EAGLE BANCORP/MT
Form 10QSB
February 09, 2004

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

FORM 10-QSB

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

For the quarterly period ended December 31, 2003

[ ] 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)

Website address: www.americanfederalsavingsbank.com

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 1,214,372 shares outstanding
As of February 9, 2004

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, 2003	June 30, 2003
	(Unaudited)	(Audited)

ASSETS		
Cash and due from banks	$ 3,576,516	$ 2,966,202
Interest-bearing deposits with banks	6,797,420	7,263,841
Total cash and cash equivalents	10,373,936	10,230,043
Investment securities available-for-sale, at market value	87,577,619	76,855,280
Investment securities held-to-maturity, at amortized cost	1,812,842	2,280,736
Federal Home Loan Bank stock, at cost	1,730,100	1,686,300
Mortgage loans held-for-sale	1,111,037	6,908,373
Loans receivable, net of deferred loan fees and allowance for loan losses	92,157,310	93,521,165
Accrued interest and dividends receivable	1,099,552	913,101
Mortgage servicing rights, net	1,889,566	1,291,614
Property and equipment, net	6,476,691	6,392,625
Cash surrender value of life insurance	2,409,363	2,347,232
Real estate acquired in settlement of loans, net of allowance for losses	--	70,010
Other assets	725,516	561,924
Total assets	$207,363,532	$203,058,403

See accompanying notes to consolidated financial statements.

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

	December 31, 2003	June 30, 2003
	(Unaudited)	(Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposit accounts:		
Noninterest bearing	$ 8,183,388	$ 7,868,012
Interest bearing	164,105,636	160,556,053
Advances from Federal Home Loan Bank	9,193,889	9,243,889
Accrued expenses and other liabilities	1,634,192	1,893,668
Total liabilities	183,117,105	179,561,622
Stockholders' 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; 1,209,772 outstanding at December 31, 2003 and June 30, 2003, respectively)	12,236	12,236
Additional paid-in capital	4,008,250	3,954,432

Unallocated common stock held by employee stock ownership plan ("ESOP")	(220,848)	(239,248)
Treasury stock, at cost (13,800 shares at December 31, 2003 and June 30, 2003, respectively)	(188,715)	(188,715)
Retained earnings	20,702,355	19,532,409
Accumulated other comprehensive income (loss)	(66,851)	425,667
Total stockholders' equity	24,246,427	23,496,781
Total liabilities and stockholders' equity	$ 207,363,532	$ 203,058,403

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended December 31,		Six Months Decembe
	2003	2002	2003
	(Unaudited)		(Unaudi
Interest and Dividend Income:			
Interest and fees on loans	$ 1,612,587	$ 1,926,959	$ 3,285,876
Interest on deposits with banks	11,028	40,418	29,427
FHLB Stock dividends	21,533	27,394	43,847
Securities available-for-sale	706,460	589,594	1,266,827
Securities held-to-maturity	23,628	44,016	49,606
Total interest and dividend income	2,375,236	2,628,381	4,675,583
Interest Expense:			
Deposits	665,152	946,296	1,441,922
FHLB Advances	145,085	146,661	290,494
Total interest expense	810,237	1,092,957	1,732,416
Net Interest Income	1,564,999	1,535,424	2,943,167
Loan loss provision	--	--	--
Net interest income after loan loss provision	1,564,999	1,535,424	2,943,167
Noninterest income:			
Net gain on sale of loans	217,562	497,060	806,543
Demand deposit service charges	164,820	125,299	326,136
Mortgage loan servicing fees	337,436	104,851	833,132
Net gain on sale of available-for-sale securities	(8,609)	--	1,302
Other	88,375	92,235	180,272

