EAGLE BANCORP/MT
Form 10QSB
February 09, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2000

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ________________ to __________________.

Commission file number 0-29687

Eagle Bancorp

(Exact name of small business issuer as specified in its charter)

United States	81-0531318
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1400 Prospect Avenue, Helena, MT 59601

(Address of principal executive offices)

(406) 442-3080

(Issuer's telephone number)

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

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes [ ] No[ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common stock, par value $0.01 per share 1,206,072 shares outstanding

As of January 31, 2001

Transitional Small Business Disclosure Format (Check one): Yes [ ] No [X]

EAGLE BANCORP AND SUBSIDIARY

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EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 2000 (Unaudited)	June 30, 2000
ASSETS		
Cash and due from banks	$ 2,905,053	$ 3,477,650
Interest-bearing deposits with banks	2,750,000	--
Total cash and cash equivalents	5,655,053	3,477,650
Investment securities available for sale, at market value	19,059,756	18,414,219

Investment securities held-to-maturity, at amortized cost	8,961,205	9,922,687
Federal Home Loan Bank stock, at cost	1,438,800	1,393,000
Mortgage loans held-for-sale	578,364	861,290
Loans receivable, net of deferred loan fee and allowance for loan losses	113,158,978	107,447,437
Accrued interest and dividends receivable	914,109	832,204
Mortgage servicing rights	1,306,842	1,338,271
Property and equipment, net	6,733,891	6,962,081
Cash surrender value of life insurance	2,088,960	2,040,973
Real estate acquired in settlement of loans, net of allowance for losses	--	121,006
Other assets	243,750	219,857
Total assets	$160,139,708	$153,030,675

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Continued)

	December 31, 2000 (Unaudited)	June 30, 2000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposit accounts:		
Noninterest bearing	$ 5,032,172	$ 5,732,528
Interest bearing	122,015,805	118,780,477
Advances from Federal Home Loan Bank	12,174,444	8,682,778
Accrued expenses and other liabilities	1,738,799	1,505,750
Total liabilities	140,961,220	134,701,533
Stockholders' Equity:		
Preferred stock (no par value, 1,000,000 shares authorized, none issued or outstanding)		
Common stock (par value $0.01per share; 10,000,000 shares authorized; 1,223,572 shares issued and outstanding	12,236	12,236
Additional paid-in capital	3,836,553	3,831,887
Unallocated common stock held by employee stock ownership plan ("ESOP")	(331,248)	(349,648)
Retained earnings	15,653,034	15,158,415
Accumulated other comprehensive gain (loss)	7,913	(323,748)
Total equity	19,178,488	18,329,142
Total liabilities and equity	$ 160,139,708	$ 153,030,675

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended December 31,		Six Months Ended December 31,	
	2000	1999	2000	1999
	(unaudited)		(unaudited)	
Interest and dividend income:				
Interest and fees on loans	$ 2,301,293	$ 2,036,020	$ 4,554,478	$ 4,018,320
Interest on deposits with banks	22,454	16,253	27,599	57,719
FHLB stock dividends	23,131	24,211	45,891	47,989
Securities available for sale .	285,677	258,223	572,916	503,833
Securities held to maturity ...	144,921	194,967	307,044	409,787
Total interest and dividend income	2,777,476	2,529,674	5,507,928	5,037,648
Interest expense:				
Deposits	1,300,006	1,138,207	2,532,623	2,257,421
FHLB advances	166,431	139,233	311,365	308,023
Total interest expense	1,466,437	1,277,440	2,843,988	2,565,444
Net interest income	1,311,039	1,252,234	2,663,940	2,472,204
Loan loss provision	--	--	--	15,000
Net interest income after loan loss provision	1,311,039	1,252,234	2,663,940	2,457,204
Noninterest income:				
Net gain on sale of loans	88,679	69,915	131,278	158,252
Demand deposit service charges	139,150	126,311	273,829	244,916
Mortgage loan servicing fees ..	72,767	76,471	145,361	150,579
Net gain (loss) on sale of available for sale securities	--	--	--	(30,355)
Other	100,782	84,923	194,213	166,601
Total noninterest income ..	401,378	357,620	744,681	689,993

