EAGLE BANCORP/MT
Form 10QSB
February 10, 2003

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, 2002

[ ] 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 1,209,772 shares outstanding
As of February 10, 2003

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, 2002	June 30, 2002
	(Unaudited)	(Audited)
ASSETS		
Cash and due from banks	$ 4,124,137	$ 2,836,853
Interest-bearing deposits with banks	8,955,945	7,786,136
Total cash and cash equivalents	13,080,082	10,622,989
Investment securities available-for-sale, at fair value	63,867,569	50,153,872
Investment securities held-to-maturity, at amortized cost	3,214,320	3,875,124
Federal Home Loan Bank stock, at cost	1,637,400	1,586,200
Mortgage loans held-for-sale	4,508,579	1,352,121
Loans receivable, net of deferred loan fees and allowance for loan losses	97,087,896	105,623,213
Accrued interest and dividends receivable	956,001	998,378
Mortgage servicing rights, net	1,819,634	1,588,318
Property and equipment, net	6,364,711	6,291,382
Cash surrender value of life insurance	2,296,624	2,244,453
Real estate acquired in settlement of loans, net of allowance for losses	-	-
Other assets	538,128	245,417
Total assets	$ 195,370,944	$ 184,581,467

See accompanying notes to consolidated financial statements.

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

	December 31, 2002	June 30, 2002
	(Unaudited)	(Audited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposit accounts:		
Noninterest bearing	$ 8,404,470	$ 6,835,235
Interest bearing	152,866,259	144,769,504
Advances from Federal Home Loan Bank	9,293,889	9,343,889
Accrued expenses and other liabilities	1,938,559	1,929,962
Total liabilities	172,503,177	162,878,590

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; 1,205,172 and 1,208,172 outstanding at December 31, 2002 and June 30, 2002, respectively)	12,236	12,236
Additional paid-in capital	3,916,828	3,885,903
Unallocated common stock held by employee stock ownership plan ("ESOP")	(257,648)	(276,048)
Treasury stock, at cost (18,400 and 15,400 shares at December 31, 2002 and June 30, 2002, respectively)	(242,765)	(180,950)
Retained earnings	18,972,230	17,957,601
Accumulated other comprehensive income	466,886	304,135
Total stockholders' equity	22,867,767	21,702,877
Total liabilities and stockholders' equity	$ 195,370,944	$ 184,581,467

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
QUARTERLY CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended December 31,		S
	2002	2001	200
	(Unaudited)		
Interest and Dividend Income:			
Interest and fees on loans	$ 1,926,959	$ 2,364,788	$ 3,99
Interest on deposits with banks	40,418	43,974	7
FHLB Stock dividends	27,394	24,799	5
Securities available-for-sale	589,594	346,750	1,19
Securities held-to-maturity	44,016	79,430	9
Total interest and dividend income	2,628,381	2,859,741	5,41
Interest Expense:			
Deposits	946,296	1,150,361	1,92
FHLB Advances	146,661	175,281	29
Total interest expense	1,092,957	1,325,642	2,21

Net Interest Income	1,535,424	1,534,099	3,19
Loan loss provision	-	-	
Net interest income after loan loss provision	1,535,424	1,534,099	3,19
Noninterest income:			
Net gain on sale of loans	497,060	401,039	80
Demand deposit service charges	125,299	128,240	25
Mortgage loan servicing fees	104,851	78,831	20
Net gain on sale of available-for-sale securities	-	1,976	
Other	92,235	94,269	19
Total noninterest income	819,445	704,355	1,45

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
QUARTERLY CONSOLIDATED STATEMENT OF INCOME
(CONTINUED)

	Three Months Ended December 31,		S
	2002	2001	200
	(Unaudited)		
Noninterest expense:			
Salaries and employee benefits	721,976	698,787	1,44
Occupancy expenses	117,688	121,788	24
Furniture and equipment depreciation	53,074	71,226	10
In-house computer expense	65,131	48,879	11
Advertising expense	49,482	26,389	8
Amortization of mtg servicing fees	216,702	105,083	31
Federal insurance premiums	6,359	6,088	1
Postage	28,732	22,019	5
Legal, accounting, and examination fees	40,076	49,177	6
Consulting fees	15,190	5,880	2
ATM processing	11,314	12,736	2
Other	215,041	202,846	39
Total noninterest expense	1,540,765	1,370,898	2,89
Income before provision for income taxes	814,104	867,556	1,75

