EAGLE BANCORP/MT
Form 10QSB
May 11, 2004

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

FORM 10-QSB

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

For the quarterly period ended March 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	1,214,372 shares outstanding

As of May 10, 2004

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

EAGLE BANCORP AND SUBSIDIARY

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EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	March 31 2004	June 30, 2003
	(Unaudited)	(Audited)
ASSETS		
Cash and due from banks	$ 2,928,400	$ 2,966,202
Interest-bearing deposits with banks	5,297,661	7,263,841
Total cash and cash equivalents	8,226,061	10,230,043

Investment securities available-for-sale, at market value	92,627,998	76,855,280
Investment securities held-to-maturity, at amortized cost	1,679,577	2,280,736
Federal Home Loan Bank stock, at cost	1,747,300	1,686,300
Mortgage loans held-for-sale	904,676	6,908,373
Loans receivable, net of deferred loan fees and allowance for loan losses	89,030,647	93,521,165
Accrued interest and dividends receivable	1,195,936	913,101
Mortgage servicing rights, net	1,831,576	1,291,614
Property and equipment, net	6,447,079	6,392,625
Cash surrender value of life insurance	2,454,549	2,347,232
Real estate acquired in settlement of loans, net of allowance for losses	--	70,010
Other assets	467,078	561,924
Total assets	$206,612,477	$203,058,403

See accompanying notes to consolidated financial statements.

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

	March 31 2004 (Unaudited)	June 30, 2003 (Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposit accounts:		
Noninterest bearing	$ 8,865,188	$ 7,868,012
Interest bearing	161,437,618	160,556,053
Advances from Federal Home Loan Bank	9,168,889	9,243,889
Accrued expenses and other liabilities	2,000,856	1,893,668
Total liabilities	181,472,551	179,561,622
Stockholders' Equity:		
Preferred stock (no par value, 1,000,000 shares authorized, none issued or outstanding)	--	--
Common stock (par value $0.01 per share; 10,000,000 shares authorized; 1,223,572 shares issued; 1,214,372 and 1,209,772 outstanding at March 31, 2004 and June 30, 2003, respectively)	12,236	12,236
Additional paid-in capital	4,041,414	3,954,432
Unallocated common stock held by employee stock ownership plan ("ESOP")	(211,648)	(239,248)
Treasury stock, at cost (9,200 and 13,800 shares at March 31, 2004 and June 30, 2003, respectively)	(134,665)	(188,715)
Retained earnings	21,007,973	19,532,409
Accumulated other comprehensive income (loss)	424,616	425,667
Total stockholders' equity	25,139,926	23,496,781

Total liabilities and stockholders' equity	$ 206,612,477	$ 203,058,403

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,		Nine Months En March 31,	
	2004	2003	2004	20
	(Unaudited)		(Unaudited)	
Interest and Dividend Income:				
Interest and fees on loans	$1,535,153	$1,883,542	$4,821,029	$5,8
Interest on deposits with banks	7,612	25,361	37,039	
FHLB Stock dividends	17,206	27,253	61,053	
Securities available-for-sale	802,101	575,233	2,068,928	1,7
Securities held-to-maturity	21,567	39,540	71,173	1
Total interest and dividend income	2,383,639	2,550,929	7,059,222	7,9
Interest Expense:				
Deposits	610,833	875,780	2,052,755	2,8
FHLB Advances	142,979	143,070	433,473	4
Total interest expense	753,812	1,018,850	2,486,228	3,2
Net Interest Income	1,629,827	1,532,079	4,572,994	4,7
Loan loss provision	--	--	--	
Net interest income after loan loss provision	1,629,827	1,532,079	4,572,994	4,7
Noninterest income:				
Net gain on sale of loans	195,440	574,976	1,001,983	1,3
Demand deposit service charges	149,460	121,512	475,596	3
Mortgage loan servicing fees	46,883	110,834	880,015	3
Net gain on sale of available-for-sale securities	11,070	20,435	12,372	
Other	94,132	97,173	274,404	2
Total noninterest income	496,985	924,930	2,644,370	2,3

