EAGLE BANCORP/MT
Form 10QSB
February 10, 2005

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, 2004

[ ] 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 1,161,472 shares outstanding

As of February 7, 2005

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, 2004	June 30, 2004

	(Unaudited)	(Audited)
ASSETS		
Cash and due from banks	$ 3,777,931	$ 3,587,145
Interest-bearing deposits with banks	265,499	759,621
Total cash and cash equivalents	4,043,430	4,346,766
Investment securities available-for-sale, at market value	82,167,927	88,547,458
Investment securities held-to-maturity, at amortized cost	1,328,352	1,565,692
Federal Home Loan Bank stock, at cost	1,419,600	1,672,200
Mortgage loans held-for-sale	1,223,835	1,436,747
Loans receivable, net of deferred loan fees and allowance for loan losses	94,450,242	92,456,589
Accrued interest and dividends receivable	1,050,768	1,079,815
Mortgage servicing rights, net	1,981,240	2,003,258
Property and equipment, net	6,443,690	6,557,883
Cash surrender value of life insurance	4,960,775	2,476,842
Real estate acquired in settlement of loans, net of allowance for losses	--	--
Other assets	551,052	870,001
Total assets	$199,620,911	$203,013,251

See accompanying notes to consolidated financial statements.

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

	December 31, 2004	June 30, 2004
	(Unaudited)	(Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposit accounts:		
Noninterest bearing	$ 9,989,538	$ 9,267,45
Interest bearing	160,347,137	160,801,42
Advances from Federal Home Loan Bank	3,918,518	7,450,00
Accrued expenses and other liabilities	1,778,419	1,469,83
Total liabilities	176,033,612	178,988,71
Stockholders' Equity:		
Preferred stock (no par value, 1,000,000 shares authorized, none issued or outstanding)	--	--
Common stock (par value $0.01 per share;		

9,000,000 shares authorized; 1,223,572 shares issued; 1,156,872 and 1,212,372 outstanding at December 31, 2004 and June 30, 2004, respectively)	12,236	12,23
Additional paid-in capital	4,131,040	4,072,94
Unallocated common stock held by employee stock ownership plan ("ESOP")	(184,048)	(202,44
Treasury stock, at cost (66,700 and 11,200 shares at December 31, 2004 and June 30, 2004, respectively)	(2,072,190)	(198,66
Retained earnings	21,989,379	21,250,08
Accumulated other comprehensive income (loss)	(289,118)	(909,61
Total stockholders' equity	23,587,299	24,024,53
Total liabilities and stockholders' equity	$ 199,620,911	$ 203,013,25

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended December 31,		Six Months December
	2004	2003	2004
	(Unaudited)		(Unaudi
Interest and Dividend Income:			
Interest and fees on loans	$ 1,507,239	$ 1,612,587	$ 2,971,646
Interest on deposits with banks	9,320	11,028	24,738
FHLB Stock dividends	7,000	21,533	20,965
Securities available-for-sale	733,145	706,460	1,428,883
Securities held-to-maturity	16,648	23,628	34,313
Total interest and dividend income	2,273,352	2,375,236	4,480,545
Interest Expense:			
Deposits	587,905	665,152	1,166,390
FHLB Advances	32,858	145,085	93,157
Total interest expense	620,763	810,237	1,259,547
Net Interest Income	1,652,589	1,564,999	3,220,998
Loan loss provision	--	--	--
Net interest income after loan loss provision	1,652,589	1,564,999	3,220,998

Noninterest income:			
Net gain on sale of loans	110,611	217,562	225,076
Demand deposit service charges	144,733	164,820	283,916
Mortgage loan servicing fees	251,292	337,436	335,715
Net gain on sale of available-for-sale securities	9,964	(8,609)	9,771
Other	105,830	88,375	200,279
Total noninterest income	622,430	799,584	1,054,757

See accompanying notes to consolidated financial statements.

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

	Three Months Ended December 31,		Six Months Ende December 31,	
	2004	2003	2004	20
	(Unaudited)		(Unaudited)	
Noninterest expense:				
Salaries and employee benefits	807,347	816,840	1,616,235	1,536
Occupancy expenses	122,507	112,342	248,117	232
Furniture and equipment depreciation	79,650	60,731	157,910	121
In-house computer expense	65,686	56,469	127,552	116
Advertising expense	47,172	29,207	87,016	74
Amortization of mtg servicing fees	93,506	122,673	189,126	387
Federal insurance premiums	6,114	6,316	12,333	12
Postage	22,709	28,554	48,255	59
Legal, accounting, and examination fees	48,878	43,701	83,578	71
Consulting fees	11,637	3,780	22,664	11
ATM processing	11,856	12,920	23,482	26
Other	240,809	232,183	440,990	472
Total noninterest expense	1,557,871	1,525,716	3,057,258	3,124
Income before provision for income taxes	717,148	838,867	1,218,497	1,966
Provision for income taxes	146,518	258,667	290,160	616
Net income	$ 570,630	$ 580,200	$ 928,337	$1,349
Basic earnings per share	$ 0.50	$ 0.49	$ 0.80	$