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Continued)

	Three Months Ended December 31		Six Months Ended December 31	
	2000	1999	2000	1999
	(unaudited)		(unaudited)	
Noninterest expense:				
Salaries and employee benefits	$ 693,695	$ 662,290	$1,362,255	$1,304,363
Occupancy expenses	127,654	107,937	241,705	214,607
Furniture and equipment depreciation ..	83,430	79,763	165,246	159,229
In-house computer expense	45,558	38,994	88,909	77,837
Advertising expense	43,660	33,785	87,595	74,306
Amortization of mortgage servicing fees	25,095	25,015	56,102	61,776
Federal insurance premiums	5,322	17,711	12,394	34,577
Postage	25,529	18,863	47,196	42,499
Legal,accounting, and examination fees	51,228	16,209	98,916	34,118
Consulting fees	8,601	2,805	16,476	19,425
ATM processing	16,222	18,267	30,518	37,941
Other	190,760	183,049	357,815	352,674
Total noninterest expense	1,316,754	1,204,688	2,565,127	2,413,352
Income before provision for income taxes	395,663	405,166	843,494	733,845
Provision for income taxes	124,084	110,017	268,364	230,134
Net income	$ 271,579	$ 295,149	$ 575,130	$ 503,711
Earnings per share	$ 0.23	n/a	$ 0.49	n/a
Weighted average shares outstanding	1,181,412	n/a	1,180,835	n/a

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNALLOCATED ESOP SHARES	RETAINE EARNING
Balance, June 30, 2000	$--	$ 12,236	$ 3,831,887	$ (349,648)	$ 15,158,4
Net income (unaudited)	--	--	--	--	575,1
Other comprehensive income (unaudited)	--	--	--	--	
Total comprehensive income (unaudited)	--	--	--	--	
Dividends paid ($.14 per share) (unaudited)	--	--	--	--	(80,5
ESOP shares allocated or committed to be released for allocation (1,150 shares) (unaudited)	--	--	4,666	18,400	
Balance, December 31, 2000 (unaudited)	$--	$ 12,236	$ 3,836,553	$ (331,248)	$ 15,653,0

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended December 31, 2000	1999
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 575,130	$ 503,711
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan losses	--	15,000
Depreciation, accretion and amortization expense	284,208	304,976
Deferred loan fees	(5,958)	(46,528)
Amortization of capitalized mortgage servicing rights	56,101	61,775

Gain on sale of loans	(131,278)	(158,252)
Gain on sale of real estate owned	(8,951)	--
Net realized (gain) loss on sale of available-for-sale securities	--	30,355
Dividends reinvested	(45,800)	(47,900)
Increase in cash surrender value of life insurance	(47,987)	(45,813)
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accrued interest and dividends receivable	(81,905)	(69,355)
Loans held-for-sale	414,204	599,781
Other assets	(827)	(101,257)
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	(56,576)	174,210
Deferred compensation payable	12,231	4,850
Deferred income taxes payable	114,894	(7,283)
Net cash provided by operating activities	1,077,486	1,218,270
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of securities:		
Investment securities held-to-maturity	(501,150)	(449,936)
Investment securities available-for-sale	(1,173,415)	(3,062,973)
Proceeds from maturities, calls and principal payments:		
Investment securities held-to-maturity	1,474,445	4,017,137
Investment securities available-for-sale	1,032,845	253,455
Proceeds from sales of investment securities available-for-sale	--	1,715,580

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)

	Six Months Ended December 31, 2000	1999
	(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES: (CONTINUED)		
Net (increase) decrease in loan receivable, excludes transfers to real estate acquired in settlement of loans	(5,730,253)	(5,118,337)
Proceeds from the sale of real estate aquired in the settlement of loans	129,957	--
Purchase of property and equipment	(33,908)	(267,183)
Proceeds from sale of equipment	--	221,274

