Eagle Bancorp Montana, Inc.
Form 10-Q
May 14, 2013

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

FORM 10-Q

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

For the quarterly period ended March 31, 2013

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number 1-34682

Eagle Bancorp Montana, Inc.
(Exact name of small business issuer as specified in its charter)

Delaware	27-1449820
(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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	Accelerated filer	[ ]

Non-accelerated filer (Do not check if smaller reporting company)	[ ]	Smaller reporting company	[X]

Indicate by check mark whether the registrant is a shell company (defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate 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	3,898,685 shares outstanding

As of May 14, 2013

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

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EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

Note Regarding Forward-Looking Statements

This report includes "forward-looking statements" within the meaning and protections of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as "may," "will," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "estimate," "contin "could," "intend," "target" and other similar words and expressions of the future. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- general economic conditions, either nationally or in our market areas, that are worse than expected;
- competition among depository and other financial institutions;
- changes in the prices, values and sales volume of residential and commercial real estate in Montana;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- changes in the securities markets;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate acquired entities or businesses;
- the possibility of goodwill impairment charges in the future;
- changes in consumer spending, borrowing and savings habits;
- our ability to continue to increase and manage our commercial and residential real estate, multi-family, and commercial business loans;
- possible impairments of securities held by us, including those issued by government entities and government sponsored enterprises;
- the level of future deposit premium assessments;
- the impact of the current economic conditions on our loan portfolio (including cash flow and collateral values), investment portfolio, customers and capital market activities;
- the impact of recently enacted legislation to restructure the U.S. financial and regulatory system, including proposals to reform the housing markets and government-sponsored enterprises serving such markets;
- the failure of assumptions underlying the establishment of allowance for possible loan losses and other estimates;
- changes in the financial performance and/or condition of our borrowers and their ability to repay their loans when due; and

the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the Item 1A, “Risk Factors” and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections contained elsewhere in this report, as well as our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, any subsequent Reports on Form 10-Q and Form 8-K, and other filings with the SEC. We do not undertake any obligation to publicly update or correct any forward-looking statements to reflect events or circumstances that subsequently occur, or of which we hereafter become aware.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in Thousands, Except for Per Share Data)

	March 31, 2013 (Unaudited)	June 30, 2012 (Audited)
ASSETS		
Cash and due from banks	$4,517	$3,534
Interest-bearing deposits with banks	360	16,280
Federal funds sold	12,161	-
Total cash and cash equivalents	17,038	19,814
Securities available-for-sale, at market value	225,999	89,277
Federal Home Loan Bank stock, at cost	1,949	2,003
Investment in Eagle Bancorp Statutory Trust I	155	155
Mortgage loans held-for-sale	12,627	10,613
Loans receivable, net of deferred loan expenses and allowance for loan losses of $1,900 at March 31, 2013 and $1,625 at June 30, 2012	210,822	173,839
Accrued interest and dividends receivable	2,237	1,371
Mortgage servicing rights, net	2,832	2,218
Premises and equipment, net	19,040	15,561
Cash surrender value of life insurance	9,393	9,172
Real estate & other repossessed assets acquired in settlement of loans, net of allowance for losses	1,087	2,361
Goodwill	6,890	-
Core deposit intangible, net	981	-
Other assets	1,777	915
Total assets	$512,827	$327,299

See accompanying notes to consolidated financial statements.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)
(Dollars in Thousands, Except for Per Share Data)

	March 31, 2013 (Unaudited)	June 30, 2012 (Audited)
LIABILITIES		
Deposit accounts:		
Noninterest bearing	$55,998	$23,425
Interest bearing	365,589	196,564
Total deposits	421,587	219,989
Accrued expenses and other liabilities	3,714	5,809
Federal funds purchased	-	-
FHLB advances and other borrowings	29,411	42,696
Subordinated debentures	5,155	5,155
Total liabilities	459,867	273,649
EQUITY		
Preferred stock (no par value, 1,000,000 shares authorized, none issued or outstanding)	-	-
Common stock (par value $0.01 per share; 8,000,000 shares authorized; 4,083,127 shares issued; 3,898,685, and 3,878,971 shares oustanding at March 31, 2013 and June 30, 2012, respectively)	41	41
Additional paid-in capital	22,106	22,112
Unallocated common stock held by employee stock ownership plan ("ESOP")	(1,431)	(1,556)
Treasury stock, at cost	(1,993)	(2,210)
Retained earnings	33,447	32,990
Accumulated other comprehensive income	790	2,273
Total equity	52,960	53,650
Total liabilities and equity	$512,827	$327,299

