EAGLE BANCORP/MT
Form 10QSB
February 13, 2002

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, 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 1,208,172 shares outstanding
As of February 13, 2002

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, 2001	June 30, 2001
	(Unaudited)	(Audited)
ASSETS		
Cash and due from banks	$ 3,669,894	$ 3,427,038
Interest-bearing deposits with banks	6,773,443	4,925,000
Investment securities available for sale, at market value	30,701,134	21,603,520
Investment securities held-to-maturity,		

at amortized cost	5,015,869	6,570,794
Federal Home Loan Bank stock, at cost	1,540,200	1,487,300
Mortgage loans held-for-sale	4,875,426	3,033,244
Loans receivable, net of deferred loan fees and allowance for loan losses	113,108,460	114,977,895
Accrued interest and dividends receivable	898,371	941,117
Mortgage servicing rights, net	1,382,690	1,315,819
Property and equipment, net	6,351,030	6,505,627
Cash surrender value of life insurance	2,192,330	2,140,524
Real estate acquired in settlement of loans, net of allowance for losses	--	--
Other assets	179,797	195,034
Total assets	$176,688,644	$167,122,912

See accompanying notes to consolidated financial statements.

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

	December 31, 2001 (Unaudited)	June 30, 2001 (Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposit accounts:		
Noninterest bearing	$ 7,158,245	$ 6,486,306
Interest bearing	137,612,918	127,564,024
Advances from Federal Home Loan Bank	9,393,889	11,443,889
Accrued expenses and other liabilities	1,970,483	1,926,450
Total liabilities	156,135,535	147,420,669
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 and 1,203,572 outstanding at December 31, 2001 and June 30, 2001)	12,236	12,236
Additional paid-in capital	3,862,480	3,845,908
Unallocated common stock held by employee stock ownership plan ("ESOP")	(294,448)	(312,848)
Treasury stock, at cost (20,000 shares)	(235,000)	(235,000)
Retained earnings	17,018,150	16,220,812
Accumulated other comprehensive income	189,691	171,135

Total stockholders' equity	20,553,109	19,702,243
Total liabilities and stockholders' equity .	$176,688,644	$167,122,912

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended December 31,		Six Months Ended December 31,	
	2001	2000	2001	2000
Interest and dividend income:				
Interest and fees on loans	$2,364,788	$ 2,301,293	$4,740,808	$ 4,554,478
Interest on deposits with banks	43,974	22,454	110,822	27,599
FHLB stock dividends	24,799	23,131	52,946	45,891
Securities available for sale .	346,750	285,677	649,886	572,916
Securities held to maturity ...	79,430	144,921	170,261	307,044
Total interest and dividend income	2,859,741	2,777,476	5,724,723	5,507,928
Interest expense:				
Deposits	1,150,361	1,300,006	2,375,050	2,532,623
FHLB advances	175,281	166,431	354,090	311,365
Total interest expense	1,325,642	1,466,437	2,729,140	2,843,988
Net interest income	1,534,099	1,311,039	2,995,583	2,663,940
Loan loss provision	--	--	--	15,000
Net interest income after loan loss provision	1,534,099	1,311,039	2,995,583	2,663,940
Noninterest income:				
Net gain on sale of loans	401,039	88,679	572,157	131,278
Demand deposit service charges	128,240	139,150	253,803	273,829
Mortgage loan servicing fees ..	78,831	72,767	94,163	145,361
Net gain on sale of available for sale securities	1,976	--	1,976	--
Other	94,269	100,782	186,478	194,213
Total noninterest income ..	704,355	401,378	1,108,577	744,681