Net cash used in investing activities	(4,801,479)	(2,690,983)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in checking and savings accounts	2,534,972	2,020,661
Net increase in advances to borrowers for taxes and insurance	(44,731)	(249,431)
Proceeds from FHLB advances	3,625,000	--
Payment on FHLB advances	(133,334)	(1,533,334)
Dividends paid	(80,511)	--
Net cash provided by financing activities	5,901,396	237,896
Net increase (decrease) in cash	2,177,403	(1,234,817)
CASH AND CASH EQUIVALENTS, beginning of period	3,477,650	6,741,171
CASH AND CASH EQUIVALENTS, end of period	$ 5,655,053	$ 5,506,354
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 2,603,029	$ 2,447,872
Cash paid during the period for income taxes	$ 152,000	$ 140,000
NON-CASH INVESTING ACTIVITIES:		
(Increase) decrease in market value of securities available-for-sale	$ (331,661)	$ 165,127
Mortgage servicing rights capitalized	$ 24,672	$ 136,621

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with instructions for Form 10-QSB. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. However, such information reflects all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of results for the unaudited interim periods.

The results of operations for the three and six month periods ended December 31, 2000 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2001 or any other period. The unaudited consolidated financial statements and notes presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in Eagle's Form 10-KSB dated June 30, 2000.

EAGLE BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2. INVESTMENT SECURITIES

Investment securities are summarized as follows:

	December 31, 2000 (Unaudited)			
	AMORTIZED COST	NET UNREALIZED GAINS/(LOSSES)	FAIR VALUE	AMORTI COST
Available-for-sale:				
U.S. government and agency obligations	$ 4,226,834	$ 20,353	$ 4,247,187	$ 4,250
Municipal obligations	3,307,240	(73,873)	3,233,367	3,307
Corporate obligations	6,210,227	42,330	6,252,557	6,184
Mortgage-backed securities	4,781,144	25,935	4,807,079	4,623
Collateralized mortgage obligations	320,056	(1,990)	318,066	372
Corporate preferred stock	201,397	103	201,500	201
Total	$19,046,898	$ 12,858	$19,059,756	$18,940
Held-to-maturity:				
U.S. government and agency obligations	$ 2,891,224	$ 8,434	$ 2,899,658	$ 2,888
Municipal obligations	940,629	(8,338)	932,291	1,069
Mortgage-backed securities	5,129,352	(11,926)	5,117,426	5,964
Total	$ 8,961,205	$ (11,830)	$ 8,949,375	$ 9,922

EAGLE BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. LOANS RECEIVABLE

Loans receivable consist of the following:

	December 31, 2000 (Unaudited)	June 30, 2000 (Audited)
First mortgage loans:		
Residential mortgage (1-4 family)	$ 76,425,564	$ 74,336,712
Commercial real estate	8,166,654	7,784,333
Real estate construction	1,912,597	1,453,371
Other loans:		
Home equity	15,913,614	13,654,250
Consumer	8,874,635	8,279,049
Commercial	2,659,284	2,757,708
Total	113,952,348	108,265,423
Less:		
Allowance for loan losses	(693,508)	(712,165)
Deferred loan fees	(99,862)	(105,821)
Total	$ 113,158,978	$ 107,447,437

Loans net of related allowance for loan losses on which the accrual of interest has been discontinued were $590,000 and $504,000 at December 31, 2000 and June 30, 2000, respectively. Classified assets, including real estate owned, totaled $1.47 million and $1.58 million at December 31, 2000 and June 30, 2000, respectively.

The following is a summary of changes in the allowance for loan losses:

	Six Months Ended December 31, 2000 (Unaudited)	Year Ended June 30, 2000 (Audited)
Balance, beginning of period	$ 712,165	$ 736,624
Reclassification to REO reserve	(13,725)	(11,519)
Provision charged to operations	--	15,000
Charge-offs	(9,683)	(30,623)

Recoveries	4,751	2,683
Balance, end of period	$ 693,508	$ 712,165

EAGLE BANCORP AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 4. DEPOSITS

Deposits are summarized as follows:

	December 31, 2000 (Unaudited)	June 30, 2000 (Audited)
Noninterest checking	$ 5,032,172	$ 5,732,528
Interest-bearing checking	24,064,889	22,849,549
Passbook	19,842,768	20,936,122
Money market	14,717,367	14,716,098
Time certificates of deposit	63,390,781	60,278,708
Total	$127,047,977	$124,513,005

NOTE 5. EARNINGS PER SHARE

Earnings per share for the three months ended December 31, 2000 is computed using 1,181,412 weighted average shares outstanding. Earnings per share for the six months ended December 31, 2000 is computed using 1,180,835 weighted average shares outstanding. No earnings per share information is given for the three and six month periods ending December 31, 1999 because shares of common stock were not issued until April 4, 2000.

