were exercisable.

All options granted become fully vested no later than at the end of the ninth year after issuance. The maximum amount of options which can become exercisable in any 1 year is limited to $100,000 based on grant prices except in the event of a change of control, in which case all options become exercisable.

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As discussed in Note 1, the Bank applies APB 25 in accounting for its stock-based compensation plans under which no compensation cost has been recognized. Had compensation cost for awards in 1998, 1997 and 1996 under the Bank's stock-based compensation plans been determined based on the fair value at the grant dates consistent with the method set forth under SFAS No. 123, the effect on the Bank's net income and earnings per share would have been as follows:

(DOLLARS IN THOUSANDS, EXCEPT IN SHARE AMOUNTS)	1998	1997	1996
Net income:			
As reported	$4,371	$4,378	$3,533
Pro forma	4,213	4,236	3,428
Earnings per share:			
As reported -			
Basic	1.25	1.18	.94
Diluted	1.17	1.10	.89
Pro forma -			
Basic	1.21	1.14	.91
Diluted	1.13	1.07	.86

The initial impact of applying SFAS No. 123 on pro forma net income may not be indicative of future amounts when the method prescribed by SFAS No. 123 will apply to all outstanding awards because compensation expense for options granted prior to January 1, 1995 is not reflected in the pro forma amounts above.

The fair value of each option grant is estimated on the grant date using the Black-Scholes option-pricing model using the following weighted-average assumptions:

	1998	1997	1996
Expected volatility	21.10%	21.10%	34.05%
Risk-free interest rate	5.75%	6.17%	5.71%
Term of options	7.0 yrs.	7.0 yrs.	9.2 yrs.
Expected dividend yield	1.20%	1.40%	2.35%

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

17. EMPLOYEE STOCK OWNERSHIP PLAN

The Company has established an Employee Stock Ownership Plan ("ESOP") which is being funded by the Company's contributions made in cash (which generally will be invested in common stock) or common stock. Benefits may be paid in shares of common stock or in cash, subject to the employees' right to demand shares.

In November 1993, the Company loaned the ESOP $570,000 to acquire additional shares for participants on the open market. The loan is to be repaid over 7 years with principal and interest (at a rate equal to 85% of the prevailing prime rate) payable quarterly. The loan is secured by the unallocated shares acquired by the ESOP.

The Company's ESOP expense for the years ended December 31, 1998, 1997 and 1996

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amounted to $161,000, $181,000 and $81,000, respectively.

In the event that the stock price of the Company fluctuates materially at the point that shares vest with participants from the cost of shares acquired by the ESOP (at prices which range from $5.63 - $6.13 per share), the Company's statement of operations could be adversely (if increasing stock price) or favorably (decreasing stock price) affected. However, in all instances there will be no negative impact on the Company's capital. During 1998 and 1997, the impact of the stock price market value in excess of original cost increased the Company's ESOP expense by $80,000 and $100,000, respectively, in addition to normal amortization expense associated with the participants' earn out of the shares allocated. There was no material impact related to changes in the market price in 1996 and 1995.

18. RESTRICTION ON CASH AND DUE FROM BANKS

At December 31, 1998 and 1997, cash and due from banks included $5,486,000 and $3,618,000, respectively, to satisfy the reserve requirements of the Federal Reserve Bank.

19. STOCK REPURCHASE PROGRAM

On March 27, 1997, the Company announced that its Board of Directors had authorized the Company to repurchase up to 10% (375,000 shares) of its currently outstanding common stock from time to time at prevailing market prices. On February 24, 1998, the Company announced that its Board of Directors had authorized the Company an additional 10% (347,000) of its outstanding common stock, as adjusted for amounts remaining to be repurchased as under the March 1997 plan. On March 25, 1999, the Board of Directors had authorized the Company an additional 10% (320,000) of its outstanding common stock, as adjusted for amounts remaining to be repurchased under the February 24, 1998 plan. As of February 25, 1999, there were approximately 147,000 shares still authorized to be repurchased under the prior plan. The Board delegated to the discretion of the Company's senior management the authority to determine the timing of the repurchase program's commencement, subsequent purchases and the prices at which the repurchases will be made.

20. SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM

The Bank has a supplemental executive retirement plan with a single participant. Under this arrangement, the individual is entitled to receive monthly benefits for approximately 18 years in amounts specified in the contract. Benefits commence upon retirement date which is deemed to be the age of sixty-five. If death occurs during employment at the Bank, the individual designated as beneficiary will receive a distribution equal to 3 times the annual salary of the executive, as determined under the plan. The key employee vests in the rights under the supplemental retirement plan ratably over a 5 year period, which entitles this individual to the vested portion of the amount accrued by the Bank under the plan. This right is only exercisable in the event the executive terminates employment from the Bank prior to retirement age. In March 1998, the Bank also purchased a single life annuity insurance policy. The contract was purchased at a cost of $2,863,184. The cash surrender value is earning a rate of return, with a guaranteed minimum rate of 4%. In addition, the Bank has entered into a split dollar agreement with the executive, which requires that any death benefit be shared between the Bank and the designated beneficiary, based on a predetermined schedule. The amounts due to the beneficiary under the Plan are reduced to the extent death benefits under the insurance contract are remitted to such beneficiary. The obligation under the plan is being accrued over the expected employment period, through age 65. The current year charge was $70,795, all of which was reflected as compensation expense in 1998. As of March 1998, the insurance contract had earned interest income totaling $101,250 resulting in a December 31, 1998 cash surrender value of $2,964,434.

21. DEFERRED STOCK COMPENSATION PLAN

In 1998, the Company adopted a Deferred Stock Compensation Plan for directors (the "Plan") which, for these directors who elected to participate, would, in lieu of current cash payments, elect to defer their compensation for attendance at various meetings of the Board of Directors to retirement or some future point in time to be determined. Furthermore, the deferral is eligible to be paid only in shares of the Company's common stock, the units earned of which are predetermined based upon a fixed 3 year Board meeting fee schedule which was established as of July 1, 1998, divided by the stock price of the Company's common shares at the close of business on July 1, 1998. This price was $18.75

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per share. The shares as earned are placed in a Rabbi Trust (the "Trust") which is administered by an Independent Trustee. The voting for these shares is controlled by the Independent Trustee although for accounting purposes the shares are reflected as treasury shares until such time as the shares are distributed. The expense associated with this plan is based upon the market value of the shares of stock earned on the date of the respective meeting. There are currently 7 directors who participate in the Directors Plan. The amount of expense associated with this plan for 1998 was $36,000 which has been reflected as salaries expense with the corresponding liability pertaining to stock earned and not yet distributed is $36,000 which is reflected in stockholders' equity. A total of 100,000 shares has been registered for the Directors Plan. There have been approximately 2,400 shares earned and deferred as of December 31, 1998.

22. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value. Fair value estimates which were derived from discounted cash flows or broker quotes cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

CASH, FEDERAL FUNDS SOLD AND SHORT-TERM INVESTMENTS

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

INVESTMENT SECURITIES, ASSETS HELD FOR SALE AND MORTGAGE-BACKED INVESTMENTS

For investment securities, assets held for sale (typically loans) and mortgage-backed derivative investments, fair values are based on quoted market prices or dealer quotes.

LOANS

For certain homogeneous categories of loans, such as residential mortgages, home equity and indirect automobile loans, fair value is estimated using the quoted market prices for securities backed by similar loans adjusted for differences in loan characteristics or dealer quotes. The fair value of other types of loans was estimated by discounting anticipated future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

DEPOSIT LIABILITIES

The fair value of non-certificate deposit accounts is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated by discounting the anticipated future cash payments using the rates currently offered for deposits of similar remaining maturities.