Diluted earnings per share	$ 0.48	$ 0.49	$ 0.77	$
Weighted average shares outstanding (basic eps)	1,145,492	1,181,412	1,158,823	1,180
Weighted average shares outstanding (diluted eps)	1,199,812	1,195,212	1,199,235	1,194

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, 2004

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNALLOCATED ESOP SHARES
Balance, June 30, 2004	$ --	$ 12,236	$ 4,072,947	$ (202,448)
Net income (unaudited)	--	--	--	--
Other comprehensive income (unaudited)	--	--	--	--
Total comprehensive income (unaudited)	--	--	--	--
Dividends paid ($.36 per share) (unaudited)	--	--	--	--
Treasury stock purchased (22,000 shares @ $32.55) (33,500 shares @ $34.55) (unaudited)	--	--	--	--
ESOP shares allocated or committed to be released for allocation (2,300 shares) (unaudited)	--	--	58,093	18,400
Balance, December 31, 2004 (unaudited)	$ --	$ 12,236	$ 4,131,040	$ (184,048)

	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
Balance, June 30, 2004	$ 21,250,088	$ (909,619)	$ 24,024,539
Net income (unaudited)	928,337	--	928,337
Other comprehensive income (unaudited)	--	620,501	620,501
Total comprehensive income (unaudited)	--	--	1,548,838
Dividends paid ($.36 per share) (unaudited)	(189,046)	--	(189,046)
Treasury stock purchased (22,000 shares @ $32.55) (33,500 shares @ $34.55) (unaudited)	--	--	(1,873,525)
ESOP shares allocated or committed to be released for allocation (2,300 shares) (unaudited)	--	--	76,493
Balance, December 31, 2004 (unaudited)	$ 21,989,379	$ (289,118)	$ 23,587,299

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months En December 31 2004 (Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES:	

Net income	$ 928,337	$
Adjustments to reconcile net income to net cash from operating activities:		
Provision for mortgage servicing rights valuation losses	(49,569)	
Depreciation	255,930	
Net amortization of marketable securities premium and discounts	722,556	
Amortization of capitalized mortgage servicing rights	189,126	
Gain on sale of loans	(225,076)	
Net realized (gain) loss on sale of available-for-sale securities	(9,771)	
FHLB & other dividends reinvested	(13,900)	
Increase in cash surrender value of life insurance	(83,933)	
Gain on sale of real estate owned	--	
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accrued interest and dividends receivable	29,047	
Loans held-for-sale	436,590	
Other assets	146,088	
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	181,651	
Net cash provided by operating activities	2,507,076	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of securities:		
Investment securities held-to-maturity	--	
Investment securities available-for-sale	(6,098,091)	(3
Proceeds from maturities, calls and principal payments:		
Investment securities held-to-maturity	235,642	
Investment securities available-for-sale	10,585,239	1
FHLB stock redeemed	266,500	
Proceeds from sales of investment securities available-for-sale	2,179,483	
Net (increase) decrease in loan receivable, excludes transfers to real estate acquired in settlement of loans	(2,111,190)	

See accompanying notes to consolidated financial statements.

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

	Six Months Ended December 31, 2004	20
	(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES (CONTINUED):		
Purchase of property and equipment	(141,737)	(3
Purchase of bank owned life insurance	(2,400,000)	

Proceeds from the sale of real estate acquired in the settlement of loans	--	
Net cash provided by (used in) investing activities	2,515,846	(11,0
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in checking and savings accounts	267,795	3,8
Net increase (decrease) in overnight FHLB advances	(1,000,000)	
Payments on FHLB advances	(2,531,482)	(1,1
FHLB advances	--	1,0
Sale (Purchase) of Treasury Stock	(1,873,525)	
Dividends paid	(189,046)	(1
Net cash provided by (used in) financing activities	(5,326,258)	3,6
Net increase (decrease) in cash and cash equivalents	(303,336)	1
CASH AND CASH EQUIVALENTS, beginning of period	4,346,766	10,2
CASH AND CASH EQUIVALENTS, end of period	$ 4,043,430	$ 10,3
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 1,285,561	$ 1,7
Cash paid during the period for income taxes	$ 183,000	$ 2
NON-CASH INVESTING ACTIVITIES:		
(Increase) decrease in market value of securities available-for-sale	$ (998,187)	$ 7
Mortgage servicing rights capitalized	$ 117,539	$ 4

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 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 month and six month periods ended December 31, 2004 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2005 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, 2004.