See accompanying notes to consolidated financial statements.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands, Except for Per Share Data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2013	2012	2013	2012
	(Unaudited)		(Unaudited)	
Interest and Dividend Income:				
Interest and fees on loans	$3,012	$2,744	$8,316	$8,349
Securities available-for-sale	1,087	778	2,491	2,477
Interest on deposits with banks	10	4	26	13
Total interest and dividend income	4,109	3,526	10,833	10,839
Interest Expense:				
Deposits	305	260	886	822
FHLB advances & other borrowings	208	481	732	1,596
Subordinated debentures	22	25	69	70
Total interest expense	535	766	1,687	2,488
Net Interest Income	3,574	2,760	9,146	8,351
Loan loss provision	116	258	538	841
Net interest income after loan loss provision	3,458	2,502	8,608	7,510
Noninterest income:				
Service charges on deposit accounts	197	141	547	511
Net gain on sale of loans	1,718	522	3,492	1,161
Mortgage loan servicing fees	262	214	743	666
Net gain on sale of available for sale securities	465	115	777	281
Net loss on sale of OREO	(9)	(12)	(32)	(12)
Net gain (loss) on fair value hedge FASB ASC 815	43	94	108	(280)
Other	597	230	1,130	621
Total noninterest income	3,273	1,304	6,765	2,948

See accompanying notes to consolidated financial statements.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (Continued)
(Dollars in Thousands, Except for Per Share Data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2013	2012	2013	2012
	(Unaudited)		(Unaudited)	
Noninterest expense:				
Salaries and employee benefits	3,193	1,367	6,765	3,737
Occupancy and equipment expense	692	350	1,542	1,032
Data processing	512	170	852	456
Advertising	278	92	697	354
Amortization of mortgage servicing rights	158	201	566	468
Amortization of core deposit intangible and tax credits	145	-	193	-
Federal insurance premiums	82	51	174	137
Postage	36	23	99	86
Legal, accounting, and examination fees	123	71	336	263
Consulting fees	14	55	75	450
Acquisiton costs	712	-	1,920	-
Provision for valuation loss on OREO	93	165	191	165
Other	415	361	1,264	1,093
Total noninterest expense	6,453	2,906	14,674	8,241
Income before provision for income taxes	278	900	699	2,217
(Benefit) provision for income taxes	(629)	242	(590)	644
Net income	$907	$658	$1,289	$1,573
Basic earnings per common share	$0.24	$0.18	$0.34	$0.42
Diluted earnings per common share	$0.23	$0.17	$0.33	$0.40
Weighted average shares outstanding (basic eps)	3,752,813	3,716,480	3,739,806	3,726,453
Weighted average shares outstanding (diluted eps)	3,937,255	3,920,636	3,933,105	3,916,486

See accompanying notes to consolidated financial statements.

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EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(Dollars in Thousands)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Nine Months Ended March 31, 2013	Nine Months Ended March 31, 2012
	(Unaudited)		(Unaudited)	
NET EARNINGS	$907	$658	$1,289	$1,573
OTHER ITEMS OF COMPREHENSIVE EARNINGS:				
Change in unrealized gain (loss) on investment securities available for sale, before income taxes	(2,500)	(112)	(3,406)	765
Reclassification adjustment for realized gains on investment securities included in net earnings, before income tax	564	(108)	716	(147)
Change in fair value of derivatives designated as cash flow hedges, before income taxes	379	146	379	146
Reclassification adjustment for realized gains on derivatives designated as cash flow hedges, before income taxes	(396)	(144)	(192)	(18)
Total other items of comprehensive earnings	(1,953)	(218)	(2,503)	746
Income tax (expense) benefit related to other items of comprehensive earnings	796	65	1,020	(224)
COMPREHENSIVE (LOSS) EARNINGS	$(250)	$505	$(194)	$2,095