SHORT-TERM AND LONG-TERM BORROWINGS

The fair value of borrowings was determined by discounting the anticipated future cash payments by using the rates currently available to the Company for debt with similar terms and remaining maturities.

COMMITMENTS TO EXTEND CREDIT/SELL LOANS

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit worthiness of customers. For fixed rate loan commitments and obligations to deliver fixed rate loans, fair value also considers the difference between committed rates and current levels of interest rates.

VALUES NOT DETERMINED

SFAS No. 107 excludes certain financial instruments from its disclosure requirements including, among others, real estate included in banking premises and equipment, the intangible value of the Bank's portfolio of loans serviced (both for itself and for others) and related servicing network and the intangible value inherent in the Bank's deposit relationships (i.e., core deposits). Accordingly, the aggregate fair value amounts presented are not intended to represent the underlying value of the Bank.

The carrying amount and estimated fair values of the Bank's financial instruments at December 31, 1998 and 1997 are represented as follows:

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<TABLE>
<CAPTION>

AT DECEMBER 31, (DOLLARS IN THOUSANDS)	1998		1997	
	CARRYING OR NOTIONAL AMOUNT	FAIR VALUE	CARRYING OR NOTIONAL AMOUNT	FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Financial instrument assets:				
Cash and cash equivalents	$ 19,717	$ 19,717	$ 13,475	$ 13,475
Securities	181,346	181,346	165,052	165,160
Loans, including held for sale, net	360,735	383,736	330,792	343,984
Mortgage servicing rights	-	-	26	26
Financial instrument liabilities:				
Deposits	$363,953	$ 366,011	$ 324,934	$327,563
Short-term borrowings	66,628	66,920	55,910	55,934
Long-term debt	110,500	110,058	110,000	109,241
Off-balance sheet financial instruments:				
Commitments to grant loans	$ 11,071	$ 11,071	$ 8,359	$ 8,359
Commitments to sell loans	3,428	3,428	1,415	1,415
Unadvanced funds on home equity lines of credit	11,085	11,085	11,230	11,230
Commitments to advance funds under construction loan agreements	2,557	2,557	2,242	2,242
Unadvanced funds on other lines of credit	499	499	2,166	2,166
Commitments to purchase loans	26,580	26,580	-	-

</TABLE>

23. BUSINESS SEGMENTS

On January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes standards for reporting operating segments of a business enterprise. The new rules establish revised standards for public companies relating to the reporting of financial and descriptive information about their operating segments in financial statements. Operating segments are components of an enterprise which are evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the President and Chief Executive Officer. The adoption of SFAS No. 131 did not have a material effect on the Company's primary financial statements, but did result in the disclosure of segment information contained herein. The Company has identified its reportable operating business segment as Community Banking based on products and services provided to the customer.

The Company's community banking business segments consist of commercial banking and retail banking. The community banking business segments derive their revenues from a wide range of banking services, including lending activities, acceptance of demand, saving and time deposits, investment management, mortgage lending and sales, as well as servicing income from investors.

Non-reportable operating segments of the Company's operations which do not have similar characteristics to the community banking operations and do not meet the quantitative thresholds requiring disclosure are included in the Other category in the disclosure of business segments below. These non-reportable segments include Parent Company financial information and the Trust (Note 24). Consolidation adjustments are also included in the Other category.

The accounting policies used in the disclosure of business segments are the same as those described in the summary of significant accounting policies. The consolidation adjustments reflects certain eliminations of inter-segment revenue, cash and Parent Company investments in subsidiaries.

