EAGLE BANCORP/MT
Form 10QSB
May 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 March 31, 2001

[ ] 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 1,203,572 shares outstanding

April 30, 2001

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

EAGLE BANCORP AND SUBSIDIARY

TABLE OF CONTENTS

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	March 31, 2001 (Unaudited)	June 30, 2000 (Audited)
ASSETS		
Cash and due from banks	$ 2,543,932	$ 3,477,650
Interest-bearing deposits with banks	3,850,000	--
Total cash and cash equivalents	6,393,932	3,477,650

Investment securities available for sale, at market value	20,949,809	18,414,219
Investment securities held-to-maturity	7,978,180	9,922,687
Federal Home Loan Bank stock, at cost	1,461,800	1,393,000
Mortgage loans held-for-sale	2,586,831	861,290
Loans receivable, net of deferred loan fee and allowance for loan losses	114,269,650	107,447,437
Accrued interest and dividends receivable	989,365	832,204
Mortgage servicing rights	1,313,121	1,338,271
Property and equipment, net	6,623,767	6,962,081
Cash surrender value of life insurance	2,114,883	2,040,973
Real estate acquired in settlement of loans, net of allowance for losses	--	121,006
Other assets	213,354	219,857
Total assets	$164,894,692	$153,030,675

See accompanying notes to consolidated financial statements.

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

	March 31, 2001 (Unaudited)	June 30, 2000 (Audited)
LIABILITIES		
Deposit accounts:		
Noninterest bearing	$ 5,532,226	$ 5,732,528
Interest bearing	125,954,187	118,780,477
Advances from Federal Home Loan Bank	12,107,778	8,682,778
Accrued expenses and other liabilities	1,984,443	1,505,750
Total liabilities	145,578,634	134,701,533
EQUITY		
Preferred stock (no par value, 1,000,000 shares authorized, none issued or outstanding)		
Common stock (par value $0.01 per share; 10,000,000 shares authorized; 1,223,572 shares issued; 1,203,572 outstanding at March 31, 2001, 1,223,572 outstanding at June 30, 2000)	12,236	12,236
Additional paid-in capital	3,840,986	3,831,887
Unallocated common stock held by employee stock ownership plan ("ESOP")	(322,048)	(349,648)
Treasury stock, at cost (20,000 shares)	(235,000)	--
Retained earnings	15,885,901	15,158,415
Accumulated other comprehensive loss	133,983	(323,748)

Total equity	19,316,058	18,329,142
Total liabilities and equity	$164,894,692	$153,030,675

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31, 2001	2000	Ni 200
Interest and Dividend Income:	(unaudited)		
Interest and fees on loans	$ 2,294,079	$ 2,063,253	$ 6,848,
Interest on deposits with banks	46,859	579	74,
FHLB Stock dividends	23,060	21,803	68,
Securities available for sale	314,536	266,235	887,
Securities held to maturity	126,495	182,456	433,
Total interest and dividend income	2,805,029	2,534,326	8,312,
Interest Expense:			
Deposits	1,297,021	1,120,994	3,829,
FHLB Advances	185,926	164,932	497,
Total interest expense	1,482,947	1,285,926	4,326,
Net Interest Income	1,322,082	1,248,400	3,986,
Loan loss provision	--	--	-
Net interest income after loan loss provision	1,322,082	1,248,400	3,986,
Noninterest income:			
Net gain on sale of loans	87,636	35,564	218,
Demand deposit service charges	125,016	123,434	398,
Mortgage loan servicing fees	74,163	74,690	219,
Net gain (loss) on sale of available for sale securities	4,755	--	4,
Other	108,350	104,809	302,
Total noninterest income	399,920	338,497	1,144,
Noninterest expense:			
Salaries and employee benefits	741,461	696,621	2,103,
Occupancy expenses	118,062	113,291	359,
Furniture and equipment depreciation	82,523	81,148	247,
In-house computer expense	44,461	34,903	133,
Advertising expense	31,664	21,981	119,

Amortization of mtg servicing fees	33,704	25,479	89,
Federal insurance premiums	6,077	7,279	18,
Postage	34,771	34,403	81,
Legal,accounting, and examination fees	36,048	25,251	134,
Consulting fees	7,482	7,645	23,
ATM processing	14,079	17,799	44,
Other	150,037	149,309	507,
Total noninterest expense	1,300,369	1,215,109	3,865,
Income before provision for income taxes	421,633	371,788	1,265,
Provision for income taxes	149,735	119,000	418,
Net income	$ 271,898	$ 252,788	$ 847,
Earnings per share - basic	$ 0.23	n/a	$ 0
Earnings per share - diluted	$ 0.23	n/a	$ 0