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

NOTE 2. INVESTMENT SECURITIES

Investment securities are summarized as follows:

	December 31, 2004 (Unaudited)			June 30, 2	
	AMORTIZED COST	GROSS UNREALIZED GAINS (LOSSES)	FAIR VALUE	AMORTIZED COST	G UNR GAINS
Available-for-sale:					
U.S. government and agency obligations	$ 8,997,919	$ (26,579)	$ 8,971,340	$11,071,378	$ (
Municipal obligations	10,922,109	132,107	11,054,216	9,267,086	(
Corporate obligations	17,507,766	(107,050)	17,400,716	17,934,087	(
Mortgage-backed securities	13,998,756	(82,857)	13,915,899	16,755,411	(
Mutual Funds	--	--	--	99,693	
Collateralized mortgage obligations	29,273,344	(169,081)	29,104,263	32,821,048	(
Common stock	--	--	--	128,908	
Corporate preferred stock	1,950,000	(228,507)	1,721,493	1,950,000	(
Total	$82,649,894	$ (481,967)	$82,167,927	$90,027,611	$(1,
Held-to-maturity:					
Municipal obligations	$ 829,750	$ 46,096	$ 875,846	$ 930,422	$
Mortgage-backed securities	498,602	24,387	522,989	635,270	
Total	$ 1,328,352	$ 70,483	$ 1,398,835	$ 1,565,692	$

EAGLE BANCORP AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. LOANS RECEIVABLE

Loans receivable consist of the following:

	December 31, 2004 (Unaudited)	June 30, 2004 (Audited)
First mortgage loans:		
Residential mortgage (1-4 family)	$ 53,230,247	$ 49,044,832
Commercial real estate	11,242,942	9,336,336
Real estate construction	1,260,765	5,101,591
Other loans:		
Home equity	15,012,649	14,874,279
Consumer	9,485,953	9,801,698
Commercial	4,714,942	4,840,045
Total	94,947,498	92,998,781
Less: Allowance for loan losses	(585,067)	(627,733)
Deferred loan fees	87,811	85,541
Total	$ 94,450,242	$ 92,456,589

Loans net of related allowance for loan losses on which the accrual of interest has been discontinued were $523,000 and $497,000 at December 31, 2004 and June 30, 2004, respectively. Classified assets, including real estate owned, totaled $850,000 and $924,000 at December 31, 2004 and June 30, 2004, respectively.

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

	Six Months Ended December 31, 2004 (Unaudited)	Year ended June 30, 2004 (Audited)
Balance, beginning of period	$ 627,733	$ 672,841
Reclassification to repossessed property reserve	(10,587)	(8,671)
Provision charged to operations	--	--
Charge-offs	(36,325)	(45,431)
Recoveries	4,246	8,994
Balance, end of period	$ 585,067	$ 627,733

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

NOTE 4. DEPOSITS

Deposits are summarized as follows:

	December 31, 2004 (Unaudited)	June 30, 2004 (Audited)
Noninterest checking	$ 9,989,538	$ 9,267,458
Interest-bearing checking	30,081,968	29,370,347
Passbook	26,014,387	25,862,734
Money market	29,490,944	30,332,871
Time certificates of deposit	74,759,838	75,235,470
Total	$170,336,675	$170,068,880

NOTE 5. EARNINGS PER SHARE

Basic earnings per share for the three months ended December 31, 2004 is computed using 1,145,492 weighted average shares outstanding. Earnings per share for the six months ended December 31, 2004 is computed using 1,158,823 weighted average shares outstanding. 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. 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 1,199,812 for the three months ended December 31, 2004 and 1,199,235 for the six months ended December 31, 2004. Diluted earnings per share for the three months and six months ended December 31, 2003 is computed using 1,195,212 and 1,194,635 weighted average shares outstanding, respectively.

NOTE 6. DIVIDENDS AND STOCK REPURCHASE PROGRAM

This fiscal year Eagle has paid two dividends of $0.18 per share, on August 27, 2004 and November 19, 2004. A dividend of $0.18 per share was declared on January 20, 2005, payable February 11, 2005 to stockholders of record on January 28, 2005. Eagle Financial MHC, Eagle's mutual holding company, has waived the receipt of dividends on its 648,493 shares.