See accompanying notes to consolidated financial statements.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
For the Nine Months Ended March 31, 2013 and 2012
(Dollars in Thousands, Except for Per Share Data)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNALLOCATED ESOP SHARES	TREASURY STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME(LOSS)	TOTAL
Balance, June 30, 2011	$ -	$ 41	$ 22,110	$ (1,722)	$ (1,796)	$ 31,918	$ 1,934	$ 52,485
Net income						1,573		1,573
Other comprehensive income							522	522
Total comprehensive income								2,095
Dividends paid ($0.07125 per share)						(830)		(830)
Treasury stock purchased					(414)			(414)
ESOP shares allocated or committed to be released for allocation (12,462 shares)			1	124				125
Balance, March 31, 2012	$ -	$ 41	$ 22,111	$ (1,598)	$ (2,210)	$ 32,661	$ 2,456	$ 53,461
Balance, June 30, 2012	$ -	$ 41	$ 22,112	$ (1,556)	$ (2,210)	$ 32,990	$ 2,273	$ 53,650
Net income						1,289		1,289
Other comprehensive income							(1,483)	(1,483)
								(194)

Total comprehensive income								
Dividends paid ($0.07125 per share)						(832)		(832)
Treasury stock reissued			(11)		217			206
ESOP shares allocated or committed to be released for allocation (12,462 shares)			5	125				130
Balance, March 31, 2013	$ -	$ 41	$ 22,106	$ (1,431)	$ (1,993)	$ 33,447	$ 790	$ 52,960

See accompanying notes to consolidated financial statements.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands, Except for Per Share Data)

	Nine Months Ended March 31, 2013	2012
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$1,289	$1,573
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	538	841
Provision for OREO valuation losses	191	165
Depreciation	652	572
Net amortization of marketable securities premium and discounts	1,235	292
Amortization of capitalized mortgage servicing rights	566	468
Amortization expense	193	-
Gain on sale of loans	(3,492)	(1,161)
Net realized gain on sale of available-for-sale securities	(777)	(281)
Increase in cash surrender value of life insurance	(221)	(201)
Loss on sale of OREO	32	12
Gain on sale of fixed assets	(285)	-
(Gain)/loss fair value hedge, FASB ASC 815	(108)	280
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accrued interest and dividends receivable	(866)	107
Loans held-for-sale	1,664	(8,812)
Other assets	(1,672)	549
Increase (decrease) in liabilities:		
Accrued expenses and other liabilities	167	902
Net cash used in operating activities	(894)	(4,694)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of securities:		
Investment securities available-for-sale	(176,163)	(4,426)
Proceeds from maturities, calls and principal payments:		
Investment securities available-for-sale	21,235	9,023
Purchase of bank owned life insurance	-	(2,000)
Proceeds from sale of securities available-for-sale	15,060	4,689
FHLB stock redeemed	54	-
Cash received in acquisition of Sterling Bank branches, net of cash paid	130,094	-
Net decrease (increase) in loan receivable, excludes transfers to real estate acquired in settlement of loans	2,066	5,910
Proceeds from the sale of real estate and other repossessed property acquired in the settlement of loans	1,314	110
Proceeds from the sale of fixed assets	647	-
Purchase of property and equipment	(1,207)	(122)
Net cash (used in) provided by investing activities	(6,900)	13,184

See accompanying notes to consolidated financial statements.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Dollars in Thousands, Except for Per Share Data)