Provision for income taxes	271,730	305,865	59
Net income	$ 542,374	$ 561,691	$ 1,15
Basic earnings per share	$ 0.46	$ 0.48	$
Diluted earnings per share	$ 0.46	$ 0.47	$
Weighted average shares outstanding (basic eps)	1,172,551	1,166,010	1,17
Weighted average shares outstanding (diluted eps)	1,190,612	1,186,010	1,19

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, 2002

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNALLOCATED ESOP SHARES
Balance, June 30, 2002	$ -	$ 12,236	$ 3,885,903	$ (276,048
Net income (unaudited)	-	-	-	-
Other comprehensive income (unaudited)	-	-	-	-
Total comprehensive income (unaudited)	-	-	-	-
Dividends paid ($.26 per share) (unaudited)	-	-	-	-
Treasury stock purchased (1,700 shares @ $19.50/sh; 1,300 shares @ $22.05/sh) (unaudited)	-	-	-	-
ESOP shares allocated or committed to be released for allocation (2,300 shares) (unaudited)	-	-	30,925	18,400
Balance, December 31, 2002 (unaudited)	$ -	$ 12,236	$ 3,916,828	$ (257,648

	TREASURY STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
Balance, June 30, 2002	$ (180,950)	$17,957,601	$ 304,135	$21,702,877
Net income (unaudited)	-	1,159,755	-	1,159,755
Other comprehensive income (unaudited)	-	-	162,751	162,751
Total comprehensive income (unaudited)	-	-	-	1,322,506
Dividends paid ($.26 per share) (unaudited)	-	(145,126)	-	(145,126)
Treasury stock purchased (1,700 shares @ $19.50/sh; 1,300 shares @ $22.05/sh) (unaudited)	(61,815)	-	-	(61,815)
ESOP shares allocated or committed to be released for allocation (2,300 shares) (unaudited)	-	-	-	49,325
Balance, December 31, 2002 (unaudited)	$ (242,765)	$18,972,230	$ 466,886	$22,867,767

See accompanying notes to consolidated financial statements.

EAGLE BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months December 2002	
	(Unaudite	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,159,756	$
Adjustments to reconcile net income to net cash from operating activities:		
Provision for mortgage servicing rights valuation losses	-	
Depreciation	202,563	
Net amortization of marketable securities premium and discounts	339,482	
Amortization of capitalized mortgage servicing rights	314,529	
Gain on sale of loans	(806,223)	
Net realized (gain) loss on sale of available-for-sale securities	-	
FHLB & other dividends reinvested	(119,441)	
Increase in cash surrender value of life insurance	(52,171)	

Gain on sale of property & equipment	-
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accrued interest and dividends receivable	42,377
Loans held-for-sale	(2,303,707)
Other assets	(292,711)
Increase (decrease) in liabilities:	
Accrued expenses and other liabilities	(392,499)
Deferred compensation payable	24,912
Deferred income taxes payable	323,819
Net cash provided by (used in) operating activities	(1,559,314)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of securities:	
Investment securities held-to-maturity	-
Investment securities available-for-sale	(21,282,633)
Proceeds from maturities, calls and principal payments:	
Investment securities held-to-maturity	655,163
Investment securities available-for-sale	7,521,248
Proceeds from sales of investment securities available-for-sale	-

See accompanying notes to consolidated financial statements.