NOTE 6. DIVIDENDS AND STOCK REPURCHASE PROGRAM

Eagle paid its first dividend of $0.07 per share on August 25, 2000. A second $0.07 dividend was paid November 17, 2000, and a third dividend of the same amount was declared on January 19, 2001, payable February 16, 2001 to stockholders of record on February 2, 2001. Eagle Financial MHC, Eagle's mutual holding company, has waived the receipt of dividends on its 648,493 shares.

A stock repurchase program was announced on December 21, 2000, covering 4% of the Company's outstanding common stock. Through January 31, 2001, 17,500 shares had been repurchased. At the annual meeting held October 19, 2000, shareholders approved stock option and restricted stock plans for the Company covering aggregate grants for up to 80,511 and 23,003 shares, respectively. The repurchase plan announced in December is intended to meet the needs of the restricted stock plan.

EAGLE BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Note Regarding Forward-Looking Statements

This report contains certain "forward-looking statements." Eagle desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and is including this statement for the express purpose of availing itself of the protections of the safe harbor with respect to all such forward-looking statements. These forward-looking statements, which are included in Management's Discussion and Analysis, describe future plans or strategies and include Eagle's expectations of future financial results. The words "believe," "expect," "anticipate," "estimate," "project," and similar expressions identify forward-looking statements. Eagle's ability to predict results or the effect of future plans or strategies or qualitative or quantitative changes based on market risk is inherently uncertain. Factors which could affect actual results but are not limited to include (i) change in general market interest rates, (ii) general economic conditions, (iii) local economic conditions, (iv) legislative/regulatory changes, (v) monetary and fiscal policies of the U.S. Treasury and Federal Reserve, (vi) changes in the quality or composition of Eagle's loan and investment portfolios, (vii) demand for loan products, (viii) deposit flows, (ix) compensation, and (x) demand for financial services in Eagle's markets. These factors should be considered in evaluating the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements which speak only as of their dates.

Financial Condition

Total assets increased by $7.11 million, or 4.65%, from $153.03 million at June 30, 2000, to $160.14 million at December 31, 2000. Total liabilities increased by $6.26 million from $134.70 million at June 30, 2000, to $140.96 million at December 31, 2000. Total equity increased $850,000 from $18.33 million at June 30, 2000 to $19.18 million at December 31, 2000.

Growth in the loan portfolio of $5.71 million accounted for the majority of the growth in total assets. The loan category with the largest increase was home equity loans, which increased $2.26 million. This represented a 16.56% increase over the balance at June 30, 2000 of $13.65 million. Total loan originations were $33.52 million for the six months ended December 31, 2000, with single family mortgages accounting for $19.94 million of the total. Consumer loan originations totaled $7.83 million for the same period. Loans held for sale decreased from $861,000 at June 30, 2000 to $578,000 at December 31, 2000.

EAGLE BANCORP AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Financial Condition (continued)

Asset growth was funded by Federal Home Loan Bank advances and deposits. Advances had grown to $12.17 million by December 31, 2000, an increase of $3.49 million, or 40.21%, from the balance of $8.68 million at June 30, 2000. Deposits grew $2.54 million, or 2.04%, from $124.51 million at June 30, 2000 to $127.05 million at December 31, 2000. Strong competition from local banks continues to limit deposit growth in all of our market areas. Other liabilities increased from $1.51 million at June 30, 2000 to $1.74 million at December 31, 2000, primarily due to an increase in the balance of deferred income taxes.

The growth in total equity was the result of earnings for the six months of $575,000 and a decrease in the unrealized loss on securities available for sale of $332,000, offset by the payment of two $0.07 per share regular cash dividends during the period.