	Nine Months Ended March 31, 2013	2012
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in checking and savings accounts	$19,135	$10,968
Net increase in federal funds purchased	-	-
Payments on FHLB advances	(13,285)	(12,150)
FHLB advances	-	-
Purchase of Treasury Stock	-	(414)
Dividends paid	(832)	(830)
Net cash provided by (used in) financing activities	5,018	(2,426)
Net (decrease) increase in cash	(2,776)	6,064
CASH AND CASH EQUIVALENTS, beginning of period	19,814	9,540
CASH AND CASH EQUIVALENTS, end of period	$17,038	$15,604
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for interest	$1,750	$2,551
Cash paid during the period for income taxes	$372	$208
Assets acquired through foreclosure	$545	$1,213
NON-CASH INVESTING ACTIVITIES:		
Increase (decrease) in market value of securities available-for-sale	$(2,689)	$(616)
Mortgage servicing rights capitalized	$1,180	$461

See accompanying notes to consolidated financial statements.

EAGLE BANCORP MONTANA, INC. 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 the rules and regulations of the Securities and Exchange Commission. 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 nine month period ended March 31, 2013 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2013 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-K for the fiscal year ended June 30, 2012.

The Company evaluated subsequent events for potential recognition and/or disclosure through May 14, 2013 the date the consolidated financial statements were issued.

[unless auditors disagree, this paragraph could be deleted]

NOTE 2. INVESTMENT SECURITIES

Investment securities are summarized as follows:
(Dollars in thousands)

	March 31, 2013 (Unaudited)				June 30, 2012 (Audited)			
		Gross Unrealized				Gross Unrealized		
	Amortized Cost	Gains	(Losses)	Fair Value	Amortized Cost	Gains	(Losses)	Fair Value
Available-for-sale:								
U.S. government and agency obligations	$49,336	$438	$(187)	$49,587	$20,557	$508	$(10)	$21,055
Municipal obligations	86,976	2,319	(1,215)	88,080	39,332	2,835	(107)	42,060
Corporate obligations	4,956	123	(2)	5,077	3,937	82	(74)	3,945
Mortgage-backed securities - government backed	28,806	65	(486)	28,385	6,791	56	-	6,847
CMOs - private label	-	-	-	-	210	-	(41)	169
CMOs - government backed	54,972	390	(492)	54,870	14,807	416	(22)	15,201
Total	$225,046	$3,335	$(2,382)	$225,999	$85,634	$3,897	$(254)	$89,277

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2. INVESTMENT SECURITIES - continued

The following table discloses, as of March 31, 2013 and June 30, 2012, the Company's investment securities that have been in a continuous unrealized-loss position for less than twelve months and those that have been in a continuous unrealized-loss position for twelve or more months:

	March 31, 2013			
	Less Than 12 Months		12 Months or Longer	
	(In thousands)			
	Estimated Market Value	Gross Unrealized Losses	Estimated Market Value	Gross Unrealized Losses
U.S. government and agency	$12,476	$186	$166	$1
Corporate obligations	998	2	-	-
Municipal obligations	36,885	1,154	560	61
Mortgage-backed and CMOs	60,378	975	471	3
Total	$110,737	$2,317	$1,197	$65

	June 30, 2012			
	Less Than 12 Months		12 Months or Longer	
	(In thousands)			
	Estimated Market Value	Gross Unrealized Losses	Estimated Market Value	Gross Unrealized Losses
U.S. government and agency	$1,751	$8	$341	$2
Corporate obligations	-	-	884	74
Municipal obligations	1,760	2	1,402	105
CMOs - private label	-	-	168	41
Mortgage-backed & CMOs	2,514	22	-	-
Total	$6,025	$32	$2,795	$222

In evaluating debt securities for other-than-temporary impairment losses, management assesses whether the Company intends to sell or if it is more likely than not that it will be required to sell impaired debt securities. In so doing, management considers contractual constraints, liquidity, capital, asset/liability management and securities portfolio objectives. With respect to its impaired debt securities at March 31, 2013 and June 30, 2012, management determined that it does not intend to sell and that there is no expected requirement to sell any of its impaired debt securities.