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

	Six Months December 2002 (Unaudite
CASH FLOWS FROM INVESTING ACTIVITIES (CONTINUED):	
Net (increase) decrease in loan receivable, excludes transfers to real estate acquired in settlement of loans	7,989,472
Purchase of property and equipment	(275,892)
Proceeds from sale of equipment	-
Net cash used in investing activities	(5,392,642)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net increase in checking and savings accounts	$ 9,665,989
Payments on FHLB advances	(50,000)
Sale (Purchase) of Treasury Stock	(61,815)
Dividends paid	(145,126)
Net cash provided by financing activities	9,409,048

Net increase (decrease) in cash	2,457,092	
CASH AND CASH EQUIVALENTS, beginning of period	10,622,990	--
CASH AND CASH EQUIVALENTS, end of period	$ 13,080,082	$1
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 2,278,331	$
Cash paid during the period for income taxes	$ 682,988	$
NON-CASH INVESTING ACTIVITIES:		
(Increase) decrease in market value of securities available-for-sale	$ (217,911)	$
Mortgage servicing rights capitalized	$ 544,845	$

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 and six month periods ended December 31, 2002 are not necessarily indicative of the results to be expected for the fiscal year ending June 30, 2003 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, 2002.

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

NOTE 2. INVESTMENT SECURITIES

Investment securities are summarized as follows:

	December 31, 2002 (Unaudited)			June 30, 2002	
	AMORTIZED COST	GROSS UNREALIZED GAINS (LOSSES)	FAIR VALUE	AMORTIZED COST	GROSS UNREALI GAINS (LO
Available-for-sale:					
U.S. government and agency obligations	$ 6,603,322	$ 168,736	$ 6,772,058	$ 6,963,730	$ 70,2
Municipal obligations	4,300,383	89,039	4,389,422	4,301,732	(10,2
Corporate obligations	7,010,939	259,012	7,269,951	8,548,317	177,1
Mortgage-backed securities	19,801,712	83,295	19,885,007	6,505,009	64,9
Mutual Funds	4,643,620	4,639	4,648,259	4,575,378	
Collateralized mortgage obligations	18,863,245	158,302	19,021,547	16,829,068	183,9
Corporate preferred stock	1,951,011	(69,686)	1,881,325	1,955,215	(10,7
Total	$ 63,174,232	$ 693,337	$ 63,867,569	$ 49,678,449	$ 475,4
Held-to-maturity:					
Municipal obligation	$ 1,353,096	$ 57,819	$ 1,410,915	$ 1,354,531	$ 37,4
Mortgage-backed securities	1,861,224	74,077	1,935,301	2,520,593	90,1
Total	$ 3,214,320	$ 131,896	$ 3,346,216	$ 3,875,124	$ 127,5

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EAGLE BANCORP AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. LOANS RECEIVABLE

Loans receivable consist of the following:

	December 31, 2002	June 30, 2002

	(Unaudited)	(Audited)
First mortgage loans:		
Residential mortgage (1-4 family)	$ 57,860,887	$ 66,958,637
Commercial real estate	9,487,251	9,454,674
Real estate construction	2,973,546	2,931,032
Other loans:		
Home equity	14,936,302	14,235,907
Consumer	9,340,007	10,023,869
Commercial	3,233,046	2,842,782
Total	97,831,039	106,446,901
Less: Allowance for loan losses	(696,201)	(702,705)
Deferred loan fees	(46,942)	(120,983)
Total	$ 97,087,896	$ 105,623,213

Loans net of related allowance for loan losses on which the accrual of interest has been discontinued were $560,000 and $528,000 at December 31, 2002 and June 30, 2002, respectively. Classified assets, including real estate owned, totaled $1.82 million and $1.66 million at December 31, 2002 and June 30, 2002, respectively.

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

	Six Months Ended December 31, 2002 (Unaudited)	Year ended June 30, 2002 (Audited)
Balance, beginning of period	$ 702,705	$ 688,282
Transfer from interest reserve	-	6,510
Provision charged to operations	-	-
Charge-offs	(13,023)	(27,390)
Recoveries	6,519	35,303
Balance, end of period	$ 696,201	$ 702,705

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

NOTE 4. DEPOSITS

Deposits are summarized as follows:

	December 31, 2002 (Unaudited)	June 30, 2002 (Audited)
Noninterest checking	$ 8,404,470	$ 6,835,235
Interest-bearing checking	27,211,494	24,908,989
Passbook	23,622,267	22,464,984
Money market	27,534,548	27,568,930
Time certificates of deposit	74,497,950	69,826,601
Total	$ 161,270,729	$ 151,604,739