Total noninterest income	799,584	819,445	2,147,385

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
QUARTERLY CONSOLIDATED STATEMENTS OF INCOME
(Continued)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	200
	(Unaudited)		(Unaudited)	
Noninterest expense:				
Salaries and employee benefits	816,840	721,976	1,536,845	1,445
Occupancy expenses	112,342	117,688	232,627	247
Furniture and equipment depreciation	60,731	53,074	121,837	106
In-house computer expense	56,469	65,131	116,052	119
Advertising expense	29,207	49,482	74,227	82
Amortization of mtg servicing fees	122,673	216,702	387,808	314
Federal insurance premiums	6,316	6,359	12,794	12
Postage	28,554	28,732	59,399	56
Legal, accounting, and examination fees	43,701	40,076	71,943	66
Consulting fees	3,780	15,190	11,340	21
ATM processing	12,920	11,314	26,697	22
Other	232,183	215,041	472,914	397
Total noninterest expense	1,525,716	1,540,765	3,124,483	2,894
Income before provision for income taxes	838,867	814,104	1,966,069	1,755
Provision for income taxes	258,667	271,730	616,514	595
Net income	$ 580,200	$ 542,374	$1,349,555	$1,159
Basic earnings per share	$ 0.49	$ 0.46	$ 1.14	$
Diluted earnings per share	$ 0.49	$ 0.46	$ 1.13	$
Weighted average shares outstanding (basic eps)	1,181,412	1,172,551	1,180,835	1,172
Weighted average shares outstanding (diluted eps)	1,195,212	1,190,612	1,194,635	1,190

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Six Months Ended December 31, 2003

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNALLOCATED ESOP SHARES	TREASURY STOCK	RETAI EARNI
Balance, June 30, 2003	$ --	$ 12,236	$ 3,954,432	$ (239,248)	$ (188,715)	$19,53
Net income (unaudited)	--	--	--	--	--	1,34
Other comprehensive income (unaudited)	--	--	--	--	--	
Total comprehensive income (unaudited)	--	--	--	--	--	
Dividends paid ($.32 per share) (unaudited)	--	--	--	--	--	(17
ESOP shares allocated or committed to be released for allocation (2,300 shares) (unaudited)	--	--	53,818	18,400	--	
Balance, December 31, 2003 (unaudited)	$ --	$ 12,236	$ 4,008,250	$ (220,848)	$ (188,715)	$20,70

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended December 31, 2003	200
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,349,555	$ 1,15
Adjustments to reconcile net income to net cash from operating activities:		
Provision for mortgage servicing rights valuation losses	(567,651)	
Depreciation	220,877	20
Net amortization of marketable securities premium and discounts	842,283	33
Amortization of capitalized mortgage servicing rights	387,808	31
Gain on sale of loans	(806,542)	(80
Net realized (gain) loss on sale of available-for-sale securities	(1,313)	
FHLB & other dividends reinvested	(79,695)	(11
Increase in cash surrender value of life insurance	(62,131)	(5
Gain on sale of real estate owned	(596)	
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accrued interest and dividends receivable	(186,452)	4
Loans held-for-sale	6,518,869	(2,30
Other assets	(163,592)	(29
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	111,878	(39
Deferred compensation payable	--	2
Deferred income taxes payable	--	32
Net cash provided by operating activities	7,563,298	(1,55
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of securities:		
Investment securities held-to-maturity	--	
Investment securities available-for-sale	(37,743,037)	(21,28
Proceeds from maturities, calls and principal payments:		
Investment securities held-to-maturity	465,173	65
Investment securities available-for-sale	18,832,395	7,52
Proceeds from sales of investment securities available-for-sale	6,679,310	

See accompanying notes to consolidated financial statements.

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

	Six Months Ended December 31, 2003	2002
	(Unaudited)	

CASH FLOWS FROM INVESTING ACTIVITIES (CONTINUED):		
Net (increase) decrease in loan receivable, excludes transfers to real estate acquired in settlement of loans	945,745	7,989,4
Purchase of property and equipment	(304,944)	(275,8
Proceeds from the sale of real estate acquired in the settlement of loans	70,606	
Net cash used in investing activities	(11,054,752)	(5,392,6
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in checking and savings accounts	$ 3,864,957	$ 9,665,9
Payments on FHLB advances	(1,100,000)	(50,0
FHLB advances	1,050,000	
Sale (Purchase) of Treasury Stock	--	(61,8
Dividends paid	(179,610)	(145,1
Net cash provided by financing activities	3,635,347	9,409,0
Net increase in cash and cash equivalents	143,893	2,457,0
CASH AND CASH EQUIVALENTS, beginning of period	10,230,043	10,622,9
CASH AND CASH EQUIVALENTS, end of period	$ 10,373,936	$ 13,080,0
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 1,768,761	$ 2,278,3
Cash paid during the period for income taxes	$ 274,450	$ 682,9
NON-CASH INVESTING ACTIVITIES:		
(Increase) decrease in market value of securities available-for-sale	$ 706,639	$ (217,9
Mortgage servicing rights capitalized	$ 418,109	$ 544,8

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
NOTES TO CONSOLDIATED 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 footnotes required by accounting principles generally accepted in the United States of America for a complete presentation.