As of March 31, 2013 and June 30, 2012, there were, respectively, 78 and 25 securities in an unrealized loss position and were considered to be temporarily impaired and therefore an impairment charge has not been recorded. All of such temporarily impaired investments are debt securities.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2. INVESTMENT SECURITIES - continued

At March 31, 2013, 8 U.S. government and agency obligations had unrealized losses with aggregate depreciation of less than 1.46% from the Company's amortized cost basis of these securities. We believe these unrealized losses are principally due to interest rate movements. As such, the Company determined that none of such securities had other-than-temporary impairment.

At March 31, 2013, 48 municipal obligations had unrealized losses with aggregate depreciation of less than 3.15% from the Company's amortized cost basis of these securities. We believe these unrealized losses are principally due to interest rate movements and recent credit concerns in the overall municipal bond market. As such, the Company determined that none of such securities had other-than-temporary impairment.

At March 31, 2013, 1 corporate obligation had an unrealized loss of less than 0.20% from the Company's amortized cost basis of this security. We believe this unrealized losses is principally due to interest rate movements. As such, the Company determined that none of this security had other-than-temporary impairment.

At March 31, 2013, 21 mortgage backed and CMO securities had unrealized losses with aggregate depreciation of less than 1.59% from the Company's cost basis of these securities. We believe these unrealized losses are principally due to the credit market's concerns regarding the stability of the mortgage market. Management considers available evidence to assess whether it is more likely than not that all amounts due would not be collected. In such assessment, management considers the severity and duration of the impairment, the credit ratings of the security, the overall deal and payment structure, including the Company's position within the structure, underlying obligor, financial condition and near term prospects of the issuer, delinquencies, defaults, loss severities, recoveries, prepayments, cumulative loss projections, discounted cash flows and fair value estimates. There has been no disruption of the scheduled cash flows on any of the securities. Management's analysis as of March 31, 2013 revealed no expected credit losses on these securities.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. LOANS RECEIVABLE

Loans receivable consist of the following:

	March 31, 2013 (Unaudited)	June 30, 2012 (Audited)
	(In thousands)	
First mortgage loans:		
Residential mortgage (1-4 family)	$65,554	$61,671
Commercial real estate	80,229	64,672
Real estate construction	2,228	1,455
Other loans:		
Home equity	36,073	23,709
Consumer	11,371	8,778
Commercial	17,373	15,343
Total	212,828	175,628
Less: Allowance for loan losses	(1,900)	(1,625)
Add: Deferred loan expenses	(106)	(164)
Total	$210,822	$173,839

Within the commercial real estate loan category above, $19,978,000 and $21,610,000 was guaranteed by the United States Department of Agriculture Rural Development, at March 31, 2013 and June 30, 2012, respectively.

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

	Nine Months Ended March 31, 2013 (Unaudited)	Nine Months Ended March 31, 2012 (Unaudited)	Twelve Months Ended June 30, 2012 (Audited)
		(In thousands)	
Balance, beginning of period	$1,625	$1,800	$1,800
Provision charged to operations	538	841	1,101
Charge-offs	(323)	(950)	(1,296)
Recoveries	60	9	20
Balance, end of period	$1,900	$1,700	$1,625

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. LOANS RECEIVABLE - continued

Non-Performing Assets – The following table sets forth information regarding non-performing assets as of the dates indicated.

	March 31, 2013 (Unaudited)	June 30, 2012 (Audited)
	(Dollars in Thousands)	
Non-accrual loans	$669	$1,814
Accruing loans delinquent 90 days or more	-	-
Restructured loans, net	304	1,404
Total nonperforming loans	973	3,218
Real estate owned and other repossessed assets, net	1,087	2,361
Total	$2,060	$5,579
Total non-performing assets as a percentage of total assets	0.40 %	1.70 %
Allowance for loan losses	$1,900	$1,625
Percent of allowance for loan losses to non-performing loans	195.3 %	50.5 %
Percent of allowance for loan losses to non-performing assets	92.2 %	29.1 %

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. LOANS RECEIVABLE - continued

The following tables set forth information regarding the activity in the allowance for loan losses for the dates as indicated (dollars in thousands):