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,	
	2001	2000	2001	2000
Noninterest expense:				
Salaries and employee benefits	$ 698,787	$ 693,695	$1,432,254	$1,362,255
Occupancy expenses	121,788	127,654	235,537	241,705
Furniture and equipment depreciation ..	71,226	83,430	139,370	165,246
In-house computer expense	48,879	45,558	98,378	88,909
Advertising expense	26,389	43,660	57,915	87,595
Amortization of mortgage servicing fees	105,083	25,095	173,792	56,102
Federal insurance premiums	6,088	5,322	12,214	12,394
Postage	22,019	25,529	51,772	47,196
Legal, accounting, and examination fees	49,177	51,228	72,169	98,916
Consulting fees	5,880	8,601	13,236	16,476
ATM processing	12,736	16,222	23,297	30,518
Other	202,846	190,760	384,766	357,815
Total noninterest expense	1,370,898	1,316,754	2,694,700	2,565,127
Income before provision for income taxes	867,556	395,663	1,409,460	843,494
Provision for income taxes	305,865	124,084	501,107	268,364
Net income	$ 561,691	$ 271,579	$ 908,353	$ 575,130
Basic Earnings per share	$ 0.48	$ 0.23	$ 0.78	$ 0.49
Diluted Earnings per share	$ 0.47	n.a.	$ 0.77	n.a.
Weighted average shares outstanding (basic eps)	1,166,010	1,181,412	1,165,434	1,180,835
Weighted average shares outstanding (diluted eps)	1,186,010	n.a.	1,185,434	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	TREASURY STOCK	R E
Balance, June 30, 2001	$ --	$12,236	$3,845,908	$(312,848)	$(235,000)	$16
Net income	--	--	--	--	--	
Other comprehensive income	--	--	--	--	--	
Total comprehensive income	--	--	--	--	--	
Dividends paid ($.20 per share)	--	--	--	--	--	
ESOP shares allocated or committed to be released for allocation (2,300 shares)	--	--	16,572	18,400	--	
Balance, December 31, 2001	$ --	$12,236	$3,862,480	$(294,448)	$(235,000)	$17

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended December 31, 2001	Six Months Ended December 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 908,353	$ 575,130
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	--	--
Provision for mortgage servicing rights valuation losses	58,433	--
Depreciation	236,267	284,208
Deferred loan fees	--	(5,958)
Net amortization of marketable securities premium and discounts	45,916	--

Amortization of capitalized mortgage servicing rights	171,126	56,101
Gain on sale of loans	(572,157)	(131,278)
Gain on sale of real estate owned	--	(8,951)
Net realized (gain) loss on sale of available-for-sale securities	(1,976)	--
FHLB & other Dividends reinvested	(72,290)	(45,800)
Increase in cash surrender value of life insurance	(51,806)	(47,987)
Gain on sale of property & equipment	(950)	--
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accrued interest and dividends receivable ..	42,746	(81,905)
Loans held-for-sale	(1,269,859)	414,204
Other assets	15,238	(827)
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	133,707	(56,576)
Deferred compensation payable	12,044	12,231
Deferred income taxes payable	(78,339)	114,894
Net cash provided by (used in) operating activities	(423,547)	1,077,486
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of securities:		
Investment securities held-to-maturity	(278,708)	(501,150)
Investment securities available-for-sale	(12,972,116)	(1,173,415)
Proceeds from maturities, calls and principal payments:		
Investment securities held-to-maturity	1,827,982	1,474,445
Investment securities available-for-sale	3,382,835	1,032,845
Proceeds from sales of investment securities available-for-sale	502,750	--

See accompanying notes to consolidated financial statements.

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

	Six Months Ended December 31,	
	2001	2000
CASH FLOWS FROM INVESTING ACTIVITIES: (CONTINUED)		
Increase in interest bearing deposits held at banks	(1,848,443)	--
Net (increase) decrease in loan receivable, excludes transfers to real estate acquired in settlement of loans	1,573,005	(5,730,253)
Proceeds from the sale of real estate		