Results of Operations for the Three Months Ending December 31, 2000 and 1999

Net Income. Eagle's net income was $272,000 and $295,000 for the three months ended December 31, 2000, and 1999, respectively. The decrease of $23,000, or 7.80%, was primarily due to an increase in non-interest expense of $112,000, partially offset by increases in net interest income of $59,000 and noninterest income of $44,000. Earnings per share were $0.23 for the current period. No earnings per share are available for the period ended December 31, 1999 as shares of common stock were not issued until April 4, 2000.

Net Interest Income. Net interest income increased from $1.25 million for the quarter ended December 31, 1999 to $1.31 million for the quarter ended December 31, 2000. This increase of $59,000 was the result of an increase in interest and dividend income of $248,000, partially offset by an increase in interest expense of $189,000.

Interest and Dividend Income. Total interest and dividend income was $2.78 million for the quarter ended December 31, 2000, compared to $2.53 million for the quarter ended December 31, 1999, representing an increase of $248,000, or 9.80%. Interest and fees on loans increased from $2.04 million for 1999 to $2.30 million for 2000. This increase of $260,000, or 12.75%, was due primarily to an increase in the average balances of loans receivable for the quarter ended December 31, 2000. Average balances for loans receivable, net, for the quarter ended December 31, 2000 were $113.47 million, compared to $101.34 million for the previous year. This represents an increase of $12.13 million, or 11.97%. All loan categories had shown increases from the previous year. The average interest rate earned on loans receivable also increased by 7 basis points, from 8.04% at December 31, 1999 to 8.11% at December 31, 2000. Interest and

Results of Operations for the Three Months Ending December 31, 2000 and 1999 (continued)

dividends on investment securities available-for-sale (AFS) increased from $258,000 for the quarter ended December 31, 1999 to $286,000 for the quarter ended December 31, 2000, while interest on securities held to maturity (HTM) decreased from $195,000 to $145,000. Interest earned from deposits held at other banks increased from $16,000 for the quarter ended December 31, 1999 to $22,000 for the quarter ended December 31, 2000.

Interest Expense. Total interest expense increased from $1.28 million for the quarter ended December 31, 1999, to $1.47 million for the quarter ended December 31, 2000, an increase of $189,000,or 14.76%, due primarily to an increase in interest paid on deposits. Interest on deposits increased from $1.14 million for the quarter ended December 31, 1999, to $1.30 million for the quarter ended December 31, 2000. This increase of $160,000, or 14.04%, was the result of an increase in average rates paid and higher balances on deposit accounts. Time certificate of deposits (CD's) accounted for the largest gain in balances during the period from December 31, 1999 to December 31, 2000. Special certificate of deposit offerings contributed to the increase. Average balances in CD accounts increased from $58.78 million for the quarter ended December 31, 1999 to $62.17 million for the quarter ended December 31, 2000. The average rate paid on CD accounts also increased, from 5.10% to 5.93% for the period. Interest paid on borrowings increased from $139,000 for the quarter ended December 31, 1999 to $166,000 for the quarter ended December 31, 2000. The increase in borrowing costs was due to an increase in the average balance of Federal Home Loan Bank advances. Two factors will help to lower the cost of deposits in the coming quarter. First, in mid-December, management lowered the interest rate on checking accounts by 1/2%. Secondly, CD accounts opened in previous quarters under special offerings will be maturing in the coming quarter. As market rates have fallen, the Bank will be able to renew these certificates at lower rates.

Provision for Loan Losses. Provisions for loan losses are charged to earnings to maintain the total allowance for loan losses at a level considered adequate by Eagle's subsidiary, American Federal Savings Bank, to provide for probable loan losses based on prior loss experience, volume and type of lending conducted by American Federal, available peer group information, and past due loans in portfolio. The Bank's policies require the review of assets on a quarterly basis. The Bank classifies loans as well as other assets if warranted. While the Bank believes it uses the best information available to make a determination with respect to the allowance for loan losses, it recognizes that future adjustments may be necessary. No provision was made for loan losses for either the quarter ended December 31, 2000 or the quarter ended December 31, 1999. This is a reflection of the continued strong asset quality of American Federal's loan portfolio, as non-performing loan ratios continue to be below peer averages. Total classified assets declined from

Results of Operations for the Three Months Ending December 31, 2000 and 1999 (continued)

$1.58 million at June 30, 2000 to $1.47 million at December 31, 2000. Both real estate owned (REO) properties that were previously on the Bank's books were sold during the current quarter with no additional loss incurred. The Bank currently has no foreclosed property.