At their regular meeting of January 20, 2005, the Company's Board of Directors approved a stock repurchase program for up to 57,500 shares. This represents approximately 11% 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 7, 2005, the Company had committed to purchasing all 57,500 shares, thereby completing the program.

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 the valuations, a temporary decline in the fair value was determined to have occurred, and a valuation allowance of $10,779 has been established. The following schedules show the activity in the mortgage servicing rights and the valuation allowance.

	Six months ended December 31, 2004 (Unaudited)	Twelve months ended June 30, 2004 (Audited)
Mortgage Servicing Rights		
Beginning balance	$ 2,063,606	$ 2,048,334
Servicing rights capitalized	117,539	643,798
Servicing rights amortized	(189,126)	(628,526)
Ending balance	1,992,019	2,063,606
Valuation Allowance		
Beginning balance	60,348	756,720
Provision	(49,569)	(696,372)
Adjustments	--	--
Ending balance	10,779	60,348
Net Mortgage Servicing Rights	$ 1,981,240	$ 2,003,258

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.

Overview

The Company's primary activity is owning its wholly owned subsidiary, American Federal Savings Bank (the "Bank"). The Bank is a federally chartered savings bank, engaging in typical banking activities: acquiring deposits from local markets and investing in loans and investment securities. The Bank's primary component of earnings is its net interest margin (also called spread or margin), the difference between interest income and interest expense. The net interest margin is managed by management (through the pricing of its products and by the types of products offered and kept in portfolio), and is affected by moves in interest rates. Noninterest income in the form of fee income and gain on sale of loans adds to the Bank's income.

The Bank has a strong mortgage lending focus, with the majority of its loans in single-family residential mortgages. This has led to successfully marketing home equity loans to its customers, as well as a wide range of shorter term consumer loans for various personal needs (automobiles, recreational vehicles, etc.). In recent years the Bank has focused on adding commercial loans to its portfolio, both real estate and non-real estate. The purpose of this diversification is to mitigate the Bank's dependence on the mortgage market, as well as to improve its ability to manage its spread. The Bank's management recognizes the need for sources of fee income to complement its margin, and the Bank now maintains a significant loan serviced portfolio, which provides a steady source of fee income. The gain on sale of loans also provides significant fee income in periods of high mortgage loan origination volumes. Fee income is also supplemented with fees generated from the Bank's deposit accounts. The Bank has a high percentage of non-maturity deposits, such as checking accounts and savings accounts, which allows management flexibility in managing its spread. Non-maturity deposits do not automatically reprice as interest rates rise, as do certificates of deposit.

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

Overview (Continued)

For the past year, management's focus has been on improving the Bank's core earnings. Core earnings can be described as income before taxes, with the exclusion of gain on sale of loans and adjustments to the market value of the Bank's loan serviced portfolio. In the previous two fiscal years, the Bank experienced very strong mortgage loan origination volume due to low interest rates and large refinancing activity. If, as expected, interest rates rise, mortgage volume will likely decrease (as has already been the case in the current fiscal year), reducing this component of income. Management believes that the Bank will need to focus on increasing net interest margin, other areas of fee income, and control operating expenses to achieve earnings growth going forward. Management's strategy of growing the bank's loan portfolio and deposit base is expected to help achieve these goals: loans typically earn higher rates of return than investments; a larger deposit base will yield higher fee income; increasing the asset base will reduce the relative impact of fixed operating costs.

Another factor which has impacted recent earnings has been the volatility in the value of the Bank's mortgage servicing rights. The value declined significantly in fiscal year 2003, only to recover almost the entire amount in fiscal year 2004. If interest rates continue to rise as anticipated, the value of the servicing rights would be expected to rise as well. Management believes this would also eliminate the valuation allowance on the servicing rights and the fluctuations that accompany it. Comparisons of fiscal year 2005 to fiscal year 2004 will still be affected by the large recovery of the valuation allowance that happened in 2004.

Financial Condition

Comparisons of results in this section are between December 31, 2004 and June 30, 2004.

Total assets decreased by $3.39 million, or 1.67%, to $199.62 million at December 31, 2004, from $203.01 million at June 30, 2004. Total liabilities decreased by $2.96 million to $176.03 million at December 31, 2004, from $178.99 million at June 30, 2004. Total equity decreased $440,000 to $23.58 million at December 31, 2004 from $24.02 million at June 30, 2004.