NOTE 5. EARNINGS PER SHARE

Earnings per share for the three months ended December 31, 2002 is computed using 1,172,551 weighted average shares outstanding. Earnings per share for the six months ended December 31, 2002 is computed using 1,172,796 weighted average shares outstanding. Diluted earnings per share is computed by adjusting the number of shares outstanding by the shares purchased to fund the Company's restricted stock plan, for which stock was awarded in January 2001, as determined by the treasury stock method. The weighted average shares outstanding for the diluted earnings per share calculations are 1,190,612 for the three months ended December 31, 2002 and 1,190,035 for the six months ended December 31, 2002. Earnings per share for the three months ended December 30, 2001 is computed using 1,166,010 weighted average shares outstanding. Earnings per share for the six months ended December 31, 2001 is computed using 1,165,434 weighted average shares outstanding. The weighted average shares outstanding for the diluted earnings per share calculations are 1,186,010 for the three months ended December 31, 2001 and 1,185,434 for the six months ended December 31, 2001.

NOTE 6. DIVIDENDS AND STOCK REPURCHASE PROGRAM

This fiscal year Eagle has paid two dividends of $0.13 per share, on August 23, 2002 and November 15, 2002. Another dividend of $0.13 per share was declared on January 16, 2003, payable February 14, 2003 to stockholders of record on January 31, 2003. Eagle Financial MHC, Eagle's mutual holding company, has waived the receipt of dividends on its 648,493 shares.

NOTE 6. DIVIDENDS AND STOCK REPURCHASE PROGRAM (CONTINUED)

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

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 valuations performed on September 30, 2001 and May 31, 2002, a temporary decline in the fair value was determined to have occurred, and a valuation allowance of $21,515 has been established. The following schedules show the activity in the mortgage servicing rights and the valuation allowance.

	Six months ended December 31, 2002 (Unaudited)	Twelve months ended June 30, 2002 (Audited)
Mortgage Servicing Rights		
Beginning balance	$ 1,609,833	$ 1,315,819
Servicing rights capitalized	545,845	618,085
Servicing rights amortized	(314,529)	(324,071)
Ending balance	1,841,149	1,609,833
Valuation Allowance		
Beginning balance	21,515	-
Provision	-	21,515
Adjustments	-	-
Ending balance	21,515	21,515
Net Mortgage Servicing Rights	$ 1,819,634	$ 1,588,318

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

NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

FINANCIAL CONDITION

Comparisons of quarterly results in this section are between the six months ended December 31, 2002 and June 30, 2002.

Total assets increased by $10.79 million, or 5.85%, to $195.37 million at December 31, 2002, from $184.58 million at June 30, 2002. Total liabilities increased by $9.62 million to $172.50 million at December 31, 2002, from $162.88 million at June 30, 2002. Total equity increased $1.17 million to $22.87 million at December 31, 2002 from $21.70 million at June 30, 2002.

The growth in assets was primarily in the available-for-sale (AFS) investment portfolio, which increased $13.72 million, or 27.36%, to $63.87 million at December 31, 2002 from $50.15 million at June 30, 2002. The investment category with the largest increase was mortgage-backed securities, which increased $13.32 million. The loan portfolio decreased $8.53 million, or 8.08%, to $97.09 million at December 31, 2002 from $105.62 million at June 30, 2002. Continued refinancing activity and the sale of predominantly all new originations contributed to the decline in single-family mortgage loans to $57.86 million at December 31, 2002 from $66.96 million at June 30, 2002. Consumer loans declined slightly, while all other loan categories showed moderate increases. Total loan originations were $75.60 million for the six months ended December 31, 2002, with single family mortgages (including $2.85 million of construction loans) accounting for $64.57 million of the total. Home equity loan and consumer loan originations totaled $5.00 million and $4.28 million, respectively, for the same period. Loans held for sale increased to $4.51 million at December 31, 2002 from $1.35 million at June 30, 2002.

FINANCIAL CONDITION (CONTINUED)

Growth in deposits funded asset growth. Deposits grew $9.66 million, or 6.37%, to $161.27 million at December 31, 2002 from $151.61 million at June 30, 2002. Growth in certificates of deposit and checking accounts contributed to the increase in deposits. Other deposit types showed modest increases.