See accompanying notes to consolidated financial statements

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Nine Months Ended March 31, 2001

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNALLOCATED ESOP SHARES	TREASURY STOCK	
Balance, June 30, 2000	$--	$ 12,236	$3,831,887	$(349,648)	$ --	$
Net income	--	--	--	--	--	
Other comprehensive income	--	--	--	--	--	
Total comprehensive income	--	--	--	--	--	
Dividends paid ($.21 per share)	--	--	--	--	--	
Stock repurchased (20,000 shares @ $11.75/sh)	--	--	--	--	(235,000)	
ESOP shares allocated or committed to be released for allocation (3,450 shares) ..	--	--	9,099	27,600	--	
Balance, March 31, 2001	$--	$ 12,236	$3,840,986	$(322,048)	$(235,000)	$

See accompanying notes to consolidated financial statements

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended March 31, 2001 (Unaudited)	Nine Months Ended March 31, 2000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 847,028	$ 756,500
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan losses	--	15,000
Depreciation, accretion and amortization expense	390,835	463,139
Deferred loan fees	28,846	(35,291)
Amortization of capitalized mortgage servicing rights	89,805	87,254
Gain on sale of loans	(218,914)	(193,816)
Gain on sale of real estate owned	(8,951)	--
Net realized (gain) loss on sale of available for-sale securities	--	30,355
Dividends reinvested	(68,800)	(69,700)
Increase in cash surrender value of life insurance ..	(73,910)	(68,886)
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accrued interest and dividends receivable	(157,161)	(115,577)
Loans held-for-sale	(1,506,627)	941,684
Other assets	43,603	(210,712)
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	(61,501)	4,134,522
Deferred compensation payable	17,305	9,647
Deferred income taxes payable	(7,108)	111,716
Net cash provided by (used in) operating activities	(685,550)	5,855,835
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of securities:		
Investment securities held-to-maturity	(641,150)	(949,936)
Investment securities available-for-sale	(3,904,060)	(3,562,621)
Proceeds from maturities, calls and principal payments:		
Investment securities held-to-maturity	2,597,139	4,302,253
Investment securities available-for-sale	1,901,519	564,059

See accompanying notes to consolidated financial statements

	Nine Months Ended March 31, 2001 (Unaudited)	Nine Months Ended March 31, 2000 (Unaudited)

CASH FLOWS FROM INVESTING ACTIVITIES: (CONTINUED)		
Proceeds from sales of investment securities available-for-sale	201,396	1,715,580
Net (increase) decrease in loan receivable, excludes transfers to real estate acquired in settlement of loans	(6,916,112)	(8,444,616)
Proceeds from the sale of real estate aquired in the settlement of loans	129,957	--
Purchase of property and equipment	(54,717)	(338,872)
Proceeds from sale of equipment	--	221,274
Net cash used in investing activities	(6,686,028)	(6,490,879)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in checking and savings accounts	6,973,408	429,372
Net increase (decrease) in advances to borrowers for ..... taxes and insurance	243,994	(3,662)
Net increase (decrease) in FHLB advances	3,625,000	(4,000,000)
Payments on FHLB advances	(200,000)	(200,000)
Purchase of Treasury Stock	(235,000)	
Dividends paid	(119,542)	--
Net cash provided by financing activities	10,287,860	(3,774,290)
Net increase (decrease) in cash	2,916,282	(4,409,334)
CASH AND CASH EQUIVALENTS, beginning of period	3,477,650	6,741,171
CASH AND CASH EQUIVALENTS, end of period	$ 6,393,932	$ 2,331,837
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 3,869,803	$ 3,523,287
Cash paid during the period for income taxes	$ 429,500	$ 144,000
NON-CASH INVESTING ACTIVITIES:		
(Increase) decrease in market value of securities available-for-sale	$ (457,731)	$ 125,341
Mortgage servicing rights capitalized	$ 64,655	$ 154,836

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 nine month periods ended March 31, 2001 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:

	March 31, 2001 (Unaudited)			June 30, 2000 (Audite	
	AMORTIZED COST	GROSS UNREALIZED GAINS (LOSSES)	FAIR VALUE	AMORTIZED COST	GROSS UNREALIZED GAINS (LOSSES)
Available-for-sale:					
U.S. government and agency obligations .	$ 5,097,990	$ 40,441	$ 5,138,431	$ 4,250,803	$ (99,656)
Municipal obligations	3,634,125	(21,284)	3,612,841	3,307,967	(251,657)
Corporate obligations	7,223,746	132,639	7,356,385	6,184,453	(122,998)
Mortgage-backed securities	4,473,040	66,270	4,539,310	4,623,260	(40,258)
Collateralized mortgage obligations	303,209	(367)	302,842	372,372	(11,067)
Corporate preferred stock	--	--	--	201,398	(398)
Total	$20,732,110	$ 217,699	$20,949,809	$18,940,253	$ (526,034)
Held-to-maturity:					
U.S. government and agency obligations .	$ 2,395,051	$ 19,955	$ 2,415,006	$ 2,888,392	$ (29,659)
Municipal obligations	1,079,297	17,735	1,097,032	1,069,806	(21,234)
Mortgage-backed securities	4,503,832	32,479	4,536,311	5,964,489	(164,775)
Total	$ 7,978,180	$ 70,169	$ 8,048,349	$ 9,922,687	$ (215,668)

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

NOTE 3. LOANS RECEIVABLE

Loans receivable consist of the following:

	March 31, 2001 (Unaudited)	June 30, 2000 (Audited)
First mortgage loans:		
Residential mortgage (1-4 family)	$ 75,816,800	$ 74,336,712
Commercial real estate	8,478,841	7,784,333
Real estate construction	2,192,683	1,453,371
Other loans:		
Home equity	15,621,372	13,654,250
Consumer	10,085,502	8,279,049
Commercial	2,900,424	2,757,708
Total	115,095,622	108,265,423
Less: Allowance for loan losses	(691,305)	(712,165)
Deferred loan fees	(134,667)	(105,821)
Total	$ 114,269,650	$ 107,447,437

Loans net of related allowance for loan losses on which the accrual of interest has been discontinued were $525,000 and $504,000 at March 31, 2001 and June 30, 2000, respectively. Classified assets, including real estate owned, totaled $1.46 million and $1.58 million at March 31, 2001 and June 30, 2000, respectively.

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

	Nine months ended March 31, 2001 (Unaudited)	Twelve months ended June 30, 2000 (Audited)
Balance, beginning of period	$ 712,165	$ 736,624
Reclassification to REO reserve	(13,725)	(11,519)
Reclassification to repossessed property reserve	(1,137)	
Provision charged to operations	--	15,000
Charge-offs	(12,168)	(30,623)
Recoveries	6,170	2,683
Balance, end of period	$ 691,305	$ 712,165

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

NOTE 4. DEPOSITS

Deposits are summarized as follows:

	March 31, 2001 (Unaudited)	June 30, 2000 (Audited)
Noninterest checking	$ 5,532,226	$ 5,732,528
Interest-bearing checking	22,500,564	22,849,549
Passbook	20,724,111	20,936,122
Money market	15,927,858	14,716,098
Time certificates of deposit	66,801,654	60,278,708
Total	$131,486,413	$124,513,005

NOTE 5. EARNINGS PER SHARE

Basic earnings per share for the three months ended March 31, 2001 is computed using 1,169,701 weighted average shares outstanding. Basic earnings per share for the nine months ended March 31, 2001 is computed using 1,177,178 weighted average shares outstanding. Diluted earnings per share is computed by adjusting the number of shares outstanding by the weighted average number of dilutive common equivalent shares. The common equivalent shares are shares in the treasury to fund the Company's restricted stock plan, for which stock was awarded in January 2001, as determined by the treasury stock method. The weighted average shares outstanding for the diluted earnings per share calculations are 1,182,562 for the three months ended March 31, 2001 and 1,181,411 for the nine months ended March 31, 2001. No earnings per share information is given for periods ending March 31, 2000 as shares of common stock were not issued until April 4, 2000.

NOTE 6. DIVIDENDS AND STOCK REPURCHASE PROGRAM

Eagle has paid three dividends of $0.07 per share on August 25, 2000, November 17, 2000, and February 16, 2001. Its fourth dividend of $0.07 per share was declared on April 19, 2001, payable May 18, 2001 to stockholders of record on May 4, 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 April 30, 2001, 20,000 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 of up to 80,511 and 23,003, 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 Bancorp ("Eagle" or the "Company") 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) competition, 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 $11.86 million, or 7.75%, from $153.03 million at June 30, 2000, to $164.89 million at March 31, 2001. Total liabilities increased by $10.88 million from $134.70 million at June 30, 2000, to $145.58 million at March 31, 2001. Total equity increased $990,000 from $18.33 million at June 30, 2000 to $19.32 million at March 31, 2001.