Investment securities available-for-sale (AFS) decreased $6.38 million, or 7.20%, to $82.17 million at December 31, 2004 from $88.55 million at June 30, 2004. The investment category with the largest decrease was collateralized mortgage obligations, which decreased $3.31 million. Loans receivable increased $1.99 million, or 2.15%, to $94.45 million at December 31, 2004 from $92.46 million at June 30, 2004. Most loan categories showed an increase. Construction loans declined $3.84 million since June 30, 2004 due to the completion of a large commercial construction project, while single family mortgages increased $4.19 million in the same time period. Total loan originations were $41.85 million for the six months ended December 31, 2004, with single family mortgages (including $2.05 million of construction loans) accounting for $28.76 million of the total.

Home equity loan and consumer loan originations totaled $4.60 million and $3.15

million, respectively, for the same period. Commercial real estate and land loan originations totaled $3.53 million. Loans held for sale decreased to $1.22 million at December 31, 2004 from $1.44 million at June 30, 2004.

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

Financial Condition (continued)

Advances from the Federal Home Loan Bank of Seattle (FHLB) decreased $3.53 million, to $3.92 million from $7.45 million, while deposits were up slightly. Checking accounts showed the largest increase in deposit accounts.

Total equity declined as a result of $1.87 million in treasury stock purchased during the period, earnings for the six months of $928,000, a decrease in other comprehensive loss of $621,000 (due to a reduction in net unrealized loss on securities available-for-sale) and the payment of two quarterly $0.18 per share regular cash dividends.

Results of Operations for the Three Months Ended December 31, 2004 and 2003

Net Income. Eagle's net income was $571,000 and $580,000 for the three months ended December 31, 2004, and 2003, respectively. The decrease of $9,000, or 1.55%, was due to a decrease in noninterest income of $177,000 and an increase in noninterest expense of $32,000, offset by an increase in net interest income of $88,000. Eagle's tax provision was $112,000 lower in the current quarter. Basic earnings per share were $0.50 for the current period, compared to $0.49 for the previous year's period.

Net Interest Income. Net interest income increased to $1.65 million for the quarter ended December 31, 2004, from $1.56 million for the previous year's quarter. This increase of $88,000 was the result of a decrease in interest expense of $189,000 partially offset by the decrease in interest and dividend income of $101,000.

Interest and Dividend Income. Total interest and dividend income was $2.27 million for the quarter ended December 31, 2004, compared to $2.37 million for the quarter ended December 31, 2003, representing a decrease of $101,000, or 4.26%. Interest and fees on loans decreased to $1.51 million for the three months ended December 31, 2004 from $1.61 million for the same period ended December 31, 2003. This decrease of $105,000, or 6.52%, was due primarily to the decline in the average interest rate earned on loans for the quarter ended December 31, 2004 as average balances showed little change from the previous year's quarter. The average interest rate earned on loans receivable decreased by 45 basis points, from 6.74% at December 31, 2003 to 6.29% at December 31, 2004. Interest and dividends on investment securities available-for-sale (AFS) increased to $733,000 for the quarter ended December 31, 2004 from $706,000 for the same quarter last year. Average balances on investments decreased to $85.91 million for the quarter ended December 31, 2004, compared to $91.26 million for the quarter ended December 31, 2003. The average interest rate earned on investments increased to 3.49% from 3.20%. Interest on securities held-to-maturity (HTM) decreased from $24,000 to $17,000 as new purchases are placed in the AFS portfolio. Dividends on FHLB stock decreased to $7,000 for the quarter ended December 31, 2004 from $22,000 for the quarter ended December 31, 2003, due to the FHLB lowering their dividend rate as part of their newly adopted capital plan.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
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Results of Operations for the Three Months Ended December 31, 2004 and 2003 (continued)

Interest Expense. Total interest expense decreased to $621,000 for the quarter ended December 31, 2004, from $810,000 for the quarter ended December 31, 2003, a decrease of $189,000, or 23.33%, primarily due to a decrease in interest paid on FHLB advances. A decrease in the average balance of borrowings from the FHLB, as well as a decrease in the average rate paid, resulted in a decrease in interest paid on borrowings to $33,000 in the current quarter compared to $145,000 in the previous year's quarter. The Company has paid off higher rate borrowings since December 2003. Interest on deposits decreased to $588,000 for the quarter ended December 31, 2004, from $665,000 for the quarter ended December 31, 2003. This decrease of $77,000, or 11.58%, was the result of a decrease in average rates paid on deposit accounts. All deposit accounts showed decreases in average rates paid (except passbook savings which remained the same), and two categories, certificates of deposit and money market accounts, had decreases in average balances in the current quarter compared to last year's quarter. Average balances in interest-bearing deposit accounts decreased to $161.26 million for the quarter ended December 31, 2004, compared to $164.23 million for the same quarter in the previous year. The average rate paid on liabilities decreased 37 basis points from the quarter ended December 31, 2003 to the quarter ended December 31, 2004.