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, 2003 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2004 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, 2003.

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

NOTE 2. INVESTMENT SECURITIES

Investment securities are summarized as follows:

	December 31, 2003 (Unaudited)			June 30, 2	
	AMORTIZED COST	GROSS UNREALIZED GAINS (LOSSES)	FAIR VALUE	AMORTIZED COST	GR UNRE GAINS
Available-for-sale:					
U.S. government and agency obligations	$12,173,152	$ 45,805	$12,218,957	$ 5,039,764	$
Municipal obligations	9,023,411	103,685	9,127,096	6,851,051	
Corporate obligations	16,143,452	96,533	16,239,985	6,180,404	
Mortgage-backed securities	20,673,776	(65,603)	20,608,173	28,032,532	
Mutual Funds	--	--	--	4,696,019	
Collateralized mortgage obligations	27,566,280	(104,245)	27,462,035	23,461,474	
Common stock	168,856	23,832	192,688	58,645	
Corporate preferred stock	1,950,000	(221,315)	1,728,685	1,950,000	(
Total	$87,698,927	$ (121,308)	$87,577,619	$76,269,889	$
Held-to-maturity:					
Municipal obligations	$ 931,083	$ 59,827	$ 990,910	$ 1,031,729	$
Mortgage-backed securities	881,759	37,057	918,816	1,249,007	
Total	$ 1,812,842	$ 96,884	$ 1,909,726	$ 2,280,736	$

EAGLE BANCORP AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. LOANS RECEIVABLE

Loans receivable consist of the following:

	December 31, 2003 (Unaudited)	June 30, 2003 (Audited)
First mortgage loans:		
Residential mortgage (1-4 family)	$ 44,966,237	$ 45,404,699
Commercial real estate	18,333,467	18,819,234
Real estate construction	3,382,531	3,802,257
Other loans:		
Home equity	13,543,150	13,791,769
Consumer	8,565,223	9,278,219
Commercial	3,949,011	3,033,786
Total	92,739,619	94,129,964
Less: Allowance for loan losses	(660,871)	(672,841)
Deferred loan fees	78,562	64,042
Total	$ 92,157,310	$ 93,521,165

Loans net of related allowance for loan losses on which the accrual of interest has been discontinued were $484,000 and $610,000 at December 31, 2003 and June 30, 2003, respectively. Classified assets, including real estate owned, totaled $1 million and $1.57 million at December 31, 2003 and June 30, 2003, respectively.

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

	Six Months Ended December 31, 2003 (Unaudited)	Year ended June 30, 2003 (Audited)
Balance, beginning of period	$ 672,841	$ 702,705
Transfer from interest reserve	--	--
Provision charged to operations	--	--
Charge-offs	(16,195)	(37,118)
Recoveries	4,225	7,254
Balance, end of period	$ 660,871	$ 672,841

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

NOTE 4. DEPOSITS

Deposits are summarized as follows:

	December 31, 2003 (Unaudited)	June 30, 2003 (Audited)
Noninterest checking	$ 8,183,388	$ 7,868,012
Interest-bearing checking	29,262,604	27,125,488
Passbook	25,531,788	25,762,108
Money market	31,799,485	30,177,605
Time certificates of deposit	77,511,759	77,490,852
Total	$172,289,024	$168,424,065

NOTE 5. EARNINGS PER SHARE

Basic earnings per share for the three months ended December 31, 2003 is computed using 1,181,412 weighted average shares outstanding. Earnings per share for the six months ended December 31, 2003 is computed using 1,180,835 weighted average shares outstanding. Basic earnings per share for the three months ended December 31, 2002 is computed using 1,172,551 weighted average shares outstanding. Earnings per share for the six months ended December 31, 2002 is computed using 1,172,796 weighted average shares outstanding. Diluted earnings per share is computed using the treasury stock method by adjusting the number of shares outstanding by the shares purchased. The weighted average shares outstanding for the diluted earnings per share calculations are 1,195,212 for the three months ended December 31, 2003 and 1,194,635 for the six months ended December 31, 2003. Diluted earnings per share for the three months and six months ended December 31, 2002 is computed using 1,190,612 and 1,190,035 weighted average shares outstanding, respectively.