Noninterest Income. Total noninterest income increased from $358,000 for the quarter ended December 31, 1999, to $401,000 for the quarter ended December 31, 2000, an increase of $43,000 or 12.01%. This was the result of an increase in other noninterest income items of $16,000, an increase in demand deposit service charges of $13,000, and an increase in the net gain on sale of loans of $19,000. The increase in other noninterest income was due to gains on the sale of REO properties and increased rental income. Increased loan originations compared to a year ago combined with management's decision late in the quarter to resume selling mortgage loans with maturities of 15 years or less contributed to the increase in income from sale of loans. Mortgage loan servicing fees declined slightly from $76,000 in the quarter ended December 31, 1999 to $73,000 in the quarter ended December 31, 2000.

Noninterest Expense. Noninterest expense increased by $112,000 or 9.26% from $1.21 million for the quarter ended December 31, 1999, to $1.32 million for the quarter ended December 31, 2000. This increase was primarily due to an increase in legal and accounting fees of $35,000 and in salaries and benefits of $31,000. The increase in legal and accounting fees were related to the costs of being a public company, while the increase in salaries was due to merit raises. Occupancy expense increased $20,000 due to higher property taxes and repairs. Advertising expense increased $10,000 due to increased advertising for internet banking and CD promotions. These increases were partially offset by a decrease of $12,000 in federal deposit insurance premiums.

Income Tax Expense. Eagle's income tax expense was $110,000 for the quarter ended December 30, 1999, compared to $124,000 for the quarter ended December 31, 2000. The effective tax rate for the quarter ended December 31, 1999 was 27.15% and was 31.36% for the quarter ended December 31, 2000. The effective tax rate is lower in the December 1999 quarter due to an adjustment made after the completion of the tax return for calendar year 1999. Management expects Eagle's effective tax rate to be approximately 32%.

EAGLE BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Results of Operations for the Six Months Ending December 31, 2000 and 1999

Net Income. Eagle's net income was $575,000 and $504,000 for the six months ended December 31, 2000 and 1999, respectively. The increase of $71,000, or 14.09%, was primarily due to increases in net interest income of $192,000 and noninterest income of $55,000, partially offset by an increase in non-interest expense of $152,000. Earnings per share for the period ended December 31, 2000 were $0.49. No earnings per share were available for the period ended December 31, 1999 as shares of common stock were not issued until April 4, 2000.

Net Interest Income. Net interest income increased from $2.47 million for the six months ended December 31, 1999 to $2.66 million for the six months ended

December 31, 2000. This increase of $192,000 was the result of an increase in interest and dividend income of $470,000, partially offset by an increase in interest expense of $278,000.

Interest and Dividend Income. Total interest and dividend income was $5.51 million for the six months ended December 31, 2000, compared to $5.04 million for the same period ended December 31, 1999, representing an increase of $470,000, or 9.33%. Interest and fees on loans increased from $4.02 million for 1999 to $4.56 million for 2000. This increase of $536,000, or 13.33%,was due primarily to an increase in the average balances of loans receivable for the six months ended December 31, 2000. Average balances for loans receivable, net, for this period were $112.13 million, compared to $100.13 million for the previous year. This is an increase of $12.00 million, or 11.98%. All loan categories had shown increases from the previous year. The average interest rate earned on loans receivable also increased by 9 basis points, from 8.03% to 8.12%. Interest and dividends on investment securities available-for-sale (AFS) increased from $504,000 for the six months ended December 31, 1999 to $573,000 for the same period ended December 31, 2000, while interest on securities held to maturity (HTM) decreased from $410,000 to $307,000. Interest earned from deposits held at other banks decreased from $58,000 for the six months ended December 31, 1999 to $28,000 for the six months ended December 31, 2000 due primarily to lower average balances in these accounts from funding the increase in loans receivable.