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY

QUARTERLY CONSOLIDATED STATEMENTS OF INCOME
(Continued)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2004	2003	2004	2003
	(Unaudited)		(Unaudited)	
Noninterest expense:				
Salaries and employee benefits	823,683	756,254	2,360,528	2,201
Occupancy expenses	132,299	125,943	364,926	373
Furniture and equipment depreciation	58,960	51,139	180,797	157
In-house computer expense	63,339	60,935	179,391	180
Advertising expense	32,716	34,676	106,943	117
Amortization of mtg servicing fees	118,753	173,306	506,561	487
Federal insurance premiums	6,607	6,514	19,401	19
Postage	33,926	34,016	93,325	90
Legal, accounting, and examination fees	45,425	40,372	117,368	107
Consulting fees	1,200	16,936	12,540	38
ATM processing	12,287	10,587	38,984	33
Other	234,417	199,402	707,331	597
Total noninterest expense	1,563,612	1,510,080	4,688,095	4,404
Income before provision for income taxes	563,200	946,929	2,529,269	2,702
Provision for income taxes	167,041	320,560	783,555	916
Net income	$ 396,159	$ 626,369	$1,745,714	$1,786
Basic earnings per share	$ 0.33	$ 0.53	$ 1.48	$
Diluted earnings per share	$ 0.33	$ 0.53	$ 1.46	$
Weighted average shares outstanding (basic eps)	1,186,202	1,176,940	1,182,624	1,174
Weighted average shares outstanding (diluted eps)	1,196,362	1,191,762	1,195,210	1,190

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Nine Months Ended March 31, 2004

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNALLOCATED ESOP SHARES	TREASURY STOCK
Balance, June 30, 2003	$ --	$ 12,236	$ 3,954,432	$ (239,248)	$(188,715)
Net income (unaudited)	--	--	--	--	--
Other comprehensive income (unaudited)	--	--	--	--	--
Total comprehensive income (unaudited)	--	--	--	--	--
Dividends paid ($.48 per share) (unaudited)	--	--	--	--	--
Restricted stock plan shares allocated (4,600 shares)	--	--	(1,150)	--	54,050
ESOP shares allocated or committed to be released for allocation (3,450 shares) (unaudited)	--	--	88,132	27,600	--
Balance, March 31, 2004 (unaudited)	$ --	$ 12,236	$ 4,041,414	$ (211,648)	$(134,665)

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended March 31, 2004	200
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,745,714	$ 1,78
Adjustments to reconcile net income to net cash from operating activities:		
Provision for mortgage servicing rights valuation losses	(478,411)	
Depreciation	332,624	30
Net amortization of marketable securities premium and discounts	1,166,940	58
Amortization of capitalized mortgage servicing rights	506,561	48
Gain on sale of loans	(1,001,983)	(1,38
Gain on sale of real estate owned	(596)	
Net realized (gain) loss on sale of available-for-sale securities	(12,372)	(2
FHLB & other dividends reinvested	(96,895)	(17
Increase in cash surrender value of life insurance	(107,317)	(7
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accrued interest and dividends receivable	(282,835)	1
Loans held-for-sale	6,919,026	(89
Other assets	94,847	(25
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	224,006	(21

Deferred compensation payable	--	3
Deferred income taxes payable	--	38
Net cash provided by operating activities	9,009,309	58
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of securities:		
Investment securities available-for-sale	(47,125,951)	(28,64
Proceeds from maturities, calls and principal payments:		
Investment securities held-to-maturity	597,147	91
Investment securities available-for-sale	23,643,785	12,20
Proceeds from sales of investment securities available-for-sale	6,679,310	1,05
Proceeds from the sale of real estate acquired settlement of loans	70,606	