NOTE 6. DIVIDENDS AND STOCK REPURCHASE PROGRAM

This fiscal year Eagle has paid two dividends of $0.16 per share, on August 22, 2003 and November 14, 2003. A dividend of $0.16 per share was declared on January 15, 2004, payable February 13, 2004 to stockholders of record on January 30, 2004. Eagle Financial MHC, Eagle's mutual holding company, has waived the receipt of dividends on its 648,493 shares.

NOTE 6. DIVIDENDS AND STOCK REPURCHASE PROGRAM (CONTINUED)

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. A stock repurchase program was announced on December 21, 2000, covering 4% of the Company's outstanding common stock, with the intent of meeting the needs of the restricted stock plan. On January 18, 2002, January 21, 2003 and January 20, 2004, 4,600 shares of the restricted stock plan vested and were distributed to the participants. By October 24, 2002, 23,000 shares had been repurchased, completing the repurchase program.

At their regular meeting of August 21, 2003, the Company's Board of Directors approved a stock repurchase program for up to 57,500 shares. This represents approximately 10% of the outstanding common stock held by the public. The repurchased shares will be held as treasury stock and will be held for general corporate purposes and/or issuance pursuant to Eagle's benefit plans. As of February 9, 2004 no shares have been purchased under this program.

NOTE 7. MORTGAGE SERVICING RIGHTS

The Bank allocates its total cost in mortgage loans between mortgage servicing rights and loans, based upon their relative fair values, when loans are subsequently sold or securitized, with the servicing rights retained. Fair values are generally obtained from an independent third party. Impairment of mortgage servicing rights is measured based upon the characteristics of the individual loans, including note rate, term, underlying collateral, current market conditions, and estimates of net servicing income. If the carrying value of the mortgage servicing rights exceeds the estimated fair market value, a valuation allowance is established for any decline, which is viewed to be temporary. Charges to the valuation allowance are charged against or credited to mortgage servicing income. Periodic independent valuations of the mortgage servicing rights are performed. As a result of the valuations, a temporary decline in the fair value was determined to have occurred, and a valuation allowance of $189,069 has been established. The following schedules show the activity in the mortgage servicing rights and the valuation allowance.

	Six months ended December 31, 2003 (Unaudited)	Twelve months ended June 30, 2003 (Audited)
Mortgage Servicing Rights		
Beginning balance	$ 2,048,334	$ 1,609,833
Servicing rights capitalized	418,109	1,183,848
Servicing rights amortized	(387,808)	(745,345)
Ending balance	2,078,635	2,048,334
Valuation Allowance		
Beginning balance	756,720	21,515
Provision	(567,651)	735,205
Adjustments	--	--
Ending balance	189,069	756,720
Net Mortgage Servicing Rights	$ 1,889,566	$ 1,291,614

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

Comparisons of results in this section are between the six months ended December 31, 2003 and June 30, 2003.

Total assets increased by $4.30 million, or 2.12%, to $207.36 million at December 31, 2003, from $203.06 million at June 30, 2003. Total liabilities increased by $3.56 million to $183.12 million at December 31, 2003, from $179.56 million at June 30, 2003. Total equity increased $750,000 to $24.25 million at December 31, 2003 from $23.50 million at June 30, 2003.

The growth in assets was primarily in the available-for-sale (AFS) investment portfolio, which increased $10.72 million, or 13.95%, to $87.58 million at December 31, 2003 from $76.86 million at June 30, 2003. The investment category with the largest increase was U.S. government and agency securities, which increased $7.07 million. The loan portfolio decreased $1.36 million, or 1.45%, to $92.16 million at December 31, 2003 from $93.52 million at June 30, 2003. All loan categories, with the exception of commercial loans, showed minor decreases. Consumer loans showed the largest decrease, $710,000, due to the sale of student loans during the current quarter. Total loan originations were $75.02 million for the six months ended December 31, 2003, with single family mortgages (including $9.03 million of construction loans) accounting for $61.93 million of the total. Home equity loan and consumer loan originations totaled $4.63 million and $4.50 million, respectively, for the same period. Loans held for sale decreased to $1.11 million at December 31, 2003 from $6.91 million at June 30, 2003.