<TABLE>
<CAPTION>

RECONCILIATION TO CONSOLIDATED FINANCIAL INFORMATION	BUSINESS SEGMENTS		
	COMMUNITY BANKING	OTHER	CONSOLIDATED

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(DOLLARS IN THOUSANDS)

<S>	<C>	<C>	<C>
December 31, 1998:			
Securities, available for sale and held to maturity	$181,346	$ -	$181,346
Net loans	360,735	-	360,735
Net assets	591,011	140	591,151
Total deposits	363,953	-	363,953
Total borrowings	177,128	-	177,128
Total liabilities	$545,382	$ 775	$546,157
Total interest income	$ 38,442	$ -	$ 38,442
Total interest expense	21,585	-	21,585
Net interest income	16,857	-	16,857
Provisions for possible loan losses	760	-	760
Total non-interest income	6,909	-	6,909
Total non-interest expense	15,328	939	16,267
Net income	$ 5,032	$(661)	$ 4,371
December 31, 1997:			
Securities, available for sale and held to maturity	$165,052	$ -	$165,052
Net loans	330,792	-	330,792
Net assets	531,770	216	531,986
Total deposits	324,934	-	324,934
Total borrowings	165,910	-	165,910
Total liabilities	$494,820	$ 845	$495,665
Total interest income	$36,297	$ -	$ 36,297
Total interest expense	20,091	-	20,091
Net interest income	16,206	-	16,206
Provisions for possible loan losses	630	-	630
Total non-interest income	4,986	-	4,986
Total non-interest expense	13,198	307	13,505
Net income	$ 4,600	$(222)	$ 4,378
December 31, 1996:			
Securities, available for sale and held to maturity	$155,231	$ -	$155,231
Net loans	298,970	-	298,970
Net assets	486,958	-	486,958
Total deposits	300,445	-	300,445
Total borrowings	147,524	-	147,524
Total liabilities	$453,412	$ -	$453,412
Total interest income	$34,332	$ -	$ 34,332
Total interest expense	19,517	-	19,517
Net interest income	14,185	-	14,815
Provisions for possible loan losses	480	-	480
Total non-interest income	4,177	-	4,177
Total non-interest expense	12,840	-	12,840
Net income	$ 3,533	$ -	$ 3,533

</TABLE>

<TABLE>
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STATEMENTS OF INCOME	TWELVE MONTHS DECEMBER 31, 1998	ELEVEN MONTHS DECEMBER 31, 1997
(DOLLARS IN THOUSANDS)		
<S>	<C>	<C>
Operating income:		
Dividends from Bank	$2,500	$4,000
Interest income	102	13
Total operating income	2,602	4,013
Operating expenses	223	307
Interest expense	716	--
Income before income taxes and equity in undistributed earnings of subsidiaries	1,663	3,706
Income tax benefit	(278)	(85)
Income before equity in undistributed earnings of subsidiaries	1,941	3,791
Equity in undistributed earnings of Bank and Trust	2,430	233
Net income	$4,371	$4,024

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</TABLE>

STATEMENTS OF CASH FLOWS (DOLLARS IN THOUSANDS)	TWELVE MONTHS DECEMBER 31, 1998	ELEVEN MONTHS DECEMBER 31, 1997
Cash flows from operating activities:		
Net income	$4,371	$4,024
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of bank subsidiaries	(2,430)	(233)
Other, net	(477)	59
Net cash provided by operating activities	1,464	3,850
Cash flows from financing activities:		
Proceeds from issuance of treasury and common stock	667	72
Proceeds from issuance of junior subordinated deferrable interest debentures	12,650	--
Dividends on common stock	(1,062)	(559)
Repurchase of common stock	(7,352)	(2,228)
Net cash provided by (used in) financing activities	4,903	(2,715)
Net increase in cash and cash equivalents	6,367	1,135
Cash and cash equivalents at beginning of year	1,186	51
Cash and cash equivalents at end of year	$7,553	$1,186

STOCKHOLDER INFORMATION

STOCK MARKET DATA

The common stock of the Company is currently listed on the NASDAQ National Market System (NMS) under the symbol "ABBK.'' The table below sets forth the range of high and low sales prices for the stock for the quarters indicated. Market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

Transactions through January 31, 1997 are for the common stock of the Bank. Transactions on and after that date are for the common stock of the Company.