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended March 31, 2004	2003
	(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES (CONTINUED):		
Net (increase) decrease in loan receivable, excludes transfers to real estate acquired in settlement of loans	3,922,403	4,151,4
Purchase of property and equipment	(387,080)	(344,5
Net cash used in investing activities	(12,599,780)	(10,661,1
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in checking and savings accounts	1,878,739	12,188,9
FHLB advances	1,050,000	
Payments on FHLB advances	(1,125,000)	(75,0
Sale (Purchase) of Treasury Stock	52,900	(8,9
Dividends paid	(270,150)	(218,0
Net cash provided by financing activities	1,586,489	11,886,9
Net increase (decrease) in cash and cash equivalents	(2,003,982)	1,809,4
CASH AND CASH EQUIVALENTS, beginning of period	10,230,043	10,622,9
CASH AND CASH EQUIVALENTS, end of period	$ 8,226,061	$ 12,432,4
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 2,496,741	$ 3,252,5

Cash paid during the period for income taxes	$ 442,650	$ 1,000,1
NON-CASH INVESTING ACTIVITIES:		
(Increase) decrease in market value of securities available-for-sale	$ (84,510)	$ (137,6
Mortgage servicing rights capitalized	$ 568,112	$ 915,0

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 nine month periods ended March 31, 2004 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2004 or any other period. The unaudited consolidated financial statements and notes presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in Eagle's Form 10-KSB dated June 30, 2003.

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

NOTE 2. INVESTMENT SECURITIES

Investment securities are summarized as follows:

	March 31, 2004 (Unaudited)			June 30, 2003 (Audited	
	AMORTIZED COST	GROSS UNREALIZED GAINS(LOSSES)	FAIR VALUE	AMORTIZED COST	GROSS UNREALIZED GAINS (LOSSES)
Available-for-sale:					
U.S. government and agency obligations	$12,114,425	$ 126,154	$12,240,579	$ 5,039,764	$ 111,500
Municipal obligations	9,023,501	306,418	9,329,919	6,851,051	235,534
Corporate obligations	18,911,225	353,132	19,264,357	6,180,404	217,512

Mortgage-backed securities	19,679,279	1,543	19,680,822	28,032,532	190,352
Mutual Funds	99,693	(171)	99,522	4,696,019	(26)
Collateralized mortgage obligations	30,000,681	35,059	30,035,740	23,461,474	(7,351)
Common stock	179,293	13,677	192,970	58,645	2,710
Corporate preferred stock	1,950,000	(165,911)	1,784,089	1,950,000	(164,840)
Total	$91,958,097	$ 669,901	$92,627,998	$76,269,889	$ 585,391
Held-to-maturity:					
Municipal obligations	$ 930,730	$ 68,925	$ 999,655	$ 1,031,729	$ 75,173
Mortgage-backed securities	748,847	40,578	789,425	1,249,007	49,206
Total	$ 1,679,577	$ 109,503	$ 1,789,080	$ 2,280,736	$ 124,379

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

NOTE 3. LOANS RECEIVABLE

Loans receivable consist of the following:

	March 31, 2004 (Unaudited)	June 30, 2003 (Audited)
First mortgage loans:		
Residential mortgage (1-4 family)	$ 45,505,039	$ 45,404,699
Commercial real estate	10,673,630	18,819,234
Real estate construction	4,780,238	3,802,257
Other loans:		
Home equity	14,120,329	13,791,769
Consumer	9,668,150	9,278,219
Commercial	4,872,633	3,033,786
Total	89,620,019	94,129,964
Less: Allowance for loan losses	(653,773)	(672,841)
Deferred loan fees	64,401	64,042
Total	$ 89,030,647	$ 93,521,165

Loans net of related allowance for loan losses on which the accrual of interest has been discontinued were $546,000 and $610,000 at March 31, 2004 and June 30, 2003, respectively. Classified assets, including real estate owned, totaled $1.02 million and $1.57 million at March 31, 2004 and June 30, 2003, respectively.