The growth in total equity was the result of earnings for the six months of $1.16 million and an increase in the unrealized gain on securities available for sale of $163,000. This was partially offset by the payment of two quarterly $0.13 per share regular cash dividends.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2002 AND 2001

NET INCOME
Eagle's net income was $542,000 and $562,000 for the three months ended December 31, 2002, and 2001, respectively. The decrease of $20,000, or 3.56%, was primarily due to an increase in noninterest expense of $170,000, partially offset by increases in noninterest income of $115,000 and net interest income of $1,000. Eagle's tax provision was $34,000 lower in the current quarter. Basic earnings per share were $0.46 for the current period, compared to $0.48 for the previous year's period.

NET INTEREST INCOME
Net interest income was virtually unchanged at $1.53 million for the quarter ended December 31, 2002, with an increase of $1,000 over the previous year's quarter. Total interest and dividend income decreased $231,000, which was offset by the decrease in interest expense of $232,000.

INTEREST AND DIVIDEND INCOME
Total interest and dividend income was $2.63 million for the quarter ended December 31, 2002, compared to $2.86 million for the quarter ended December 31, 2001, representing a decrease of $231,000, or 8.08%. Interest and fees on loans decreased to $1.93 million for the three months ended December 31, 2002 from $2.36 million for the same period ended December 31, 2001. This decrease of $430,000, or 18.22%, was due primarily to the decrease in the average balances of loans receivable for the quarter ended December 31, 2002 and the decline in the average interest rate earned on loans. Average balances for loans receivable, net, for the quarter ended December 31, 2002 were $103.05 million, compared to $118.59 million for the previous year. This represents a decrease of $15.54 million, or 13.10%. All loan categories except commercial loans have shown decreases from the previous year. The average interest rate earned on loans receivable decreased by 50 basis points, from 7.98% at December 31, 2001 to 7.48% at December 31, 2002. Interest and dividends on investment securities available-for-sale (AFS) increased to $590,000 for the quarter ended December 31, 2002 from $347,000 for the same quarter last year. Average balances on investments increased significantly, to $63.87 million for the quarter ended December 31, 2002, compared to $33.35 million for the quarter ended December 31, 2001. The average interest rate

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2002 AND 2001 (CONTINUED)

earned on investments dropped to 3.97% from 5.11%. Interest on securities held-to-maturity (HTM) decreased from $79,000 to $44,000 as new purchases are placed in the AFS portfolio. Interest earned from deposits held at other banks decreased to $40,000 for the quarter ended December 31, 2002 from $44,000 for the quarter ended December 31, 2001, due to the drop in short-term interest rates. Interest income is expected to increase in the coming quarter due to the funding in January 2003 of a large government guaranteed commercial real estate loan.

INTEREST EXPENSE

Total interest expense decreased to $1.09 million for the quarter ended December 31, 2002, from $1.32 million for the quarter ended December 31, 2001, a decrease of $232,000, or 17.58%, primarily due to a decrease in interest paid on deposits. Interest on deposits decreased to $946,000 for the quarter ended December 31, 2002, from $1.15 million for the quarter ended December 31, 2001. This decrease of $204,000, or 17.74%, was the result of a decrease in average rates paid on deposit accounts, despite higher balances. All deposit accounts showed decreases in average rates paid and also had increases in average balances in the current quarter compared to last year's quarter. Money market accounts and certificates of deposit saw the largest increases in balances due primarily to the poor performance of the stock market. Average balances in interest-bearing deposit accounts increased to $151.13 million for the quarter ended December 31, 2002, compared to $134.02 million for the same quarter in the previous year. The average rate paid on liabilities decreased 93 basis points from the quarter ended December 31, 2001 to the quarter ended December 31, 2002. Interest paid on borrowings decreased to $147,000 for the quarter ended December 31, 2002 from $175,000 for the quarter ended December 31, 2001. The decrease in borrowing costs was due to a decrease in the average balance of Federal Home Loan Bank advances.