	Nine Months Ended March 31, 2013						
	1-4 Family Real Estate	Commercial Real Estate	Construction	Home Equity	Consumer	Commercial	Total
Allowance for credit losses:							
Beginning balance, June 30, 2012	$ 403	$ 772	$ 10	$ 156	$ 78	$ 206	$ 1,625
Charge-offs	(73)	(35)		(148)	(66)	(1)	(323)
Recoveries					5	55	60
Provision	93	215	5	184	22	19	538
Ending balance, March 31, 2013	$ 423	$ 952	$ 15	$ 192	$ 39	$ 279	$ 1,900
Ending balance allocated to loans individually evaluated for impairment	$ -	$ -	$ -	$ -	$ 1	$ -	$ 1
Ending balance allocated to loans collectively evaluated for impairment	$ 423	$ 952	$ 15	$ 192	$ 38	$ 279	$ 1,899
Loans receivable:							
Ending balance March 31, 2013	$ 65,554	$ 80,229	$ 2,228	$ 36,073	$ 11,371	$ 17,373	$ 212,828
Ending balance of loans individually evaluated for impairment March 31, 2013	$ 320	$ 678	$ -	$ 321	$ 72	$ 194	$ 1,585
Ending balance of loans collectively							

evaluated for impairment							
March 31, 2013	$ 65,234	$ 79,551	$ 2,228	$ 35,752	$ 11,299	$ 17,179	$ 211,243

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. LOANS RECEIVABLE - continued

	Nine Months Ended March 31, 2012						
	1-4 Family Real Estate	Commercial Real Estate	Construction	Home Equity	Consumer	Commercial	Total
Allowance for credit losses:							
Beginning balance, June 30, 2011	$ 369	$ 652	$ 18	$ 481	$ 57	$ 223	$ 1,800
Charge-offs	(125)	(250)	-	(351)	(27)	(197)	(950)
Recoveries	-	-	-	-	9	-	9
Provision	97	301	231	1	30	181	841
Ending balance, March 31, 2012	$ 341	$ 703	$ 249	$ 131	$ 69	$ 207	$ 1,700
Ending balance allocated to loans individually evaluated for impairment	$ -	$ 59	$ 239	$ -	$ 5	$ -	$ 303
Ending balance allocated to loans collectively evaluated for impairment	$ 341	$ 644	$ 10	$ 131	$ 64	$ 207	$ 1,397
Loans receivable:							
Ending balance March 31, 2012	$ 63,225	$ 65,820	$ 1,935	$ 24,336	$ 8,798	$ 15,014	$ 179,128
Ending balance of loans individually evaluated for impairment March 31, 2012	$ 992	$ 907	$ 721	$ 315	$ 100	$ 1,564	$ 4,599
Ending balance of loans collectively evaluated for impairment March 31, 2012	$ 62,233	$ 64,913	$ 1,214	$ 24,021	$ 8,698	$ 13,450	$ 174,529

The Company utilizes a 5 point internal loan rating system, largely based on regulatory classifications, for 1-4 family real estate, commercial real estate, construction, home equity and commercial loans as follows:

Loans rated Pass: these are loans that are considered to be protected by the current net worth and paying capacity of the obligor, or by the value of the asset or the underlying collateral.

Loans rated Special Mention: these loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset at some future date.

Loans rated Substandard: these loans are inadequately protected by the current net worth and paying capacity of the obligor of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Loans rated Doubtful: these loans have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans rated Loss: these loans are considered uncollectible and of such little value that their continuance as assets without establishment of a specific reserve is not warranted. This classification does not mean that an asset has absolutely no recovery or salvage value, but, rather, that it is not practical or desirable to defer writing off a basically worthless asset even though practical recovery may be effected in the future.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. LOANS RECEIVABLE - continued

On an annual basis, or more often if needed, the Company formally reviews the ratings of all commercial real estate, construction, and commercial business loans that have a principal balance of $500,000 or more. Quarterly, the Company reviews the rating of any consumer loan, broadly defined, that is delinquent 90 days or more. Likewise, quarterly, the Company reviews the rating of any commercial loan, broadly defined, that is delinquent 60 days or more. Annually, the Company engages an independent third-party to review a significant portion of loans within these segments. Management uses the results of these reviews as part of its annual review process.