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

	Nine Months Ended March 31, 2004 (Unaudited)	Year ended June 30, 2003 (Audited)
Balance, beginning of period	$ 672,841	$ 702,705
Transfer from interest reserve	--	--
Provision charged to operations	--	--
Charge-offs	(27,861)	(37,118)
Recoveries	8,793	7,254
Balance, end of period	$ 653,773	$ 672,841

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

NOTE 4. DEPOSITS

Deposits are summarized as follows:

	March 31, 2004 (Unaudited)	June 30, 2003 (Audited)
Noninterest checking	$ 8,865,188	$ 7,868,012
Interest-bearing checking	28,297,759	27,125,488
Passbook	25,582,813	25,762,108
Money market	30,772,722	30,177,605
Time certificates of deposit	76,784,324	77,490,852
Total	$170,302,806	$168,424,065

NOTE 5. EARNINGS PER SHARE

Basic earnings per share for the three months ended March 31, 2004 is computed using 1,186,202 weighted average shares outstanding. Earnings per share for the nine months ended March 31, 2004 is computed using 1,182,624 weighted average shares outstanding. Basic earnings per share for the three months ended March 31, 2003 is computed using 1,176,940 weighted average shares outstanding. Earnings per share for the nine months ended March 31, 2003 is computed using 1,174,177 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 1,196,362 for the three months ended March 31, 2004 and 1,195,210 for the nine months ended March 31, 2004. Diluted earnings per share for the three months and six months ended March 31, 2003 is computed using 1,191,762 and 1,190,610 weighted average shares outstanding, respectively.

NOTE 6. DIVIDENDS AND STOCK REPURCHASE PROGRAM

This fiscal year Eagle has paid three dividends of $0.16 per share, on August

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

At the annual meeting held October 19, 2000, shareholders approved stock option and restricted stock plans for the Company covering aggregate grants of up to 80,511 and 23,003, respectively. A stock repurchase program was announced on December 21, 2000, covering 4% of the Company's outstanding common stock, with the intent of meeting the needs of the restricted stock plan. On January 18, 2002, January 21, 2003 and January 20, 2004, 4,600 shares of the restricted stock plan vested and were distributed to the participants. By October 24, 2002, 23,000 shares had been repurchased, completing this repurchase program.

NOTE 6. DIVIDENDS AND STOCK REPURCHASE PROGRAM (CONTINUED)

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

NOTE 7. MORTGAGE SERVICING RIGHTS

The Bank allocates its total cost in mortgage loans between mortgage servicing rights and loans, based upon their relative fair values, when loans are subsequently sold or securitized, with the servicing rights retained. Fair values are generally obtained from an independent third party. Impairment of mortgage servicing rights is measured based upon the characteristics of the individual loans, including note rate, term, underlying collateral, current market conditions, and estimates of net servicing income. If the carrying value of the mortgage servicing rights exceeds the estimated fair market value, a valuation allowance is established for any decline, which is viewed to be temporary. Charges to the valuation allowance are charged against or credited to mortgage servicing income. Periodic independent valuations of the mortgage servicing rights are performed. As a result of the valuations, a temporary decline in the fair value was determined to have occurred, and a valuation allowance of $278,309 has been established. The following schedules show the activity in the mortgage servicing rights and the valuation allowance.

	Nine months ended March 31, 2004 (Unaudited)	Twelve months ended June 30, 2003 (Audited)
Mortgage Servicing Rights		
Beginning balance	$ 2,048,334	$ 1,609,833
Servicing rights capitalized	568,112	1,183,848
Servicing rights amortized	(506,561)	(745,345)
Ending balance	2,109,885	2,048,334

Valuation Allowance		
Beginning balance	756,720	21,515
Provision	(478,411)	735,205
Adjustments	--	--
Ending balance	278,309	756,720
Net Mortgage Servicing Rights	$ 1,831,576	$ 1,291,614

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

Note Regarding Forward-Looking Statements

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

Financial Condition

Comparisons in this section are between the nine months ended March 31, 2004 and June 30, 2003.