aquired in the settlement of loans	--	129,957
Purchase of property and equipment	(81,669)	(33,908)
Proceeds from sale of equipment	950	--
Net cash used in investing activities ..	(7,893,414)	(4,801,479)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in checking and savings accounts	$10,720,832	$ 2,534,972
Net increase (decrease) in advances to borrowers for taxes and insurance	--	(44,731)
Proceeds from FHLB advances	--	3,625,000
Payments on FHLB advances	(2,050,000)	(133,334)
Dividends paid	(111,015)	(80,511)
Net cash provided by financing activities	8,559,817	5,901,396
Net increase (decrease) in cash	242,856	2,177,403
CASH AND CASH EQUIVALENTS, beginning of period	3,427,038	3,477,650
CASH AND CASH EQUIVALENTS, end of period	$ 3,669,894	$ 5,655,053
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for interest ...	$2,443,441	$ 2,603,029
Cash paid during the period for income taxes	$ 380,152	$ 152,000
NON-CASH INVESTING ACTIVITIES:		
(Increase) decrease in market value of securities available-for-sale	$ (29,985)	$ (331,661)
Mortgage servicing rights capitalized	$ 296,430	$ 24,672

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 footnotes required by accounting principles generally accepted in the United States of America 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, 2001 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2002 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, 2001.

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

NOTE 2. INVESTMENT SECURITIES

Investment securities are summarized as follows:

	December 31, 2001			June	
	AMORTIZED COST	GROSS UNREALIZED GAINS (LOSSES)	FAIR VALUE	AMORTIZED COST	UNR GAINS
Available-for-sale:					
U.S. government and agency obligations	$ 4,705,387	$ 41,933	$ 4,747,320	$ 4,566,644	$
Municipal obligations	4,302,471	(92,892)	4,209,579	4,303,574	(
Corporate obligations	7,459,901	250,681	7,710,582	7,114,917	1
Mortgage-backed securities .	10,963,656	55,738	11,019,394	4,029,519	
Collateralized mortgage obligations	1,032,763	10,996	1,043,759	1,190,586	
Corporate preferred stock ..	1,958,692	11,808	1,970,500	150,000	
Total	$30,422,870	$ 278,264	$30,701,134	$21,355,240	$ 2
Held-to-maturity:					
U.S. government and agency obligations	$ 498,014	$ 8,391	$ 506,405	$ 1,395,905	$
Municipal obligations	1,356,036	(5,093)	1,350,943	1,078,681	
Mortgage-backed securities .	3,161,819	65,451	3,227,270	4,096,208	
Total	$ 5,015,869	$ 68,749	$ 5,084,618	$ 6,570,794	$

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

NOTE 3. LOANS RECEIVABLE

Loans receivable consist of the following:

	December 31, 2001 (Unaudited)	June 30, 2001 (Audited)
First mortgage loans:		
Residential mortgage (1-4 family)	$ 72,618,327	$ 75,961,742
Commercial real estate	10,265,442	9,062,769
Real estate construction	3,657,300	1,981,968
Other loans:		
Home equity	15,189,129	15,698,367
Consumer	9,709,035	10,362,135
Commercial	2,499,396	2,720,740
Total	113,938,629	115,787,721
Less:		
Allowance for loan losses	(705,128)	(688,282)
Deferred loan fees	(125,041)	(121,544)
Total	$ 13,108,460	$114,977,895

Loans net of related allowance for loan losses on which the accrual of interest has been discontinued were $481,000 and $407,000 at December 31, 2001 and June 30, 2001, respectively. Classified assets, including real estate owned, totaled $1.36 million and $1.50 million at December 31, 2001 and June 30, 2001, respectively.

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

	Six Months Ended December 31, 2001 (Unaudited)	Year Ended June 30, 2001 (Audited)
Balance, beginning of period	$688,282	$712,165
Reclassification to REO reserve	--	(13,725)
Provision charged to operations	--	--
Charge-offs	(16,675)	(29,037)
Recoveries	33,521	18,879
Balance, end of period	$705,128	$688,282

NOTE 4. DEPOSITS

Deposits are summarized as follows:

	December 31, 2001 (Unaudited)	June 30, 2001 (Audited)
Noninterest checking	$ 7,158,245	$ 6,486,306
Interest-bearing checking	25,193,351	22,535,586
Passbook	21,197,459	20,688,121
Money market	23,978,014	17,399,325
Time certificates of deposit	67,244,094	66,940,992
Total	$144,771,163	$134,050,330

NOTE 5. EARNINGS PER SHARE

Earnings per share for the three months ended December 31, 2001 is computed using 1,166,010 weighted average shares outstanding. Earnings per share for the six months ended December 31, 2001 is computed using 1,165,434 weighted average shares outstanding. Diluted earnings per share is computed by adjusting the number of shares outstanding by the shares purchased 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 1,186,010 for the three months ended December 31, 2001 and 1,185,434 for the six months ended December 31, 2001. Earnings per share for the three months ended December 30, 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.