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

Financial Condition (continued)

Growth in deposits funded asset growth. Deposits grew $3.87 million, or 2.30%, to $172.29 million at December 31, 2003 from $168.42 million at June 30, 2003. The two accounts which accounted for the majority of the increase in deposits were checking accounts and money market accounts. Other deposit types showed minor changes.

The growth in total equity was the result of earnings for the six months of $1.35 million offset by a decrease in other comprehensive income of $493,000 and the payment of two quarterly $0.16 per share regular cash dividends.

Results of Operations for the Three Months Ended December 31, 2003 and 2002

Net Income
Eagle's net income was $580,000 and $542,000 for the three months ended December 31, 2003, and 2002, respectively. The increase of $38,000, or 7.01%, was primarily due to an increase in net interest income of $30,000 and a decrease in noninterest expense of $15,000, offset by a decrease in noninterest income of $20,000. Eagle's tax provision was $13,000 lower in the current quarter. Basic earnings per share were $0.49 for the current period, compared to $0.46 for the previous year's period.

Net Interest Income
Net interest income increased to $1.56 million for the quarter ended December 31, 2003, from $1.53 million for the previous year's quarter. This increase of $30,000 was the result of a decrease in interest expense of $283,000 partially offset by the decrease in interest and dividend income of $253,000.

Interest and Dividend Income
Total interest and dividend income was $2.38 million for the quarter ended December 31, 2003, compared to $2.63 million for the quarter ended December 31, 2002, representing a decrease of $253,000, or 9.62%. Interest and fees on loans decreased to $1.61 million for the three months ended December 31, 2003 from $1.92 million for the same period ended December 31, 2002. This decrease of $314,000, or 16.35%, was due to the decrease in the average balances of loans receivable for the quarter ended December 31, 2003 and the decline in the average interest rate earned on loans. Average balances for loans receivable, net, for the quarter ended December 31, 2003 were $95.76 million, compared to $103.05 million for the previous year. This represents a decrease of $7.29 million, or 7.07%. Most loan categories have shown decreases from the previous year (the exceptions being commercial loans, real estate construction loans and commercial real estate loans). The average interest rate earned on loans receivable decreased by 74 basis points, from 7.48% at December 31, 2002 to 6.74% at December 31, 2003. Interest and dividends on investment securities available-for-sale (AFS) increased to $706,000 for the quarter ended December 31, 2003 from $590,000 for the same quarter last year. Average balances on investments increased significantly, to

EAGLE BANCORP AND SUBSIDIARY

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

Results of Operations for the Three Months Ended December 31, 2003 and 2002 (continued)

$91.26 million for the quarter ended December 31, 2003, compared to $63.87 million for the quarter ended December 31, 2002. The average interest rate earned on investments dropped to 3.20% from 3.97%. Interest on securities held-to-maturity (HTM) decreased from $44,000 to $24,000 as new purchases are placed in the AFS portfolio. Interest earned from deposits held at other banks decreased to $11,000 for the quarter ended December 31, 2003 from $40,000 for the quarter ended December 31, 2002, due to the drop in short-term interest rates and lower average balances.