Total assets increased by $3.55 million, or 1.75%, to $206.61 million at March 31, 2004, from $203.06 million at June 30, 2003. Total liabilities increased by $1.91 million to $181.47 million at March 31, 2004, from $179.56 million at June 30, 2003. Total equity increased $1.64 million to $25.14 million at March 31, 2004 from $23.50 million at June 30, 2003.

The growth in assets was primarily in the available-for-sale (AFS) investment portfolio, which increased $15.77 million, or 20.52%, to $92.63 million at March 31, 2004 from $76.86 million at June 30, 2003. The investment category with the largest increase was corporate obligations, which increased $12.86 million. The loan portfolio decreased $4.49 million, or 4.80%, to $89.03 million at March 31, 2004 from $93.52 million at June 30, 2003. Commercial real estate showed the largest decrease, $8.15 million, due to the sale of a large loan participation. Other categories showed increases. Total loan originations year-to-date were $97.69 million, with single family mortgages (including $10.08 million of construction loans) accounting for $76.12 million of the total. Consumer loan originations totaled $8.69 million. Home equity loan and commercial loan originations totaled $6.92 million and $3.26 million, respectively, for the same period. Loans held for sale decreased to $900,000 at March 31, 2004 from $6.91 million at June 30, 2003.

Financial Condition (continued)

Growth in deposits has slowed from previous quarters. Deposits grew $1.88 million, or 1.12%, to $170.30 million at March 31, 2004 from $168.42 million at June 30, 2003. Checking accounts (both noninterest and interest-bearing) and money market accounts showed increases, and other deposit types had small decreases.

The growth in total equity was the result of earnings for the nine months of $1.75 million offset by the payment of three quarterly $0.16 per share regular cash dividends and a minimal decrease in other comprehensive income.

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

Net Income. Eagle's net income was $396,000 and $626,000 for the three months ended March 31, 2004, and 2003, respectively. The decrease of $230,000, or 36.74%, was primarily due to a decrease in noninterest income of $428,000 and an increase in noninterest expense of $54,000, offset by an increase in net interest income of $98,000. Eagle's tax provision was $154,000 lower in the current quarter. Basic earnings per share were $0.33 for the current period, compared to $0.53 for the previous year's period.

Net Interest Income. Net interest income increased $98,000 to $1.63 million for the current quarter. Total interest and dividend income decreased $167,000, which was offset by the decrease in interest expense of $265,000.

Interest and Dividend Income. Total interest and dividend income was $2.384 million for the quarter ended March 31, 2004, compared to $2.551 million for the quarter ended March 31, 2003, representing a decrease of $167,000, or 6.55%. Interest and fees on loans decreased to $1.53 million for the three months ended March 31, 2004 from $1.88 million for the same period ended March 31, 2003. This decrease of $350,000, or 18.62%, was due to the decrease in the average balances of loans receivable for the quarter ended March 31, 2004 and the decline in the average interest rate earned on loans. Average balances for loans receivable, net, for the quarter ended March 31, 2004 were $94.33 million, compared to $106.24 million for the previous year. This represents a decrease of $11.91 million, or 11.21%. The categories with the largest decreases since last year are commercial real estate and residential mortgage loans. The average interest rate earned on loans receivable decreased by 58 basis points, from 7.09% at March 31, 2003 to 6.51% at March 31, 2004.

Interest and dividends on investment securities available-for-sale (AFS) increased to $802,000 for the quarter ended March 31, 2004 from $575,000 for the same quarter last year. Average balances on investments increased to $91.38 million for the quarter ended March 31, 2004, compared to $66.08 million for the quarter ended March 31, 2003. The average interest rate earned on investments dropped to 3.61% from 3.72%. Interest on securities held-to-maturity (HTM) decreased from $40,000 to $22,000. Interest earned from deposits held at other banks decreased $18,000 for the quarter ended March 31, 2004 compared to the previous year's quarter, due to the decline in average balances.