NOTE 6. DIVIDENDS AND STOCK REPURCHASE PROGRAM

This fiscal year Eagle has paid two dividends of $0.10 per share, on August 24, 2001 and November 16, 2001. Another dividend of $0.10 per share was declared on January 17, 2002, payable February 15, 2002 to stockholders of record on February 1, 2002. 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 February 13, 2002, 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. On January 18, 2002, 4,600 shares of the restricted stock plan vested and were distributed to the participants.

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

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 a valuation performed on September 30, 2001, a temporary decline in the fair value was determined to have occurred, and a valuation allowance of $58,433 was established. There was no valuation allowance at June 30, 2001. The following schedules show the activity in the mortgage servicing rights and the valuation allowance.

	Six Months Ended December 31, 2001 (Unaudited)	Twelve Months Ended June 30, 2001 (Audited)
Mortgage Servicing Rights		
Beginning balance	$1,315,819	$1,338,271
Servicing rights capitalized	299,096	150,029
Servicing rights amortized	(173,792)	(172,481)
Ending balance	1,441,123	1,315,819
Valuation Allowance		
Beginning balance	--	--
Provision	(58,433)	--
Adjustments	--	--
Ending balance	(58,433)	--
Net Mortgage Servicing Rights	$1,382,690	$1,315,819

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, 2001 and June 30, 2001.

Total assets increased by $9.57 million, or 5.73%, to $176.69 million at December 31, 2001, from $167.12 million at June 30, 2001. Total liabilities increased by $8.72 million to $156.14 million at December 31, 2001, from $147.42 million at June 30, 2001. Total equity increased $850,000 to $20.55 million at December 31, 2001 from $19.70 million at June 30, 2001.

Growth in the available-for-sale investment portfolio of $9.10 million accounted for the majority of the growth in total assets. The investment category with the largest increase was mortgage-backed securities, which increased $6.92 million. $4 million of this increase is attributable to the investment of excess liquidity into a mortgage-backed securities mutual fund. Loans held for sale increased to $4.88 million at December 31, 2001 from $3.03 million at June 30, 2001. The loan portfolio decreased $1.87 million, or 1.63%, to $113.11 million at December 31, 2001 from $114.98 million at June 30, 2001. Heavy refinancing activity and the sale of practically all new originations contributed to the decline in single-family mortgage loan balances to $72.62 million at December 31, 2001 from $75.96 million at June 30, 2001. The commercial real estate and construction loan categories showed increased balances, while all other loan categories showed

Financial Condition (continued)

small decreases since June 30, 2001. Total loan originations were $67.88 million for the six months ended December 31, 2001. Single-family mortgages accounted for $50.09 million of the total. Commercial real estate loan originations totaled $5.45 million (including a $3 million construction loan not fully funded). Home equity and consumer loan originations totaled $4.37 million and $4.24 million, respectively, for the same period.

Growth in deposits funded asset growth. Deposits have grown $10.72 million, or 8.00%, to $144.77 million at December 31, 2001 from $134.05 million at June 30, 2001. Growth in money market accounts and checking accounts contributed to the increase in deposits. The balances in Federal Home Loan Bank advances declined $2.05 million, as an advance matured in December.

The growth in total equity was the result of earnings for the six months of $908,000 and an increase in the unrealized gain on securities available for sale of $19,000, offset by the payment of two $0.10 per share regular cash dividends during the period.

Results of Operations for the Three Months Ended December 31, 2001 and 2000

Net Income

Eagle's net income was $562,000 and $272,000 for the three months ended December 31, 2001, and 2000, respectively. The increase of $290,000, or 106.62%, was primarily due to increases in non-interest income of $303,000 and net interest income of $223,000, partially offset by an increase in noninterest expense of $54,000. Basic earnings per share were $0.48 for the current period, compared to $0.23 for the previous year's period.