PROVISION FOR LOAN LOSSES

Provisions for loan losses are charged to earnings to maintain the total allowance for loan losses at a level considered adequate by Eagle's subsidiary, American Federal Savings Bank (the Bank), to provide for probable loan losses based on prior loss experience, volume and type of lending conducted by the Bank, available peer group information, and past due loans in portfolio. The Bank's policies require the review of assets on a quarterly basis. The Bank classifies loans as well as other assets, if warranted. While the Bank believes it uses the best information available to make a determination with respect to the allowance for loan losses, it recognizes that future adjustments may be necessary. No provision was made for loan losses for either the quarter ended December 31, 2002 or the quarter ended December 31, 2001. This is a reflection of the continued strong asset quality of the Bank's loan portfolio. Total classified assets increased slightly from $1.66 million at June 30, 2002 to $1.82 million at December 31, 2002. The Bank currently has no foreclosed real estate.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED DECEMBER 31, 2002 AND 2001 (CONTINUED)

NONINTEREST INCOME

Total noninterest income increased to $819,000 for the quarter ended December 31, 2002, from $704,000 for the quarter ended December 31, 2001, an increase of $115,000 or 16.33%. This was the result of increases in net gain on sale of loans of $96,000 and mortgage servicing fees of $26,000. Increased loan originations compared to a year ago contributed to the increase in income from sale of loans. Mortgage loan servicing fees increased due to higher balances in the loan servicing portfolio. The other categories of noninterest income registered small decreases.

NONINTEREST EXPENSE

Noninterest expense increased by $170,000 or 12.41% to $1.54 million for the quarter ended December 31, 2002, from $1.37 million for the quarter ended December 31, 2001. This increase was primarily due to an increase in amortization of mortgage servicing fees of $112,000. The increase in amortization of mortgage servicing fees was related to increased prepayment activity on mortgage loans. Advertising expenses increased $23,000 due to increased promotion of home equity loans. Salaries and employee benefits increased $23,000 due to higher year-end bonuses. Furniture and equipment depreciation expense decreased $18,000 due to equipment becoming fully depreciated.

INCOME TAX EXPENSE

Eagle's income tax expense was $272,000 for the quarter ended December 31, 2002, compared to $306,000 for the quarter ended December 31, 2001. The effective tax rate for the quarter ended December 31, 2002 was 33.42% and was 35.25% for the quarter ended December 31, 2001. Management expects Eagle's effective tax rate to be approximately 35%.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED DECEMBER 31, 2002 AND 2001

NET INCOME

Eagle's net income was $1.16 million and $908,000 for the six months ended December 31, 2002 and 2001, respectively. The increase of $252,000, or 27.75%, was primarily due to increases in noninterest income of $346,000 and net interest income of $200,000, partially offset by an increase in noninterest expense of $200,000. Eagle's tax provision was $94,000 higher in the current period. Basic earnings per share for the period ended December 31, 2002 were $0.99, compared to $0.78 per share for the period ended December 31, 2001.

NET INTEREST INCOME

Net interest income increased to $3.20 million for the six months ended December 31, 2002 from $3.00 million for the six months ended December 31, 2001. This increase of $200,000 was the result of a significant decrease in interest expense of $510,000, partially offset by a decrease in interest and dividend income of $310,000.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED DECEMBER 31, 2002 AND 2001 (CONTINUED)

INTEREST AND DIVIDEND INCOME

Total interest and dividend income was $5.41 million for the six months ended December 31, 2002, compared to $5.72 million for the same period ended December 31, 2001, representing a decrease of $310,000, or 5.42%. Interest and fees on loans decreased to $4.00 million for 2002 from $4.74 million for 2001. This decrease of $740,000, or 15.61%, was due primarily to a decrease in the average balances of loans receivable for the six months ended December 31, 2002. Average balances for loans receivable, net, for this period were $105.12 million, compared to $119.27 million for the previous year. This is a decrease of $14.15 million, or 11.86%. Most loan categories had shown decreases from the previous year. The average interest rate earned on loans receivable decreased by 34 basis points, to 7.61% from 7.95%. Interest and dividends on investment securities available-for-sale (AFS) increased to $1.20 million for the six months ended December 31, 2002 from $650,000 for the same period ended December 31, 2001. Interest on securities held-to-maturity (HTM) decreased from $170,000 to $93,000. Most new purchases of securities are placed in the AFS portfolio, and the HTM portfolio will continue to shrink as the securities in it mature. Interest earned from deposits held at other banks decreased to $73,000 for the six months ended December 31, 2002 from $111,000 for the six months ended December 31, 2001 due primarily to the drop in short-term interest rates.