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

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

Interest Expense. Total interest expense decreased to $754,000 for the quarter ended March 31, 2004, from $1.019 million for the quarter ended March 31, 2003, a decrease of $265,000, or 26.01%, entirely due to the decrease in interest paid on deposits. The decrease was the result of a decrease in average rates paid on deposit accounts, despite higher balances. All deposit account types showed decreases in average rates paid and also had increases in average balances in the current quarter compared to last year's quarter. Average balances in interest-bearing deposit accounts increased to $160.91 million for the quarter ended March 31, 2004, compared to $153.79 million for the same quarter in the previous year. The average rate paid on liabilities declined 43 basis points from the quarter ended March 31, 2003 to the quarter ended March 31, 2004. Interest on Federal Home Loan Bank advances was unchanged from the previous year's quarter.

Provision for Loan Losses. Provisions for loan losses are charged to earnings to maintain the total allowance for loan losses at a level considered adequate by Eagle's subsidiary, American Federal Savings Bank (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 March 31, 2004 or the quarter ended March 31, 2003. This is a reflection of the continued strong asset quality of the Bank's loan portfolio. Total classified assets decreased from $1.57 million at June 30, 2003 to $1.02 million at March 31, 2004. The Bank currently has no foreclosed real estate.

Noninterest Income. Total noninterest income decreased to $497,000 for the quarter ended March 31, 2004, from $925,000 for the quarter ended March 31, 2003, a decrease of $428,000 or 46.27%. This was primarily the result of a decrease in the net gain on sale of loans of $380,000, due to lower mortgage loan origination volume in the current quarter caused principally by a decline in mortgage loan refinancing activity. Mortgage loan servicing fees also decreased by $64,000. This was due primarily to a decrease in the value of the Bank's mortgage servicing rights, which decreased by $89,000. Demand deposit service charges increased $28,000 for the quarter ended March 31, 2004 to $149,000 from $121,000 for the quarter ended March 31, 2003. This was due to the implementation of higher fees since the previous year.

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

Noninterest Expense. Noninterest expense increased by $54,000, or 3.58%, to $1.56 million for the quarter ended March 31, 2004, from $1.51 million for the quarter ended March 31, 2003. This increase was primarily due to increases in salaries and employee benefits of $67,000 and "other" noninterest expense of $35,000, partially offset by a decrease in the amortization of mortgage servicing fees of $55,000. The increase in salaries and benefits was due to reduced capitalization of salary costs (per FAS 91) related to the decline in mortgage lending. The increase in "other" noninterest expense was due primarily to loan expenses related to a reimbursement to the Department of Housing and Urban Development (HUD). These increases were partially offset by a decrease in the amortization of mortgage servicing fees of $55,000, which was related to decreased prepayment activity on mortgage loans. Excluding the mortgage servicing fee amortization expense produces an increase in expenses of 8.09%. Other expense categories showed minor changes.

Income Tax Expense. Eagle's income tax expense was $167,000 for the quarter ended March 31, 2004, compared to $321,000 for the quarter ended March 31, 2003. The effective tax rate for the quarter ended March 31, 2004 was 29.66% and was 33.85% for the quarter ended March 31, 2003. Management expects Eagle's effective tax rate to be approximately 31%.

Results of Operations for the Nine Months Ended March 31, 2004 and 2003

Net Income. Eagle's net income was $1.746 million and $1.786 million for the nine months ended March 31, 2004 and 2003, respectively. The decrease of $40,000, or 2.24%, was primarily due to an increase in noninterest expense of $283,000 and a decrease in net interest income of $154,000, partially offset by an increase in noninterest income of $265,000. Eagle's tax provision was $132,000 lower in the current nine month period. Basic earnings per share were $1.48, compared to $1.52 per share for the period ended March 31, 2003.

Net Interest Income. Net interest income decreased to $4.573 million for the nine months ended March 31, 2004 from $4.727 million for the nine months ended March 31, 2003. This decrease of $154,000 was the result of a decrease in interest and dividend income of $905,000, partially offset by a decrease in interest expense of $751,000.