Net Interest Income

Net interest income increased to $1.53 million for the quarter ended December 31, 2001 from $1.31 million for the quarter ended December 31, 2000. This increase of $223,000 was the result of an increase in interest and dividend income of $82,000 and a decrease in interest expense of $141,000.

Interest and Dividend Income

Total interest and dividend income was $2.86 million for the quarter ended December 31, 2001, compared to $2.78 million for the quarter ended December 31, 2000, representing an increase of $82,000, or 2.87%. Interest and fees on loans increased to $2.36 million for 2001 from $2.30 million for 2000. This increase of $63,000, or 2.74%, was due primarily to an increase in the average balances of loans receivable for the quarter ended December 31, 2001. Average balances for loans receivable, net, for the quarter ended December 31, 2001 were $118.59 million, compared to $113.47 million for the previous year. This represents an increase of $5.12 million, or 4.51%. Most loan categories had shown increases from the previous year. The average interest rate earned on loans receivable decreased by 13 basis points, from 8.11% at

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, 2001 and 2001 (continued)

Interest and Dividend Income (continued)

December 31, 2000 to 7.98% at December 31, 2001. Interest and dividends on investment securities available-for-sale (AFS) increased to $347,000 for the quarter ended December 31, 2001 from $286,000 for quarter ended December 31, 2000, while interest on securities held-to-maturity (HTM) decreased to $79,000 from $145,000. Interest earned from deposits held at other banks increased to $44,000 for the quarter ended December 31, 2001 from $22,000 for the quarter ended December 31, 2000.

Interest Expense

Total interest expense decreased to $1.33 million for the quarter ended December 31, 2001, from $1.47 million for the quarter ended December 31, 2000, a decrease of $141,000,or 9.59%, due to a decrease in interest paid on deposits. Interest on deposits decreased to $1.15 million for the quarter ended December 31, 2001, from $1.30 million for the quarter ended December 31, 2000. This decrease of $150,000, or 11.54%, was the result of a decrease in average rates paid despite higher balances on deposit accounts. Money market accounts accounted for the largest gain in balances during the period from December 31, 2000 to December 31, 2001. The decline in interest rates over the past year combined with the poor performance of the stock market appears to have led consumers to invest in safe, short-term insured deposits. Average balances in money market accounts increased from $14.79 million for the quarter ended December 31, 2000 to $23.06 million for the quarter ended December 31, 2001. The average rate paid on money market accounts also decreased, from 4.11% to 3.01% for the period. Average rates paid on all interest-bearing deposits declined from 2000 to 2001, with the average rate paid on all liabilities dropping 84 basis points from the quarter ended December 31, 2000 to the quarter ended December 31, 2001. The cost of deposits is expected to continue to decline in the coming quarter, as certificate of deposit accounts opened in previous quarters are renewed at lower interest rates. Interest paid on borrowings increased to $175,000 for the quarter ended December 31, 2001 from $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.

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, 2001 or the quarter ended December 31, 2000. This is a reflection of the continued strong asset quality of American Federal's loan portfolio. Total classified assets declined to $1.36 million at December 31, 2001 from $1.50 million at June 30, 2001. The Bank currently has no foreclosed property.

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, 2001 and 2001 (continued)

Noninterest Income

Total noninterest income increased to $704,000 for the quarter ended December 31, 2001, from $401,000 for the quarter ended December 31, 2000, an increase of $303,000 or 75.56%. This was the result of an increase in net gain on sale of loans of $312,000. Increased loan originations compared to a year ago contributed to the increase in income from the sale of loans. Low interest rates contributed to unusually high levels of refinancing activity, which will likely decline in the coming quarter, resulting in lower loan originations and income from the sale of loans. Mortgage loan servicing fees increased slightly to $79,000 in the quarter ended December 31, 2001 from $73,000 in the quarter ended December 31, 2000. Demand deposit service charges declined to $128,000 in the current quarter from $139,000 for the previous year's period due to the decline in the volume of overdraft charges.