Interest Expense. Total interest expense increased from $2.57 million for the six months ended December 31, 1999 to $2.84 million for the six months ended December 31, 2000, an increase of $279,000, or 10.86%, due almost entirely to the increase in interest paid on deposits. Interest on deposits increased from $2.26 million for the six months ended December 31, 1999 to $2.53 million for the six months ended December 31, 2000. This increase of $275,000, or 12.17%, was the result of an increase in average rates paid on deposit accounts. Time certificate of deposits (CD's) accounted for the largest gain in balances during the period from December 31, 1999 to December 31, 2000. Special certificate of deposit offerings contributed to the increase. Average

Results of Operations for the Six Months Ending December 31, 2000 and 1999 (continued)

balances in CD accounts increased from $58.64 million at December 31, 1999 to $61.02 million at December 31, 2000. The average rate paid on CD accounts also increased, from 5.08% to 5.80%. Interest paid on borrowings increased from $308,000 for the six months ended December 31, 1999 to $311,000 for the same period ended December 31, 2000. The increase in borrowing costs was due to an increase in the average balance of Federal Home Loan Bank advances.

Provision for Loan Losses. Provisions for loan losses are charged to earnings to maintain the total allowance for loan losses at a level considered adequate by Eagle's subsidiary, American Federal Savings Bank, to provide for probable loan losses based on prior loss experience, volume and type of lending conducted by American Federal, available peer group information, and past due loans in portfolio. The Bank's policies require the review of assets on a quarterly basis. The Bank classifies loans as well as other assets if warranted. While the Bank believes it uses the best information available to make a determination with respect to the allowance for loan losses, it recognizes that future adjustments may be necessary. No provision was made for loan losses for the six months ended December 31, 2000, compared to $15,000 for the same period ended December 31, 1999. This is a reflection of the continued strong asset quality of American Federal's loan portfolio, as non-performing loan ratios continue to be below peer averages. Total classified assets declined from $1.58 million at June 30, 2000 to $1.47 million at December 31, 2000. During the current six month period, a transfer of $14,000 was made from the loan loss reserve to the real estate owned (REO) reserve. The transfer was made to write down the balances of the two foreclosed properties in Butte, Montana to their net realizable value. Both REO properties were sold during the current quarter with no additional loss incurred. The Bank currently has no foreclosed property.

Noninterest Income. Total noninterest income increased from $690,000 for the six months ended December 31, 1999, to $745,000 for the six months ended December 31, 2000, an increase of $55,000 or 7.97%. This was the result of an increase in demand deposit service charges of $29,000, an increase in other noninterest income items of $27,000, and a decrease in the loss on sale of available for sale securities of $30,000. These increases to income were offset by a decrease in gain on sale of loans of $27,000. Demand deposit related fees were raised in late 1999, contributing to the increase in that category, while no securities were sold in the six months ended December 31, 2000. Mortgage loan servicing fees declined slightly from $150,000 in the six months ended December 31, 1999 to $145,000 in the six months ended December 31, 2000.

EAGLE BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Results of Operations for the Six Months Ending December 31, 2000 and 1999 (continued)

Noninterest Expense. Noninterest expense increased by $152,000 or 6.30% from $2.41 million for the six months ended December 31, 1999, to $2.56 million for the six months ended December 31, 2000. This increase was primarily due to an increase in legal and accounting fees of $65,000 and in salaries and benefits of $58,000. The increase in legal and accounting fees were related to the costs of being a public company, while the increase in salaries was due to merit raises. These increases were partially offset by decreases of $22,000 in federal deposit insurance premiums and $7,000 in ATM processing fees. The decrease in deposit insurance premiums was due to the FDIC lowering their assessment rate by 64%, while lower costs passed on from the Bank's ATM processor led to lower processing expense for ATMs and debit cards.

Income Tax Expense. Eagle's income tax expense was $230,000 for the six months ended December 30, 1999, compared to $268,000 for the six months ended December 31, 2000. The effective tax rate for the six months ended December 31, 1999 was 31.36% and was 31.82% for the six months ended December 31, 2000.