Interest and Dividend Income. Total interest and dividend income was $7.059 million for the nine months ended March 31, 2004, compared to $7.964 million for the same period ended March 31, 2003, representing a decrease of $905,000, or 11.36%. Interest and fees on loans decreased to $4.821 million for 2004 from $5.881 million for 2003. This decrease of $1.060 million, or 18.02%, was due to a decrease in the average balances of loans receivable for the nine months ended March 31, 2004 and the decline in the average interest rate earned on loans. Average balances for loans receivable, net, for this period were $96.00 million, compared to $105.49 million for the previous year. This is a decrease of $9.49 million, or 9.00%. The average interest rate earned on loans receivable also decreased by 73 basis points, to 6.70% from 7.43%. Interest and dividends on securities

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Results of Operations for the Nine Months Ended March 31, 2004 and 2003 (Continued)

available-for-sale (AFS) increased to $2.069 million for the nine months ended March 31, 2004 from $1.773 million for the nine months ended March 31, 2003. Interest on securities held-to-maturity (HTM) decreased to $71,000 from $133,000. Average balances on investment securities increased to $89.20 million for the nine months ended March 31, 2004 compared to $62.54 million for the same period ended March 31, 2003. The average interest rate earned on investments declined 86 basis points, to 3.20% from 4.06%. Interest earned from deposits held at other banks decreased to $37,000 for the nine months ended March 31, 2004 from $98,000 for the nine months ended March 31, 2003 due to the drop in short-term interest rates and lower average balances.

Interest Expense. Total interest expense decreased to $2.486 million for the nine months ended March 31, 2004 from $3.237 million for the nine months ended March 31, 2003, a decrease of $751,000, or 23.20%, primarily due to the decrease in interest paid on deposits. Interest on deposits decreased to $2.053 million for the nine months ended March 31, 2004 from $2.800 million for the nine months ended March 31, 2003. This decrease of $747,000, or 26.68%, was the result of a decrease in average rates paid on deposit accounts despite higher balances in deposit accounts. Money market accounts and certificates of deposit accounted for the largest gain in average balances during the period from March 31, 2003 to March 31, 2004. Average balances in certificates of deposit increased to $77.12 million from $73.33 million. The average rate paid on certificates of deposit decreased to 2.72% from 3.71%. Average balances in money market accounts increased to $31.70 million for the nine months ended March 31, 2004 from $28.33 million for the nine months ended March 31, 2003. The average rate paid on money market accounts decreased to 1.11% from 1.87%. Average rates paid on all interest-bearing deposits declined from 2003 to 2004, with the average rate paid on all liabilities declining by 77 basis points from the nine month period ended March 31, 2003 to the nine month period ended March 31, 2004. Interest paid on borrowings decreased to $433,000 for the nine months ended March 31, 2004 from $437,000 for the same period ended March 31, 2003. The decrease in borrowing costs was due to a decrease in the average balance of Federal Home Loan Bank advances.

Provision for Loan Losses. Provisions for loan losses are charged to earnings to maintain the total allowance for loan losses at a level considered adequate by Eagle's subsidiary, American Federal Savings Bank (the Bank), to provide for probable loan losses based on prior loss experience, volume and type of lending conducted by the Bank, available peer group information, and past due loans in portfolio. The Bank's policies require the review of assets on a quarterly basis. The Bank classifies loans as well as other assets if warranted. While the Bank believes it uses the best information available to make a determination with respect to the allowance for loan losses, it recognizes that future adjustments may be necessary. No provision was made for loan losses for either of the nine month periods ended March 31, 2004 or March 31, 2003. This is a reflection of the continued strong asset quality of the Bank's loan portfolio. Total classified assets decreased to $1.02 million at March 31, 2004 from $1.57 million at June 30, 2003. The Bank currently has no foreclosed property.