	PRICE HIGH	PRICE LOW	DIVIDENDS DECLARED
1999			
1st quarter (through March 5, 1999)	15 1/8	12 3/4	$.05
1998			
4th quarter	17	12	$.05
3rd quarter	19 1/2	12 1/2	$.05
2nd quarter	22 3/4	17 1/2	$.05
1st quarter	22 1/2	18 3/4	$.15
1997			
4th quarter	23 1/2	15 5/8	$.05
3rd quarter	17	12 3/4	$.05
2nd quarter	13	10 1/4	$.05
1st quarter	11 5/8	9 1/2	$.05
1996			
4th quarter	10 7/8	9 7/16	$.05
3rd quarter	9	7 3/4	$.05
2nd quarter	8 1/8	7 1/4	$.05
1st quarter	8 7/8	7 23/32	$.05

As of March 5, 1999, the Company had approximately 803 stockholders of record who held 3,347,300 outstanding shares of the Company's common stock. The number of stockholders indicated does not reflect the number of persons or

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entities who hold their common stock in nominee or "street" name through various brokerage firms. If all such persons are included, the Company believes there are approximately 1,100 beneficial owners of common stock.

ANNUAL REPORT ON FORM 10-K

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 1998 as filed with the Securities Exchange Commission, is available to stockholders without charge upon written request to:

Investor Relations
Abington Bancorp, Inc.
536 Washington Street
Abington, MA 02351

INQUIRIES

Robert M. Lallo
Senior Vice President,
Chief Financial Officer and Treasurer
Abington Bancorp, Inc.

bank office locations

Abington
533 Washington Street
Abington, MA 02351

Cohasset
Shaw's Supermarket
Route 3A
Cohasset, MA 02025

Halifax
319 Monponsett Street
Halifax, MA 02338

Hanson
Shaw's Supermarket
Route 58/14
Hanson, MA 02341

Holbrook
778 South Franklin Street
Holbrook, MA 02343

Hull
523 Nantasket Avenue
Hull, MA 02045

Kingston
157 Summer Street
Kingston, MA 02364

Pembroke
175 Center Street
Pembroke, MA 02359

Randolph
Shaw's Supermarket
121 Memorial Parkway
Randolph, MA 02368

Whitman
584 Washington Street
Whitman, MA 02382

Administrative Office
538 Bedford Street
Abington, MA 02351

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Exhibit 21.1

SUBSIDIARIES OF ABINGTON BANCORP, INC.

Abington Bancorp, Inc. has two subsidiaries. Abington Savings Bank (the "Bank"), is a wholly owned subsidiary which is a Massachusetts-chartered savings bank. Abington Bancorp Capital Trust is a Delaware business trust whose sole purpose is to issue capital securities. The Bank has three wholly-owned subsidiaries, Holt Park Place Development Corporation and Norroway Pond Development Corporation which are both Massachusetts Corporations, and Abington Securities Corporation, which is a Delaware Corporation. ABBK Corporation, which was a wholly owned subsidiary of Abington Savings Bank incorporated in Massachusetts, was dissolved in January of 1997.

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EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Abington Bancorp, Inc.:

As independent public accountants, we hereby consent to the incorporation by reference of our report dated January 13, 1999 included in this Form 10-K, into Abington Bancorp, Inc.'s previously filed Registration Statement on Form S-3, File No. 333-20915, Registration Statement on Form S-8, File No. 333-20961, Registration Statement on Form S-8, File No. 333-34987 and Registration Statement on Form S-8, File No. 333-66227. It should be noted that we have not audited any financial statements of Abington Bancorp, Inc. subsequent to December 31, 1998 or performed any audit procedures subsequent to the date of our report.

ARTHUR ANDERSEN LLP

Boston, Massachusetts
March 24,1999

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