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, 2004 or the quarter ended December 31, 2003. This reflects the continued strong asset quality of the Bank's loan portfolio. Total classified assets decreased from $924,000 at June 30, 2004 to $850,000 at December 31, 2004. The Bank currently has no foreclosed real estate.

Noninterest Income. Total noninterest income decreased to $622,000 for the quarter ended December 31, 2004, from $799,000 for the quarter ended December 31, 2003, a decrease of $177,000 or 22.15%. This was the result of the decrease in net gain on sale of loans of $107,000 and the decline in income from loan servicing fees. 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 were lower due to the higher adjustment to the value of the Bank's mortgage servicing rights in the previous year's quarter. Demand deposit service charges decreased to $145,000 for the quarter ended December 31, 2004 from $165,000 for the quarter ended December 31, 2003. This was due to decreased income on overdraft charges. The other categories of noninterest income registered small increases.

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Results of Operations for the Three Months Ended December 31, 2004 and 2003 (continued)

Noninterest Expense. Noninterest expense increased by $32,000 or 2.09% to $1.56 million for the quarter ended December 31, 2004, from $1.53 million for the quarter ended December 31, 2003. This increase was primarily due to increases in furniture and equipment depreciation of $19,000 (new computer equipment) and advertising expense of $18,000 (increased promotion of lending products). Amortization of mortgage servicing fees decreased $29,000 due to the decreased prepayment activity on mortgage loans. Other expense categories showed minor changes.

Income Tax Expense. Eagle's income tax expense was $147,000 for the quarter ended December 31, 2004, compared to $259,000 for the quarter ended December 31, 2003. The effective tax rate for the quarter ended December 31, 2004 was 20.43% and was 30.84% for the quarter ended December 31, 2003. The current quarter's tax expense was lower due to adjusting for the previous fiscal year's income tax expense. Management expects Eagle's effective tax rate to be approximately 31%.

Results of Operations for the Six Months Ended December 31, 2004 and 2003

Net Income. Eagle's net income was $928,000 and $1.35 million for the six months ended December 31, 2004 and 2003, respectively. The decrease of $422,000, or 31.26%, was primarily due to a decrease in noninterest income of $1.093 million, offset by an increase in net interest income of $278,000 and a decrease in noninterest expense of $67,000. Noninterest income declined due to the decrease in net gain on sale of loans and to larger increases in the value of Eagle's mortgage servicing rights in the previous year's period. Eagle's tax provision was $326,000 lower in the current period. Basic earnings per share for the period ended December 31, 2004 were $0.80, compared to $1.14 per share for the period ended December 31, 2003.

Net Interest Income. Net interest income increased to $3.22 million for the six months ended December 31, 2004 from $2.94 million for the six months ended December 31, 2003. This increase of $278,000 was the result of a decrease in interest expense of $473,000, partially offset by a decrease in interest and dividend income of $195,000.

Interest and Dividend Income. Total interest and dividend income was $4.48 million for the six months ended December 31, 2004, compared to $4.675 million for the same period ended December 31, 2003, representing a decrease of $195,000, or 4.17%. Interest and fees on loans decreased to $2.971 million for 2004 from $3.285 million for 2003. This decrease of $314,000, or 9.56%, was due to a decrease in the average balances of loans receivable for the six months ended December 31, 2004 and the decline in the average interest rate earned on loans. Average balances for loans receivable, net, for this period were $94.65 million, compared to $96.83 million for the previous year. This is a decrease of $2.18 million, or 2.25%. Most loan categories had shown increases

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Results of Operations for the Six Months Ended December 31, 2004 and 2003 (continued)

from the previous year, however commercial real estate declined significantly due to the sale of a large loan participation. The average interest rate earned on loans receivable decreased by 51 basis points, to 6.28% from 6.79%. Interest and dividends on investment securities available-for-sale (AFS) increased to $1.43 million for the six months ended December 31, 2004 from $1.27 million for the same period ended December 31, 2003. Interest on securities held-to-maturity (HTM) decreased from $50,000 to $34,000. Dividends on FHLB stock decreased to $21,000 for the six months ended December 31, 2004 from $44,000 for the six months ended December 31, 2003 due to the lower dividend rate as part of the FHLB's newly adopted capital plan.