Interest Expense
Total interest expense decreased to $810,000 for the quarter ended December 31, 2003, from $1.09 million for the quarter ended December 31, 2002, a decrease of $283,000, or 25.96%, primarily due to a decrease in interest paid on deposits. Interest on deposits decreased to $665,000 for the quarter ended December 31, 2003, from $946,000 for the quarter ended December 31, 2002. This decrease of $281,000, or 29.70%, was the result of a decrease in average rates paid on deposit accounts, despite higher balances. All deposit accounts showed decreases in average rates paid and also had increases in average balances in the current quarter compared to last year's quarter. Money market accounts and certificates of deposit represented the largest increases in balances from the previous year. Average balances in interest-bearing deposit accounts increased to $164.23 million for the quarter ended December 31, 2003, compared to $151.13 million for the same quarter in the previous year. The average rate paid on liabilities decreased by 85 basis points from the quarter ended December 31, 2002 to the quarter ended December 31, 2003. Interest paid on borrowings decreased to $145,000 for the quarter ended December 31, 2003 from $147,000 for the quarter ended December 31, 2002. The decrease in borrowing costs was due to a decrease 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 (the Bank), to provide for probable loan losses based on prior loss experience, volume and type of lending conducted by the Bank, 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, 2003 or the quarter ended December 31, 2002. This is a reflection of the continued strong asset quality of the Bank's loan portfolio. Total classified assets decreased from $1.57 million at June 30, 2003 to $1.00 million at December 31, 2003. The Bank currently has no foreclosed real estate.

Noninterest Income
Total noninterest income decreased to $799,000 for the quarter ended December 31, 2003, from $819,000 for the quarter ended December 31, 2002, a decrease of $20,000 or 2.44%. This was the result of the decrease in net gain on sale of loans of $279,000 which was partially offset by increases in mortgage loan servicing fees of $233,000 and demand deposit service charges of $40,000.

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

Results of Operations for the Three Months Ended December 31, 2003 and 2002 (continued)

Decreased mortgage loan originations compared to the same quarter a year ago contributed to the decrease in income from sale of loans. Mortgage loan servicing fees increased due to an increase in the value of the Bank's mortgage servicing rights, which increased by $202,000. The increase in value was caused by higher interest rates and expected longer life of the servicing asset. Demand deposit service charges increased to $165,000 for the quarter ended December 31, 2003 from $125,000 for the quarter ended December 31, 2002. This was due to changes in the appliable fee structure which resulted in higher fees over the previous year. The other categories of noninterest income registered small decreases.

Noninterest Expense

Noninterest expense decreased by $15,000 or 0.97% to $1.53 million for the quarter ended December 31, 2003, from $1.54 million for the quarter ended December 31, 2002. This decrease was primarily due to a decrease in amortization of mortgage servicing fees of $94,000. The decrease in amortization of mortgage servicing fees was related to decreased prepayment activity on mortgage loans. Excluding the mortgage servicing fee amortization expense produces an increase in expenses of 5.96%. Salaries and employee benefits increased $95,000 due to reduced capitalization of salary costs (per FAS91) related to the decline in mortgage lending. Advertising expenses decreased $20,000 due to reduced promotional activity. Other expense categories showed minor changes.

Income Tax Expense

Eagle's income tax expense was $259,000 for the quarter ended December 31, 2003, compared to $272,000 for the quarter ended December 31, 2002. The effective tax rate for the quarter ended December 31, 2003 was 30.84% and was 33.38% for the quarter ended December 31, 2002. Management expects Eagle's effective tax rate to be approximately 33%.

Results of Operations for the Six Months Ended December 31, 2003 and 2002

Net Income

Eagle's net income was $1.35 million and $1.16 million for the six months ended December 31, 2003 and 2002, respectively. The increase of $190,000, or 16.38%, was primarily due to an increase in noninterest income of $693,000, offset by a decrease in net interest income of $252,000 and an increase in noninterest expense of $230,000. Noninterest income was up sharply, due primarily to the higher valuation of the Bank's mortgage servicing rights, which have increased $568,000 since June 30, 2003. Eagle's tax provision was $21,000 higher in the current period. Basic earnings per share for the period ended December 31, 2003 were $1.14, compared to $0.99 per share for the period ended December 31, 2002.

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

Results of Operations for the Six Months Ended December 31, 2003 and 2002 (continued)

Net Interest Income
Net interest income decreased to $2.94 million for the six months ended December 31, 2003 from $3.19 million for the six months ended December 31, 2002. This decrease of $252,000 was the result of a decrease in interest and dividend income of $738,000, partially offset by a decrease in interest expense of $486,000.