Noninterest Expense

Noninterest expense increased by $54,000 or 4.09% to $1.37 million for the quarter ended December 31, 2001, from $1.32 million for the quarter ended December 31, 2000. This increase was primarily due to an increase in amortization of mortgage service fees of $80,000. The increase was related to increased prepayment activity on mortgage loans. Advertising expense decreased $17,000 due to decreased advertising for product promotions.

Income Tax Expense

Eagle's income tax expense was $306,000 for the quarter ended December 30, 2001, compared to $124,000 for the quarter ended December 31, 2000. The effective tax rate for the quarter ended December 31, 2001 was 35.25% and was 31.36% for the quarter ended December 31, 2000. Management expects Eagle's effective tax rate to be approximately 35%.

Results of Operations for the Six Months Ended December 31, 2001 and 2000

Net Income

Eagle's net income was $908,000 and $575,000 for the six months ended December 31, 2001 and 2000, respectively. The increase of $333,000, or 57.91%, was primarily due to increases in noninterest income of $364,000 and net interest income of $332,000, partially offset by an increase in non-interest expense of $130,000. Basic earnings per share for the period ended December 31, 2001 were $0.78, compared to $0.49 per share for the period ended December 31, 2000.

Net Interest Income

Net interest income increased to $2.99 million for the six months ended December 31, 2001 from $2.66 million for the six months ended December 31, 2000. This increase of $332,000 was the result of an increase in interest and dividend income of $217,000 and a decrease in interest expense of $115,000.

Results of Operations for the Six Months Ended December 31, 2001 and 2000 (Continued)

Interest and Dividend Income

Total interest and dividend income was $5.73 million for the six months ended December 31, 2001, compared to $5.51 million for the same period ended December 31, 2000, representing an increase of $217,000, or 3.94%. Interest and fees on loans increased to $4.74 million for 2001 from $4.55 million for 2000. This increase of $186,000, or 4.09%, was due primarily to an increase in the average balances of loans receivable for the six months ended December 31, 2001. Average balances for loans receivable, net, for this period were $119.27 million, compared to $112.13 million for the previous year. This is an increase of $7.14 million, or 6.37%. Most loan categories had shown increases from the previous year. The average interest rate earned on loans receivable decreased by 17 basis points, to 7.95% from 8.12%. Interest and dividends on investment securities available-for-sale (AFS) increased to $650,000 for the six months ended December 31, 2001 from $573,000 for the same period ended December 31, 2000, while interest on securities held to maturity (HTM) decreased from $307,000 to $170,000. Most 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 increased to $111,000 for the six months ended December 31, 2001 from $28,000 for the six months ended December 31, 2000 due primarily to higher average balances in these accounts due to increased liquidity from deposit growth and higher loan sale volume.

Interest Expense

Total interest expense decreased to $2.73 million for the six months ended December 31, 2001 from $2.84 million for the six months ended December 31, 2000, a decrease of $115,000, or 4.05%, due to the decrease in interest paid on deposits. Interest on deposits decreased to $2.37 million for the six months ended December 31, 2001 from $2.53 million for the six months ended December 31, 2000. This decrease of $158,000, or 6.25%, was the result of a decrease in average rates paid on deposit accounts despite higher balances on deposit accounts. Money market accounts accounted for the largest gain in balances during the period from December 31, 2000 to December 31, 2001. Average balances in money market accounts increased from $14.78 million at December 31, 2000 to $21.55 million at December 31, 2001. The average rate paid on money market accounts decreased, from 4.06% to 3.29%. Average rates paid on all interest-bearing deposits declined from 2000 to 2001, with the average rate paid on all liabilities dropping by 59 basis points from the six month period ended December 31, 2000 to the six month period ended December 31, 2001. The cost of deposits is expected to continue to decline in the coming months, as certificate of deposit accounts opened in previous periods are renewed at lower interest rates. Interest paid on borrowings increased to $354,000 for the six months ended December 31, 2001 from $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.

