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filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):  
Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. YES  
 NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date. At October 31, 2006, there were 1,493,174 shares of common stock outstanding, par value \$1.00 per share.

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**NORTHWAY FINANCIAL, INC.**  
**FORM 10-Q**  
**SEPTEMBER 30, 2006**

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## PART 1. FINANCIAL INFORMATION

## Item 1. Financial Statements.

NORTHWAY FINANCIAL, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)	Sep. 30, 2006 (Unaudited)	Dec. 31, 2005
Assets:		
Cash and due from banks and interest bearing deposits	\$ 11,425	\$ 14,587
Federal funds sold	-	14,775
Securities available-for-sale	120,270	103,244
Federal Home Loan Bank stock	4,314	5,541
Loans held-for-sale	136	453
Loans, net before allowance for loan losses	461,230	460,373
Less: allowance for loan losses	5,486	5,150
Loans, net	455,744	455,223
Premises and equipment, net	13,416	11,735
Other real estate owned	-	196
Core deposit intangibles	2,431	1,995
Goodwill	10,577	10,152
Other assets	11,009	14,833
Total assets	\$ 629,322	\$ 632,734
Liabilities and stockholders' equity:		
Liabilities		
Interest bearing deposits	\$ 398,967	\$ 387,020
Noninterest bearing deposits	75,060	77,436
Short-term borrowings	25,598	9,363
Long-term debt	73,620	105,620
Other liabilities	3,503	3,045
Total liabilities	576,748	582,484
Stockholders' equity		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued	-	-
Common stock, \$1.00 par value; 9,000,000 shares authorized; 1,731,969 issued at September 30, 2006 and December 31, 2005 and 1,493,174 outstanding at September 30, 2006 and 1,491,174 outstanding at December 31, 2005	1,732	1,732
Surplus	2,058	2,064
Retained earnings	55,914	54,089
Treasury stock, at cost (238,795 shares at September 30, 2006 and 240,795 shares at December 31, 2005)	(6,470)	(6,531)
Accumulated other comprehensive loss, net of tax	(660)	(1,104)

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Total stockholders' equity		52,574		50,250
Total liabilities and stockholders' equity	\$	629,322	\$	632,734

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

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NORTHWAY FINANCIAL, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Interest and dividend income:				
Loans	\$ 7,661	\$ 6,954	\$ 22,518	\$ 20,287
Interest on debt securities:				
Taxable	1,033	947	2,873	2,946
Tax-exempt	287	58	845	126
Dividends	90	85	259	236
Federal funds sold	106	132		