Growth in the loan portfolio of $6.82 million accounted for the majority of the growth in total assets. The loan categories with the largest increase were home equity loans, which increased $1.97 million and consumer loans, which increased $1.81 million. These represented increases over the balances at June 30, 2000 of 14.43% and 21.86%, respectively. Total loan originations were $51.56 million for the nine months ended March 31, 2001, with single family mortgages accounting for $31.77 million of the total. Home equity loan and consumer loan originations totaled $6.40 million and $6.11 million, respectively, for the same period. Loans held for sale increased from $861,000 at June 30, 2000 to $2.59 million at March 31, 2001.

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

Financial Condition (continued)

Deposits and Federal Home Loan Bank (FHLB) advances funded asset growth. Deposits have grown $6.98 million, or 5.61%, from $124.51 million at June 30, 2001 to $131.49 million at March 31, 2001. Our offerings of special rates on certificates of deposit (CD's) contributed to the increase in deposits. Advances grew to $12.11 million by March 31, 2001, an increase of $3.43 million, or 39.52%, from the balance of $8.68 million at June 30, 2000. Other liabilities increased from $1.51 million at June 30, 2000 to $1.98 million at March 31, 2001, primarily due to increases in the balances of deferred income taxes and escrow balances for borrowers' tax and insurance payments.

The growth in total equity was the result of earnings for the nine months of $847,000 and an increase in the unrealized gain on securities available for sale of $458,000. This was offset by the payment of three $0.07 per share regular cash dividends and the purchase of 20,000 shares of treasury stock during the period.

Results of Operations for the Three Months Ending March 31, 2001 and 2000

Net Income. Eagle's net income was $272,000 and $253,000 for the three months ended March 31, 2001, and 2000, respectively. The increase of $19,000, or 7.51%, was primarily due to increases in net interest income of $74,000 and noninterest income of $61,000, partially offset by an increase in noninterest expense of $85,000. Earnings per share were $0.23 for the current period. No earnings per share are available for the period ended March 31, 2000 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 March 31, 2000 to $1.32 million for the quarter ended March 31, 2001. This increase of $74,000 was the result of an increase in interest and dividend income of $271,000, partially offset by an increase in interest expense of $197,000.

Interest and Dividend Income. Total interest and dividend income was $2.80 million for the quarter ended March 31, 2001, compared to $2.53 million for the quarter ended March 31, 2000, representing an increase of $271,000, or 10.71%. Interest and fees on loans increased from $2.06 million for 2000 to $2.29 million for 2001. This increase of $230,000, or 11.17%, was due primarily to an increase in the average balances of loans receivable for the quarter ended March 31, 2001. Average balances for loans receivable, net, for the quarter ended March 31, 2001 were $114.78 million, compared to $104.07 million for the previous year. This represents an increase of $10.71 million, or 10.29%. All loan categories had shown increases from the previous year. The average interest rate earned on loans receivable also increased by 6 basis points, from 7.93%

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

Results of Operations for the Three Months Ending March 31, 2001 and 2000 (continued)

at March 31, 2000 to 7.99% at March 31, 2001. Interest and dividends on investment securities available-for-sale (AFS) increased from $266,000 for the quarter ended March 31, 2000 to $315,000 for the current quarter, while interest on securities held to maturity (HTM) decreased from $182,000 to $126,000. Interest earned from deposits held at other banks increased from $1,000 for the quarter ended March 31, 2000 to $47,000 for the quarter ended March 31, 2001.

Interest Expense. Total interest expense increased from $1.28 million for the quarter ended March 31, 2000, to $1.48 million for the quarter ended March 31, 2001, an increase of $197,000,or 15.39%, due primarily to an increase in interest paid on deposits. Interest on deposits increased from $1.12 million for the quarter ended March 31, 2000, to $1.30 million for the quarter ended March 31, 2001. This increase of $176,000, or 15.71%, 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 March 31, 2000 to March 31, 2001. Special certificate of deposit offerings contributed to the increase. Average balances in CD accounts increased from $57.89 million for the quarter ended March 31, 2000 to $65.56 million for the quarter ended March 31, 2001. The average rate paid on CD accounts also increased, from 5.18% to 5.81% for the period. Interest paid on borrowings increased from $165,000 for the quarter ended March 31, 2000 to $186,000 for the quarter ended March 31, 2001. The increase in borrowing costs was due to an increase in the average balance of Federal Home Loan Bank advances. The cost of deposits is expected to decline in the coming quarter. CD accounts opened in previous quarters will be renewed at lower rates, as market rates have fallen. A small FHLB advance was prepaid in April, which will reduce borrowing costs for the next quarter.