The following tables set forth information regarding the internal classification of the loan portfolio as of the dates indicated (dollars in thousands):

	March 31, 2013						
	1-4 Family Real Estate	Commercial Real Estate	Construction	Home Equity	Consumer	Commercial	Total
Grade:							
Pass	$ 65,234	$ 79,551	$ 2,228	$ 35,752	$ 11,299	$ 17,179	$ 211,243
Special mention	-	678	-	-	-	-	678
Substandard	320	-	-	280	55	194	849
Doubtful	-	-	-	41	16	-	57
Loss	-	-	-	-	1	-	1
Total	$ 65,554	$ 80,229	$ 2,228	$ 36,073	$ 11,371	$ 17,373	$ 212,828
Credit Risk Profile Based on Payment Activity							
Performing	$ 65,492	$ 79,682	$ 2,228	$ 35,795	$ 11,325	$ 17,333	$ 211,855
Restructured loans	-	304	-	-	-	-	304
Nonperforming	62	243	-	278	46	40	669
Total	$ 65,554	$ 80,229	$ 2,228	$ 36,073	$ 11,371	$ 17,373	$ 212,828

	June 30, 2012						
	1-4 Family Real Estate	Commercial Real Estate	Construction	Home Equity	Consumer	Commercial	Total
Grade:							
Pass	$ 60,748	$ 63,839	$ 1,455	$ 23,319	$ 8,685	$ 13,846	$ 171,892
Special mention	-	51	-	-	-	5	56
Substandard	923	782	-	242	76	1,492	3,515
Doubtful	-	-	-	148	15	-	163
Loss	-	-	-	-	2	-	2
Total	$ 61,671	$ 64,672	$ 1,455	$ 23,709	$ 8,778	$ 15,343	$ 175,628

Credit Risk Profile Based on Payment Activity

Performing	$ 61,011	$ 63,749	$ 1,455	$ 23,444	$ 8,742	$ 14,009	$ 172,410
Restructured loans	-	90	-	-	-	1,314	1,404
Nonperforming	660	833	-	265	36	20	1,814
Total	$ 61,671	$ 64,672	$ 1,455	$ 23,709	$ 8,778	$ 15,343	$ 175,628

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. LOANS RECEIVABLE - continued

The following tables set forth information regarding the delinquencies within the loan portfolio as indicated (dollars in thousands):

	March 31, 2013					
	30-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment >90 Days and Still Accruing
1-4 Family real estate	$359	$62	$421	$65,133	$65,554	$-
Commercial real estate	-	217	217	80,012	80,229	-
Construction	-	-	-	2,228	2,228	-
Home equity	162	135	297	35,776	36,073	-
Consumer	60	23	83	11,288	11,371	-
Commercial	88	26	114	17,259	17,373	-
Total	$669	$463	$1,132	$211,696	$212,828	$-

	June 30, 2012					
	30-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment >90 Days and Still Accruing
1-4 Family real estate	$613	$501	$1,114	$60,557	$61,671	$-
Commercial real estate	-	91	91	64,581	64,672	-
Construction	-	-	-	1,455	1,455	-
Home equity	362	227	589	23,120	23,709	-
Consumer	221	37	258	8,520	8,778	-
Commercial	171	747	918	14,425	15,343	-
Total	$1,367	$1,603	$2,970	$172,658	$175,628	$-

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. LOANS RECEIVABLE - continued

The following tables set forth information regarding impaired loans as indicated (dollars in thousands):

	March 31, 2013				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Interest Income Recognized	Average Recorded Investment
With no related allowance:					
1-4 Family	$-	$-	$-	$-	$-
Commercial real estate	-	-	-	-	-
Construction	-	-	-	-	-
Home equity	-	-	-	-	-
Consumer	-	-	-	-	-
Commercial	-	-	-	-	-
With a related allowance:					