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Results of Operations for the Nine Months Ended March 31, 2004 and 2003 (Continued)

Noninterest Income. Total noninterest income increased to $2.644 million for the nine months ended March 31, 2004, from $2.379 million for the nine months ended March 31, 2003, an increase of $265,000, or 11.14%. This was primarily due to the increase in the value of the Bank's mortgage servicing rights, which increased $478,000 since June 30, 2003. Consequently, mortgage loan servicing fees increased to $880,000 for the current nine-month period compared to $312,000 for the same period ended March 31, 2003 in the previous year. Demand deposit service charges increased to $476,000 for the nine month period ended March 31, 2004 from $376,000 for the same period ended March 31, 2003. This was due to implementation of higher fees since the previous year. These increases were partially offset by the decrease of $379,000 in net gain on sale of loans. This was due to the decreased mortgage loan origination volume in the current year. Other categories of noninterest income showed minor changes.

Noninterest Expense. Noninterest expense increased by $283,000, or 6.42% to $4.688 million for the nine months ended March 31, 2004, from $4.405 million for the nine months ended March 31, 2003. This increase was primarily due to increases in salaries and employee benefits of $159,000 and "other" noninterest expense of $110,000. The increase in salaries and benefit expense was due to merit pay increases and reduced capitalization of salary costs (per FAS 91) related to the decline in mortgage lending. The increase in "other" noninterest expense was due to increased amortization of deferred expenses on consumer loans and loan expenses related to a reimbursement to the Department of Housing and Urban Development (HUD). Other categories showed minor changes.

Income Tax Expense. Eagle's income tax expense was $784,000 for the nine months ended March 31, 2004, compared to $916,000 for the nine months ended March 31, 2003. The effective tax rate for the nine months ended March 31, 2004 was 30.98% and was 33.90% for the nine months ended March 31, 2003.

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 24.07% and 28.03% for the nine months ended March 31, 2004 and March 31, 2003, respectively. Liquidity decreased due to the reduction in interest-bearing deposits with banks.

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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 December 31, 2003 (the most recent report available), the Bank's measure of sensitivity to interest rate movements, as measured by the OTS, worsened slightly 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 March 31, 2004, the Bank's regulatory capital was in excess of all applicable regulatory requirements. At March 31, 2004, the Bank's tangible, core, and risk-based capital ratios amounted to 11.19%, 11.19%, and 18.75%, respectively, compared to regulatory requirements of 1.5%, 3.0%, and 8.0%, respectively. See the following table (amounts in thousands):

	At March 31, 2004	
	Dollar Amount	For Capital Adequacy Purposes % of Assets
Tangible capital:		
Capital level	$ 22,862	11.19%
Requirement	3,065	1.50
Excess	$ 19,797	9.69%
Core capital:		
Capital level	$ 22,862	11.19%
Requirement	6,129	3.00
Excess	$ 16,733	8.19%
Risk-based capital:		
Capital level	$ 23,499	18.75%
Requirement	10,026	8.00
Excess	$ 13,473	10.75%

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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.

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EAGLE BANCORP AND SUBSIDIARY
CONTROLS AND PROCEDURES

Based on their evaluation, the company's Chief Executive Officer, Larry A. Dreyer, and Chief Financial Officer, Peter J. Johnson, have concluded the company's disclosure controls and procedures are effective as of March 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.

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Part II - OTHER INFORMATION

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

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

Item 3. Defaults Upon Senior Securities
Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders
Not applicable.

Item 5. Other Information.
None.

Item 6. Exhibits and Reports on Form 8-K

a.) Exhibits

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

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

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

b.) Reports on Form 8-K

No current reports on Form 8-K were filed during the third quarter of the 2004 fiscal year. However, on January 15, 2004, the registrant furnished under Item 12 of Form 8-K a press release announcing its earnings for the second quarter of the 2004 fiscal year.

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: May 11, 2004 By: /s/ LARRY A. DREYER

Larry A. Dreyer
President/CEO

Date: May 11, 2004 By: /s/ PETER J. JOHNSON

Peter J. Johnson
Sr. VP/Treasurer