Interest Expense. Total interest expense decreased to $1.259 million for the six months ended December 31, 2004 from $1.732 million for the six months ended December 31, 2003, a decrease of $473,000, or 27.31%. Interest on deposits decreased to $1.166 million for the six months ended December 31, 2004 from $1.442 million for the six months ended December 31, 2003. This decrease of $276,000, or 19.14%, was the result of a decrease in average rates paid on deposit accounts and a decline in average balances in deposit accounts. Average rates paid on all interest-bearing deposits declined from 2003 to 2004, with the average rate paid on all liabilities dropping by 49 basis points from the six month period ended December 31, 2003 to the six month period ended December 31, 2004. Average balances in interest-bearing deposits decreased to $161.29 million for the six month period ended December 31, 2004 compared to $163.58 million for the same period in the previous year. Interest paid on borrowings decreased to $93,000 for the six months ended December 31, 2004 from $290,000 for the same period ended December 31, 2003. The decrease in borrowing costs was due to decreases in the average rate paid and 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 of the six month periods ended December 31, 2004 or December 31, 2003. This is a reflection of the continued strong asset quality of the Bank's loan portfolio. Total classified assets decreased to $850,000 at December 31, 2004 from $924,000 at June 30, 2004. The Bank currently has no foreclosed property.

Noninterest Income. Total noninterest income decreased to $1.054 million for the six months ended December 31, 2004, from $2.147 million for the six months ended December 31, 2003, a decrease of $1.093 million, or 50.91%. Net gain on sale of loans declined to $225,000 for the six months ended December 31, 2004, compared to $807,000 for the same period ended December 31, 2003. This decrease was due to a decline in mortgage originations, caused by a slowdown in mortgage refinance activity.

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Mortgage loan servicing fees declined to $336,000 in 2004 from $833,000 in 2003. In the six month period ended December 31, 2003, the value of Eagle's mortgage servicing rights increased by $568,000. In the current six month period, the value of the mortgage servicing rights increased by $50,000. Demand deposit service charges decreased to $284,000 for the six month period ended December 31, 2004 from $326,000 for the same period ended December 31, 2003. This was due to decreased income on overdraft charges. Other categories of noninterest income showed minor increases.

Noninterest Expense. Noninterest expense decreased by $67,000, or 2.14% to $3.057 million for the six months ended December 31, 2004, from $3.124 million for the six months ended December 31, 2003. This decrease was primarily due to a decrease in the amortization of mortgage servicing fees of $199,000 and in "other" noninterest expense of $32,000. The decrease in amortization of mortgage servicing fees was related to decreased prepayment activity on mortgage loans for the six month period. The decrease in "other" noninterest expense was due primarily to lower loan expenses. Salaries and benefit expenses increased $79,000 due primarily to a reduction in the amount of salaries capitalized for SFAS 91 (as loan originations decline, the amount of capitalized salary expense declines, thereby increasing salary expense). Furniture and equipment depreciation expense increased $36,000 due to the purchase of new computer equipment for check imaging. Other categories of noninterest expense showed modest changes.

Income Tax Expense. Eagle's income tax expense was $290,000 for the six months ended December 31, 2004, compared to $616,000 for the six months ended December 31, 2003. The effective tax rate for the six months ended December 31, 2004 was 23.81% and was 31.36% for the six months ended December 31, 2003. The current period's tax expense was lower due to adjusting for the previous fiscal year's income tax expense.

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 15.81% and 25.09% for the months ended December 31, 2004 and December 31, 2003, respectively. Liquidity decreased due to the decreased investment balances and the pledging of certain securities as collateral for FHLB borrowings.

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Liquidity, Interest Rate Sensitivity and Capital Resources

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, 2004 (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. The Bank's capital ratio as measured by the OTS increased 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, 2004, the Bank's regulatory capital was in excess of all applicable regulatory requirements. At December 31, 2004, the Bank's tangible, core, and risk-based capital ratios amounted to 11.95%, 11.95%, and 18.77%, respectively, compared to regulatory requirements of 1.5%, 3.0%, and 8.0%, respectively. See the following table (amounts in thousands):

	(Unaudited) At December 31, 2004	
	Dollar Amount	For Capital Adequacy Purposes % of Assets
Tangible capital:		
Capital level	$23,928	11.95%
Requirement	3,005	1.50
Excess	$20,923	10.45%
Core capital:		
Capital level	$23,928	11.95%
Requirement	6,009	3.00
Excess	$17,919	8.95%

Risk-based capital:		
Capital level	$24,501	18.77%
Requirement	10,444	8.00
Excess	$14,057	10.77%

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
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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.