INTEREST EXPENSE

Total interest expense decreased to $2.22 million for the six months ended December 31, 2002 from $2.73 million for the six months ended December 31, 2001, a decrease of $510,000, or 18.68%, primarily due to the decrease in interest paid on deposits. Interest on deposits decreased to $1.92 million for the six months ended December 31, 2002 from $2.37 million for the six months ended December 31, 2001. This decrease of $450,000, or 18.99%, 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 balances during the period from December 31, 2001 to December 31, 2002. Average balances in money market accounts increased from $21.55 million for the six months ended December 31, 2001 to $28.06 million for the six months ended December 31, 2002. The average rate paid on money market accounts decreased to 2.00% from 3.29%. Average balances in certificates of deposit increased from $66.46 million to $72.54 million. The average rate paid on certificates of deposit decreased to 3.86% from 5.07%. Average rates paid on all interest-bearing deposits declined from 2001 to 2002, with the average rate paid on all liabilities dropping by 101 basis points from the six month period ended December 31, 2001 to the six month period ended December 31, 2002. Interest paid on borrowings decreased to $294,000 for the six months ended December 31, 2002 from $354,000 for the same period ended December 31, 2001. The decrease in borrowing costs was due to a decrease in the average balance of Federal Home Loan Bank advances.

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

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED DECEMBER 31, 2002 AND 2001 (CONTINUED)

PROVISION FOR LOAN LOSSES

Provisions for loan losses are charged to earnings to maintain the total allowance for loan losses at a level considered adequate by Eagle's subsidiary, American Federal Savings Bank (the Bank), to provide for probable loan losses based on prior loss experience, volume and type of lending conducted by the Bank, available peer group information, and past due loans in the 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, 2002 or December 31, 2001. This is a reflection of the continued strong asset quality of the Bank's loan portfolio. Total classified assets increased slightly to $1.82 million at December 31, 2002 from $1.66 million at June 30, 2002. The Bank currently has no foreclosed property.

NONINTEREST INCOME
Total noninterest income increased to $1.46 million for the six months ended December 31, 2002, from $1.11 million for the six months ended December 31, 2001, an increase of $346,000, or 31.17%. This was primarily due to an increase in net gain on sale of loans of $234,000. Increased loan originations contributed to the increase in income from the sale of loans. Low interest rates over the past year have contributed to an unusually high level of refinancing activity, which will likely decline over the remainder of the year, resulting in lower loan originations and income from the sale of loans. Mortgage loan servicing fees increased to $201,000 for the current six-month period compared to $94,000 for the previous year's period. A provision was made to a valuation allowance for mortgage servicing rights in 2001 for $58,000. A subsequent valuation performed in May 2002 determined that the temporary decline had decreased to $21,515 and the valuation allowance was adjusted accordingly. Changes to the valuation allowance for mortgage servicing rights are charged against mortgage loan servicing fees. Other categories of noninterest income showed minor changes.

NONINTEREST EXPENSE
Noninterest expense increased by $200,000, or 7.43% to $2.89 million for the six months ended December 31, 2002, from $2.69 million for the six months ended December 31, 2001. This increase was primarily due to an increase in amortization of mortgage servicing fees of $141,000 and in advertising expense of $25,000. The increase in amortization of mortgage servicing fees was related to increased prepayment activity on mortgage loans, while the increase in advertising expense was due to increased promotion of home equity loan products. These increases were partially offset by a decrease of $33,000 in furniture and equipment depreciation expense. Its decrease was due to equipment becoming fully depreciated. Other categories of noninterest expense showed modest increases.