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 March 31, 2001 or the quarter ended March 31, 2000. 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 $1.46 million at March 31, 2001. The Bank currently has no foreclosed real estate.

-13-

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

Results of Operations for the Three Months Ending March 31, 2001 and 2000 (continued)

Noninterest Income. Total noninterest income increased from $338,000 for the quarter ended March 31, 2000, to $400,000 for the quarter ended March 31, 2001, an increase of $62,000 or 18.34%. This was the result of an increase in net gain on sale of loans of $52,000. Increased loan originations compared to a year ago combined with management's decision to resume selling mortgage loans with maturities of 15 years or less contributed to the increase in income from sale of loans. The other categories of noninterest income registered small increases.

Noninterest Expense. Noninterest expense increased by $85,000 or 7.00% from $1.21 million for the quarter ended March 31, 2000, to $1.30 million for the quarter ended March 31, 2001. This increase was primarily due to an increase in salaries and benefits of $44,000 and in legal and accounting fees of $11,000. The increase in salaries was due to merit raises, while the increase in legal and accounting fees were related to the costs of being a public company. Advertising expense increased $10,000 due to increased advertising for internet banking and lending promotions. In-house computer expense increased $10,000 primarily due to internet banking costs.

Income Tax Expense. Eagle's income tax expense was $119,000 for the quarter ended March 31, 2000, compared to $150,000 for the quarter ended March 31, 2001. The effective tax rate for the quarter ended March 31, 2000 was 32.01% and was 35.51% for the quarter ended March 31, 2001. The effective tax rate is higher in the current quarter due to an adjustment to bring the year-to-date effective tax rate up to 33%. Management expects Eagle's effective tax rate to be approximately 33%.

Results of Operations for the Nine Months Ending March 31, 2001 and 2000

Net Income. Eagle's net income was $847,000 and $756,000 for the nine months ended March 31, 2001 and 2000, respectively. The increase of $91,000, or 12.03%, was primarily due to increases in net interest income (before provision for loan losses) of $265,000 and noninterest income of $116,000, partially offset by an increase in non-interest expense of $237,000. Earnings per share for the period ended March 31, 2001 were $0.72. No earnings per share were available for the period ended March 31, 2000 as shares of common stock were not issued until April 4, 2000.

Results of Operations for the Nine Months Ending March 31, 2001 and 2000 (continued)

Net Interest Income. Net interest income (before provision for loan losses) increased from $3.72 million for the nine months ended March 31, 2000 to $3.99 million for the nine months ended March 31, 2001. This increase of $265,000 was the result of an increase in interest and dividend income of $741,000, partially offset by an increase in interest expense of $476,000.

Interest and Dividend Income. Total interest and dividend income was $8.31 million for the nine months ended March 31, 2001, compared to $7.57 million for the same period ended March 31, 2000, representing an increase of $741,000, or 9.79%. Interest and fees on loans increased from $6.08 million for 2000 to $6.85 million for 2001. This increase of $767,000, or 12.62%, was due primarily to an increase in the average balances of loans receivable for the nine months ended March 31, 2001. Average balances for loans receivable, net, for this period were $113.01 million, compared to $101.44 million for the previous year. This is an increase of $11.57 million, or 11.41%. 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 7.99% to 8.08%. Interest and dividends on investment securities available-for-sale (AFS) increased from $770,000 for the nine months ended March 31, 2000 to $887,000 for the same period ended March 31, 2001, while interest on securities held to maturity (HTM) decreased from $592,000 to $434,000. Interest earned from deposits held at other banks increased from $58,000 for the nine months ended March 31, 2000 to $74,000 for the same period ended March 31, 2001 due primarily to higher average balances in these accounts.