Application of Critical Accounting Policies

There are a number of accounting estimates performed by the Company in preparing its financial statements. Some of the estimates are developed internally, while others are obtained from independent third parties. Examples of estimates using external sources are the fair market value of investment securities, fair value of mortgage servicing rights, deferred compensation, and appraised value of foreclosed properties. It is management's assertion that the external sources have access to resources, methodologies, and markets that provide adequate assurances that no material impact would occur due to changes in assumptions. The following accounting estimates are performed internally:

Allowance for Loan and Lease Losses (ALLL)- Management applies its knowledge of current local economic and real estate market conditions, historical experience, loan portfolio composition, and the assessment of delinquent borrowers' situations, to determine the adequacy of its ALLL reserve. These factors are reviewed by the Bank's federal banking regulator and the Company's external auditors on a regular basis. The current level of the ALLL reserve is deemed to be more than adequate given the above factors, with no material impact expected due to a difference in the assumptions.

Deferred Loan Fees - Management applies time study and statistical analysis to determine loan origination costs to be capitalized under FAS 91. The analysis is reviewed by the Company's external auditors for reasonableness. No material impact is expected if different assumptions are used, as many of our loans have a short duration.

Deferred Tax Assets - Management expects to realize the deferred tax assets due to the continue profitability of the Company.

Fair Value of Other Financial Instruments - Management uses an internal model to determine fair value for its loan portfolio and certificates of deposit. The assumptions entail spreads over the Treasury yield curve at appropriate maturity benchmarks. Assumptions incorporating different spreads would naturally deliver varying results, however due to short-term nature of the loan portfolio and certificates of deposit, changes in the results would be mitigated. Currently, the fair value is only presented as footnote information, and changes due to new assumptions would not, in management's opinion, affect the reader's opinion of the Company's financial condition.

Economic Life of Fixed Assets - Management determines the useful life of its buildings, furniture, and equipment for depreciation purposes. These estimates are reviewed by the Company's external auditors for reasonableness. No material impact is expected if different assumptions were to be used.

EAGLE BANCORP AND SUBSIDIARY
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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, 2004 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.

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. Unregistered Sales of Equity Securities Use of Proceeds.

c.) Small Business Issuer Purchases of Equity Securities.

	Total	Total Number of Shares Purchased as Part of	Maximu Number Shares t May Yet

Period	Number of Shares Purchased*	Average Price Paid Per Share	Publicly Announced Plans or Programs	Purchas Under the or Progr
October 2004 10-1-04 to 10-31-04	None	N/A	N/A	
November 2004 11-1-04 to 11-30-04	33,500	$34.55	57,500	-
December 2004 12-1-04 to 12-31-04	None	N/A	N/A	
Total	33,500	$34.55	57,500	-

*The Company publicly announced a stock repurchase program on August 21, 2003. The Company is authorized to acquire up to 57,500 shares of common stock with the price subject to market conditions. The purchases in November 2004 completed the program. The Company publicly announced a subsequent stock repurchase program on January 20, 2005. This program also authorized the Company to acquire up to 57,500 shares of common stock with the price subject to market conditions.

Item 3. Defaults Upon Senior Securities.

Not applicable.

EAGLE BANCORP AND SUBSIDIARY

Part II - OTHER INFORMATION (CONTINUED)

Item 4. Submission of Matters to a Vote of Security Holders.

The following matters were voted on at the meeting held on October 21, 2004:

a.) Election of directors for three-year terms expiring in 2007:

	For:	Against:
Don O. Campbell	1,126,137	2,427
Charles G. Jacoby	1,126,262	2,302
Robert L. Pennington	1,126,262	2,302

b.) Ratification of appointment of Anderson ZurMuehlen & Co., P.C. as auditors for the fiscal year ended June 30, 2005:

For:	Against:	Abstain:
1,127,479	885	200

Item 5. Other Information.

None.

Item 6. 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 (a) 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 (a) 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.

a.) Reports on Form 8-K

On October 21, 2004, the registrant furnished under Item 12 of Form 8-K a press release announcing its earnings for the first quarter of the 2005 fiscal year.

On October 26, 2004, the registrant filed a Form 8-K announcing the establishment of a split-dollar benefit plan with twelve officers of the Bank. The plan was filed with the registrant's September 30, 2004 10-QSB.

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 10, 2005 By: /s/ Larry A. Dreyer

Larry A. Dreyer
President/Chief Executive Officer

Date: February 10, 2005 By: /s/ Peter J. Johnson

Peter J. Johnson
Chief Financial Officer