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

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED DECEMBER 31, 2002 AND 2001 (CONTINUED)

INCOME TAX EXPENSE
Eagle's income tax expense was $595,000 for the six months ended December 31, 2002, compared to $501,000 for the six months ended December 31, 2001. The effective tax rate for the six months ended December 31, 2002 was 33.93% and was 35.55% for the six months ended December 31, 2001.

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 27.76% and 23.47% for the months ended December 31, 2002 and December 31, 2001, respectively. Liquidity increased due to growth in deposits and the increased loan sale volume for the period ended December 31, 2002.

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, 2002 (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 decreased slightly during the same period. The Bank is well within the guidelines set forth by the Board of Directors for interest rate risk sensitivity.

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

LIQUIDITY, INTEREST RATE SENSITIVITY AND CAPITAL RESOURCES (CONTINUED)

As of December 31, 2002, the Bank's regulatory capital was in excess of all applicable regulatory requirements. At December 31, 2002, the Bank's tangible, core, and risk-based capital ratios amounted to 10.90%, 10.90%, and 20.42%, respectively, compared to regulatory requirements of 1.5%, 3.0%, and 8.0%, respectively. See the following table (amounts in thousands):

	At December 31, 2002	
	Dollar Amount	For Capital Adequacy Purposes % of Assets
Tangible capital:		
Capital level	$ 21,117	10.90%
Requirement	2,907	1.50
Excess	$ 18,210	9.40%
Core capital:		
Capital level	$ 21,117	10.90%
Requirement	5,813	3.00
Excess	$ 15,304	7.90%

Risk-based capital:		
Capital level	$ 21,790	20.42%
Requirement	8,535	8.00
Excess	$ 13,255	12.42%

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 as of a date within 90 days of the filing of this Form 10-Q, the Company's Chief Executive Officer, Larry A. Dreyer, and Treasurer, Peter J. Johnson, have concluded the Company's disclosure controls and procedures are effective 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. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date of their evaluation.

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EAGLE BANCORP AND SUBSIDIARY

Part II - OTHER INFORMATION

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

ordinary course of business.

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

Item 3. Defaults Upon Senior Securities
Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders
The following matters were voted on at the Annual Meeting of Stockholders on October 17, 2002:

1. Election of directors for three-year terms expiring in 2005:

	For:	Against:
Larry A. Dreyer	1,122,165	1,033
Teresa L. Hartzog	1,122,640	558

2. Ratification of appointment of Anderson ZurMuehlen & Co., P.C. as auditors for the fiscal year ended June 30, 2003:

For:	Against:	Abstain:
1,122,083	775	340

Item 5. Other Information.
None.

Item 6. Exhibits and Reports on Form 8-K
a.) Exhibits
Certifications 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
None.

EAGLE BANCORP AND SUBSIDIARY

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EAGLE BANCORP

Date: February 10, 2003 By: /s/ Larry A. Dreyer
Larry A. Dreyer
President/CEO

Date: February 10, 2003 By: /s/ Peter J. Johnson
Peter J. Johnson
Sr. VP/Treasurer

EAGLE BANCORP AND SUBSIDIARY
CERTIFICATION PURSUANT TO
SECTION 302 (a) OF THE SARBANES-OXLEY ACT OF 2002

I, Larry A. Dreyer, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Eagle Bancorp;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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EAGLE BANCORP AND SUBSIDIARY
CERTIFICATION PURSUANT TO
SECTION 302 (a) OF THE SARBANES-OXLEY ACT OF 2002

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 10, 2003

/s/ Larry A. Dreyer

Larry A. Dreyer
President and Chief Executive Officer

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EAGLE BANCORP AND SUBSIDIARY
CERTIFICATION PURSUANT TO
SECTION 302 (a) OF THE SARBANES-OXLEY ACT OF 2002

I, Peter J. Johnson, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Eagle Bancorp;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for

establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

EAGLE BANCORP AND SUBSIDIARY
CERTIFICATION PURSUANT TO
SECTION 302 (a) OF THE SARBANES-OXLEY ACT OF 2002

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 10, 2003

/s/ Peter J. Johnson

Peter J. Johnson
Sr. VP/Treasurer and Chief Financial Officer