Interest Expense. Total interest expense increased from $3.85 million for the nine months ended March 31, 2000 to $4.33 million for the nine months ended March 31, 2001, an increase of $476,000, or 12.36%, due almost entirely to the increase in interest paid on deposits. Interest on deposits increased from $3.38 million for the nine months ended March 31, 2000 to $3.83 million for the nine months ended March 31, 2001. This increase of $452,000, or 13.37%, was the result of an increase in balances and average rates paid on deposit accounts. Time certificate of deposits (CD's) accounted for the largest gain in balances during the period from March 31, 2000 to March 31, 2001. Special certificate of deposit offerings contributed to the increase. Average balances in CD accounts increased from $58.39 million at March 31, 2000 to $62.54 million at March 31, 2001. The average rate paid on CD accounts also increased, from 5.11% to 5.81%. Interest paid on borrowings increased from $473,000 for the nine months ended March 31, 2000 to $497,000 for the same period ended March 31, 2001. The increase in borrowing costs was due to an increase in the average balance of Federal Home Loan Bank advances.

Results of Operations for the Nine Months Ending March 31, 2001 and 2000 (continued)

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 nine months ended March 31, 2001, compared to $15,000 for the same period ended March 31, 2000. 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 $1.46 million at March 31, 2001. During the current nine 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 period with no additional loss incurred. The Bank currently has no foreclosed real estate.

Noninterest Income. Total noninterest income increased from $1.03 million for the nine months ended March 31, 2000, to $1.15 million for the nine months ended March 31, 2001, an increase of $116,000 or 11.26%. This was the result of an increase in the gain on sale of available for sale securities of $35,000, an increase in other noninterest income items of $31,000, an increase in demand deposit service charges of $30,000, and an increase in net gain on sale of loans of $25,000. Two securities were sold for small gains in the current period, compared to securities sold for losses of $30,000 in the previous nine month period. Demand deposit service charges were higher as the increased fees were in effect for the entire nine month period ended March 31, 2001, whereas in the previous period the increases were only in effect for four months. Increased loan sales contributed to the increase in net gain on sale of loans. Mortgage loan servicing fees declined slightly from $225,000 in the nine month period ended March 31, 2000 to $220,000 in the nine months ended March 31, 2001.

Results of Operations for the Nine Months Ending March 31, 2001 and 2000 (continued)

Noninterest Expense. Noninterest expense increased by $237,000 or 6.53% from $3.63 million for the nine months ended March 31, 2000, to $3.87 million for the nine months ended March 31, 2001. This increase was primarily due to increases in salaries and benefits of $103,000, legal and accounting fees of $76,000, and occupancy expense of $32,000. The increase in salaries was due to merit raises, while the increase in legal and accounting fees were related to the costs of being a public company. The increase in occupancy expense was due to higher property taxes and repairs. These increases were partially offset by decreases of $23,000 in federal deposit insurance premiums and $11,000 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 $349,000 for the nine months ended March 31, 2000, compared to $418,000 for the nine months ended March 31, 2001. The effective tax rate for the nine months ended March 31, 2000 was 31.58% and was 33.05% for the nine months ended March 31, 2001.

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. The OTS recently eliminated the statutory requirement based upon a percentage of deposits and short-term borrowings. The OTS states that the liquidity requirement is retained for safety and soundness purposes, and that appropriate levels of liquidity will depend upon the types of activities in which the company engages. The Bank's liquidity increased due to an increase in deposit balances for the period ending March 31, 2001.

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 December 31, 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 March 31, 2001, the Bank's regulatory capital was in excess of all applicable regulatory requirements. At March 31, 2001, the Bank's tangible, core, and risk-based capital ratios amounted to 11.0%, 11.0%, and 18.6%, respectively, compared to regulatory requirements of 1.5%, 3.0%, and 8.0%, respectively. See the following table (amounts in thousands):

	At March 31, 2001	
	Amount	% of Assets
Tangible capital:		
Capital level	$17,952	10.96%
Requirement	2,457	1.50
Excess	$15,495	9.46%
Core capital:		
Capital level	$17,952	10.96%
Requirement	4,913	3.00
Excess	$13,039	7.96%
Risk-based capital:		
Capital level	$18,619	18.63%
Requirement	7,995	8.00
Excess	$10,624	10.63%

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
Not applicable.

Item 5. Other Information.
None.

Item 6. Exhibits and Reports on Form 8-K
None.

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: May 9, 2001 By: /s/ Larry A. Dreyer

Larry A. Dreyer
President/CEO

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

Peter J. Johnson
Sr. VP/Treasurer