Results of Operations for the Six Months Ended December 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 either of the six-month periods ended December 31, 2001 or December 31, 2000. This is a reflection of the continued strong asset quality of American Federal's loan portfolio. Total classified assets declined to $1.36 million at December 31, 2001 from $1.50 million at June 30, 2001. The Bank currently has no foreclosed property.

Noninterest Income

Total noninterest income increased to $1.11 million for the six months ended December 31, 2001, from $745,000 for the six months ended December 31, 2000, an increase of $365,000 or 48.99%. This was the result of an increase in net gain on sale of loans of $441,000. Increased loan originations contributed to the increase in income from sale of loans. Low interest rates over the past year have contributed to unusually high levels of refinancing activity, which will likely decline over the remainder of the year, resulting in lower loan originations and income from the sale of loans. Mortgage loan servicing fees declined to $94,000 for the current six-month period compared to $145,000 for the previous year's period. An independent valuation of the Bank's mortgage portfolio indicated a temporary decline in the value of the servicing rights in the amount of $58,000. A provision was made to a valuation allowance in that amount. Changes to the valuation allowance for mortgage servicing rights are charged against mortgage loan servicing fees. Demand deposit service charges declined by $20,000 from the previous year due to a decline in the volume of overdraft fees.

Noninterest Expense

Noninterest expense increased by $130,000 or 5.08% to $2.69 million for the six months ended December 31, 2001, from $2.56 million for the six months ended December 31, 2000. This increase was primarily due to an increase in amortization of mortgage servicing fees of $118,000 and in salaries and benefits of $70,000. The increase in amortization of mortgage servicing fees was related to increased prepayment activity on mortgage loans, while the increase in salaries was due to merit raises. These increases were partially offset by decreases of $30,000 in advertising expense and $27,000 in legal and accounting fees. The decrease in advertising expense was due to decreased product promotional advertising, while less time spent on matters relating to being a public company by the Company's counsel led to lower legal fees.

Results of Operations for the Six Months Ended December 31, 2001 and 2000 (Continued)

Income Tax Expense

Eagle's income tax expense was $501,000 for the six months ended December 30, 2001, compared to $268,000 for the six months ended December 31, 2000. The effective tax rate for the six months ended December 31, 2001 was 35.55% 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. 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 liquidity ratio average was 23.35% and 15.03% at December 31, 2001 and December 31, 2000, respectively. Liquidity increased due to growth in deposits and the increased loan sale volume for the period ending December 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.

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, 2001 (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 its Board of Directors for interest rate risk sensitivity.

Liquidity, Interest Rate Sensitivity and Capital Resources (Continued)

As of December 31, 2001, the Bank's regulatory capital was in excess of all applicable regulatory requirements. At December 31, 2001, the Bank's tangible, core, and risk-based capital ratios amounted to 10.9%, 10.9%, and 19.5%, respectively, compared to regulatory requirements of 1.5%, 3.0%, and 8.0%, respectively.

	At December 31, 2001	
	Amount	% of Assets
Tangible capital:		
Capital level	$19,119	10.89%
Requirement	2,633	1.50
Excess	$16,486	9.39%
Core capital:		
Capital level	$19,119	10.89%
Requirement	5,265	3.00
Excess	$13,854	7.89%
Risk-based capital:		
Capital level	$19,802	19.47%
Requirement	8,136	8.00
Excess	$11,666	11.47%

Impact of Inflation and Changing Prices

Our financial statements and the accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America, 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, as demonstrated in the results of the current reporting period. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

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 on October 18, 2001:

1. Election of directors for three-year terms expiring in 2004:

	For:	Abstain:
Robert L. Pennington	1,119,392	1,575
Don O. Campbell	1,118,392	2,575
Charles G. Jacoby	1,119,367	1,600

2. Ratification of appointment of Anderson ZurMuehlen & Co., P.C. as auditors for the fiscal year ended June 30, 2002:

For:	Against:	Abstain:
1,116,322	250	4,395

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K

None

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 13, 2002

By: /s/ Larry A. Dreyer

Larry A. Dreyer
President/CEO

Date: February 13, 2002 By: /s/ Peter J. Johnson

Peter J. Johnson
Sr. VP/Treasurer