Liquidity, Interest Rate Sensitivity and Capital Resources

The company's subsidiary, American Federal Savings Bank (the Bank), is required to maintain minimum levels of liquid assets as defined by the Office of Thrift Supervision (OTS) regulations. This requirement, which varies from time to time depending upon economic conditions and deposit flows, is based upon a percentage of our deposits and short-term borrowings. The Bank's liquidity ratio average was 15.03% and 17.92% at December 31, 2000 and December 31, 1999, respectively. Liquidity declined due to an increase in loans receivable for the period ending December 31, 2000.

The Bank's primary sources of funds are deposits, repayment of loans and mortgage-backed securities, maturities of investments, funds provided from operations, and advances from the Federal Home Loan Bank of Seattle. Scheduled repayments of loans and mortgage-backed securities and maturities of investment securities are generally predictable. However, other sources of funds, such as deposit flows and loan prepayments, can be greatly influenced by the general level of interest rates, economic conditions and competition. The Bank uses liquidity resources principally to fund existing and future loan commitments. It also uses them to fund maturing certificates of deposit, demand deposit withdrawals and to invest in other loans and investments, maintain liquidity, and meet operating expenses.

EAGLE BANCORP AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Liquidity, Interest Rate Sensitivity and Capital Resources (continued)

Liquidity may be adversely affected by unexpected deposit outflows, higher interest rates paid by competitors, and similar matters. Management monitors projected liquidity needs and determines the level desirable, based in part on commitments to make loans and management's assessment of the bank's ability to generate funds.

At September 30, 2000 (the most recent report available), the Bank's measure of sensitivity to interest rate movements, as measured by the OTS, improved from the previous quarter. This was due to management's strategy of retaining assets with shorter maturities while emphasizing longer-term funding sources such as transaction accounts and FHLB advances. The Bank is well within the guidelines set forth by the Board of Directors for interest rate risk sensitivity.

As of December 31, 2000, the Bank's regulatory capital was in excess of all applicable regulatory requirements. At December 31, 2000, the Bank's tangible, core, and risk-based capital ratios amounted to 11.1%, 11.1%, and 19.1%, respectively, compared to regulatory requirements of 1.5%, 3.0%, and 8.0%, respectively. See the following table (amounts in thousands):

	At December 31, 2000	
	Amount	% of Assets
Tangible capital:		

Capital level	$17,693	11.13%
Requirement	2,384	1.50
Excess	$15,309	9.63%
Core capital:		
Capital level	$17,693	11.13%
Requirement	4,768	3.00
Excess	$12,925	8.13%
Risk-based capital:		
Capital level	$18,358	19.14%
Requirement	7,675	8.00
Excess	$10,683	11.14%

EAGLE BANCORP AND SUBSIDIARY

Part II - OTHER INFORMATION

Item 1. Legal Proceedings.
Neither the Company nor the Bank is involved in any pending legal proceedings other than non-material legal proceedings occurring in the ordinary course of business.

Item 2. Changes in Securities and Use of Proceeds
Not applicable.

Item 3. Defaults Upon Senior Securities
Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders
The Annual Meeting of Stockholders of the Company was held October 19, 2000 and the following matters were voted on:

1. Election of directors for three-year terms expiring in 2003:

	For:	Abstain:
James A. Maierle	1,111,376	775
Thomas J. McCarvel	1,111,476	675

2. Ratification of appointment of Anderson ZurMuehlen & Co., P.C. as auditors for the fiscal year ended June 30, 2001:

For:	Against:	Abstain:
1,108,701	2,725	725

3. Adoption of Eagle Bancorp 2000 Stock Incentive Plan:

	For:	Against:	Abstain:
	311,172	26,849	6,350

Item 5. Other Information.
None.

Item 6. Exhibits and Reports on Form 8-K
a. Exhibit 27 - Financial Data

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EAGLE BANCORP

Date: February 9, 2001 By: /s/ Larry A. Dreyer

Larry A. Dreyer
President/CEO

Date: February 9, 2001 By: /s/ Peter J. Johnson

Peter J. Johnson
Sr. VP/Treasurer