Interest and Dividend Income
Total interest and dividend income was $4.67 million for the six months ended December 31, 2003, compared to $5.41 million for the same period ended December 31, 2002, representing a decrease of $738,000, or 13.64%. Interest and fees on loans decreased to $3.29 million for 2003 from $4.00 million for 2002. This decrease of $712,000, or 17.80%, was due to a decrease in the average balances of loans receivable for the six months ended December 31, 2003 and the decline in the average interest rate earned on loans. Average balances for loans receivable, net, for this period were $96.83 million, compared to $105.12 million for the previous year. This is a decrease of $8.29 million, or 7.89%. Most loan categories had shown decreases from the previous year. The average interest rate earned on loans receivable decreased by 82 basis points, to 6.79% from 7.61%. Interest and dividends on investment securities available-for-sale (AFS) increased to $1.27 million for the six months ended December 31, 2003 from $1.20 million for the same period ended December 31, 2002. Interest on securities held-to-maturity (HTM) decreased from $93,000 to $50,000. New purchases of securities are placed in the AFS portfolio, and the HTM portfolio will continue to shrink as the securities in it mature. Interest earned from deposits held at other banks decreased to $29,000 for the six months ended December 31, 2003 from $73,000 for the six months ended December 31, 2002 due to the drop in short-term interest rates and the decline in average balances.

Interest Expense
Total interest expense decreased to $1.73 million for the six months ended December 31, 2003 from $2.22 million for the six months ended December 31, 2002, a decrease of $486,000, or 21.89%, primarily due to the decrease in interest paid on deposits as a result of the decline in interest rates in 2003. Interest on deposits decreased to $1.44 million for the six months ended December 31, 2003 from $1.92 million for the six months ended December 31, 2002. This decrease of $483,000, or 25.16%, was the result of a decrease in average rates paid on deposit accounts despite higher balances in deposit accounts. Certificates of deposit and money market accounts accounted for the largest gain in balances during the period from December 31, 2002 to December 31, 2003. Average balances in certificates of deposit increased to $77.23 million from $72.54 million. The average rate paid on certificates of deposit decreased to 2.84% from 3.86%. Average balances in money market accounts increased to $32.07 million for the six months ended December 31, 2003 from $28.06 million for the six months ended December 31, 2002. The average rate paid on money market accounts decreased to 1.16% from 2.00%. Average rates paid on all interest-bearing deposits declined from 2002 to 2003, with the average rate paid on all liabilities dropping by 81 basis points from the six month period ended December 31, 2002 to the six month period ended December 31, 2003. Interest paid on borrowings decreased to $291,000 for the six months ended December 31, 2003 from $294,000 for the same period ended December 31, 2002. The decrease in borrowing costs was due to a decrease in the average balance of Federal Home Loan Bank advances.

Results of Operations for the Six Months Ended December 31, 2003 and 2002 (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 (the Bank), to provide for probable loan losses based on prior loss experience, volume and type of lending conducted by the Bank, 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 month periods ended December 31, 2003 or December 31, 2002. This is a reflection of the continued strong asset quality of the Bank's loan portfolio. Total classified assets decreased to $1.00 million at December 31, 2003 from $1.57 million at June 30, 2003. The Bank currently has no foreclosed property.

Noninterest Income

Total noninterest income increased to $2.14 million for the six months ended December 31, 2003, from $1.45 million for the six months ended December 31, 2002, an increase of $693,000, or 47.79%. This was the result of an increase in the value of the Bank's mortgage servicing rights, which, as stated earlier, increased $568,000 since June 30, 2003. Mortgage loan servicing fees increased to $833,000 for the current period compared to $201,000 for the same period one year ago. Demand deposit service charges increased to $326,000 for the six month period ended December 31, 2003 from $254,000 for the same period ended December 31, 2002. This was due to higher fees over the previous year. Other categories of noninterest income showed minor changes.

Noninterest Expense

Noninterest expense increased by $230,000, or 7.96% to $3.12 million for the six months ended December 31, 2003, from $2.89 million for the six months ended December 31, 2002. This increase was primarily due to increases in salaries and employee benefits of $92,000, amortization of mortgage servicing fees of $73,000 and in "other" noninterest expense of $75,000. The increase in salaries and employee benefits expense was due to higher benefit costs and merit pay increases. The increase in amortization of mortgage servicing fees was related to increased prepayment activity on mortgage loans for the six month period. The increase in "other" noninterest expense was due primarily to higher loan expenses. Other categories of noninterest expense showed modest changes.

Income Tax Expense

Eagle's income tax expense was $616,000 for the six months ended December 31, 2003, compared to $595,000 for the six months ended December 31, 2002. The effective tax rate for the six months ended December 31, 2003 was 31.36% versus 33.93% for the six months ended December 31, 2002.

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

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 has 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. For internal reporting purposes, the Bank uses the previous regulatory definitions of liquidity. The Bank's average liquidity ratio was 25.09% and 27.76% for the months ended December 31, 2003 and December 31, 2002, respectively. Liquidity decreased due to the reduction in interest-bearing deposits with banks.

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.

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, 2003 (the most recent report available), the Bank's measure of sensitivity to interest rate movements, as measured by the OTS, declined from the previous quarter. The Bank's capital ratio as measured by the OTS decreased slightly during the same period. The Bank is well within the guidelines set forth by the Board of Directors for interest rate risk sensitivity.

As of December 31, 2003, the Bank's regulatory capital was in excess of all applicable regulatory requirements. At December 31, 2003, the Bank's tangible, core, and risk-based capital ratios amounted to 11.01%, 11.01%, and 18.52%, respectively, compared to regulatory requirements of 1.5%, 3.0%, and 8.0%, respectively. See the following table (amounts in thousands):

Liquidity, Interest Rate Sensitivity and Capital Resources (continued)

	At December 31, 2003	
	Dollar	For Capital Adequacy Purposes

	Amount	% of Assets
Tangible capital:		
Capital level	$ 22,654	11.01%
Requirement	3,085	1.50
Excess	$ 19,569	9.51%
Core capital:		
Capital level	$ 22,654	11.01%
Requirement	6,170	3.00
Excess	$ 16,484	8.01%
Risk-based capital:		
Capital level	$ 23,298	18.52%
Requirement	10,065	8.00
Excess	$ 13,233	10.52%

Impact of Inflation and Changing Prices

Our financial statements and the accompanying notes have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time and due to inflation. The impact of inflation is reflected in the increased cost of our operations. Interest rates have a greater impact on our performance than do the general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

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EAGLE BANCORP AND SUBSIDIARY
EAGLE BANCORP AND SUBSIDIARY
CONTROLS AND PROCEDURES

Based on their evaluation, the company's Chief Executive Officer, Larry A. Dreyer, and Chief Financial Officer, Peter J. Johnson, have concluded the company's disclosure controls and procedures are effective as of December 31, 2003 to ensure that information required to be disclosed in the reports that the company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. During the last fiscal quarter, there have been no significant changes in the company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

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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 following matters were voted on at the Annual Meeting of Stockholders held on October 16, 2003:

1. Election of directors for three-year terms expiring in 2006:

	For:	Against:
Thomas J. McCarvel	1,144,618	1,792
James A. Maierle	1,144,618	1,792

2. Ratification of appointment of Anderson ZurMuehlen & Co., P.C. as auditors for the fiscal year ended June 30, 2004:

For:	Against:	Abstain:
1,145,250	700	460

Item 5. Other Information.
None.

Item 6. Exhibits and Reports on Form 8-K

a.) Exhibits

31.1 Certification by Larry A. Dreyer, Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by Peter J. Johnson, Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Larry A. Dreyer, Chief Executive Officer, and Peter J. Johnson, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EAGLE BANCORP AND SUBSIDIARY

Part II - OTHER INFORMATION

b.) Reports on Form 8-K
No current reports on Form 8-K were filed during the second quarter of the 2004 fiscal year. However, on October 16, 2003, the registrant furnished under Item 9 of Form 8-K a press release announcing its earnings for the first quarter of the 2004 fiscal year. The information contained in the Form 8-K was intended to be furnished pursuant to Item 12, "Disclosure of Results of Operations and Financial Condition," and was included under Item 9 in accordance with Securities and Exchange Commission Release No. 33-8216.

EAGLE BANCORP AND SUBSIDIARY

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, 2004 By: /s/ LARRY A. DREYER

Larry A. Dreyer
President/CEO

Date: February 9, 2004 By: /s/ PETER J. JOHNSON

Peter J. Johnson
Sr. VP/Treasurer/CFO