

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

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

FORM 10-Q

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

For the quarterly period ended December 31, 2012

- 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
(State or other jurisdiction of incorporation or organization)

27-1449820
(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 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 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.

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Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if smaller
reporting company)

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

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	As of February 14, 2013	3,898,685 shares outstanding
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EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

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101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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,” “continue,” “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, if any;
- 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)

	December 31, 2012 (Unaudited)	June 30, 2012 (Audited)
ASSETS		
Cash and due from banks	\$8,076	\$3,534
Interest-bearing deposits with banks	1,136	16,280
Federal funds sold	16,949	-
Total cash and cash equivalents	26,161	19,814
Securities available-for-sale, at market value	205,561	89,277
Federal Home Loan Bank stock, at cost	1,967	2,003
Investment in Eagle Bancorp Statutory Trust I	155	155
Mortgage loans held-for-sale	15,085	10,613
Loans receivable, net of deferred loan expenses and allowance for loan losses of \$1,825 at December 31, 2012 and \$1,625 at June 30, 2012	214,000	173,839
Accrued interest and dividends receivable	1,954	1,371
Mortgage servicing rights, net	2,360	2,218
Premises and equipment, net	19,207	15,561
Cash surrender value of life insurance	9,322	9,172
Real estate & other repossessed assets acquired in settlement of loans, net of allowance for losses	1,174	2,361
Goodwill	6,890	-
Core deposit intangible	1,018	-
Other assets	3,267	915
Total assets	\$508,121	\$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)

	December 31, 2012 (Unaudited)	June 30, 2012 (Audited)
LIABILITIES		
Deposit accounts:		
Noninterest bearing	\$53,465	\$23,425
Interest bearing	361,260	196,564
Total deposits	414,725	219,989
Accrued expenses and other liabilities	5,337	5,809
Federal funds purchased	-	-
FHLB advances and other borrowings	29,461	42,696
Subordinated debentures	5,155	5,155
Total liabilities	454,678	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 outstanding at December 31, 2012 and June 30, 2012, respectively)	41	41
Additional paid-in capital	22,103	22,112
Unallocated common stock held by employee stock ownership plan ("ESOP")	(1,473)	(1,556)
Treasury stock, at cost	(1,993)	(2,210)
Retained earnings	32,818	32,990
Accumulated other comprehensive income	1,947	2,273
Total equity	53,443	53,650
Total liabilities and equity	\$508,121	\$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 December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
	(Unaudited)		(Unaudited)	
Interest and Dividend Income:				
Interest and fees on loans	\$2,753	\$2,830	\$5,304	\$5,605
Securities available-for-sale	735	827	1,404	1,699
Interest on deposits with banks	11	3	16	9
Total interest and dividend income	3,499	3,660	6,724	7,313
Interest Expense:				
Deposits	333	273	581	562
FHLB advances & other borrowings	230	532	524	1,115
Subordinated debentures	23	23	47	45
Total interest expense	586	828	1,152	1,722
Net Interest Income	2,913	2,832	5,572	5,591
Loan loss provision	187	325	422	583
Net interest income after loan loss provision	2,726	2,507	5,150	5,008
Noninterest income:				
Service charges on deposit accounts	184	180	350	370
Net gain on sale of loans	962	403	1,774	639
Mortgage loan servicing fees	247	224	481	452
Net gain on sale of available for sale securities	245	109	312	166
Net loss on sale of OREO	(6)	-	(23)	-
Net gain (loss) on fair value hedge FASB ASC 815	28	(44)	65	(374)
Other	257	203	533	391
Total noninterest income	1,917	1,075	3,492	1,644

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		Six Months Ended	
	December 31, 2012	2011	December 31, 2012	2011
	(Unaudited)		(Unaudited)	
Noninterest expense:				
Salaries and employee benefits	2,131	1,203	3,572	2,370
Occupancy and equipment expense	508	339	850	682
Data processing	193	135	340	286
Advertising	218	131	419	262
Amortization of mortgage servicing rights	221	174	408	267
Amortization of core deposit intangible and tax credits	48	-	48	-
Federal insurance premiums	43	56	92	86
Postage	37	38	63	63
Legal, accounting, and examination fees	122	120	213	192
Consulting fees	35	308	61	395
Acquisition costs	731	-	1,208	-
Provision for valuation loss on OREO	30	-	98	-
Other	469	376	849	732
Total noninterest expense	4,786	2,880	8,221	5,335
(Loss) Income before provision for income taxes	(143)	702	421	1,317
Provision (benefit) for income taxes	(103)	215	39	402
Net (loss) income	\$(40)	\$487	\$382	\$915
Basic earnings per common share	\$(0.01)	\$0.13	\$0.10	\$0.25
Diluted earnings per common share	\$(0.01)	\$0.12	\$0.10	\$0.23
Weighted average shares outstanding (basic eps)	3,741,815	3,723,268	3,733,302	3,731,439
Weighted average shares outstanding (diluted eps)	3,933,114	3,916,496	3,931,030	3,914,411

See accompanying notes to consolidated financial statements.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(Dollars in Thousands)

	Three Months Ended December 31, 2012		Six Months Ended December 31, 2012	
	2011	2011	2011	2011
	(Unaudited)		(Unaudited)	
NET EARNINGS	\$ (40)	\$ 487	\$ 382	\$ 915
OTHER ITEMS OF COMPREHENSIVE EARNINGS:				
Change in unrealized gain(loss) on investment securities available for sale, before income taxes	(787)	(301)	(481)	1,004
Reclassification adjustment for realized gains on investment securities included in net earnings, before income tax	(220)	(109)	(272)	(166)
Change in fair value of derivatives designated as cash flow hedges, before income taxes	396	144	395	144
Reclassification adjustment for realized gains on derivatives designated as cash flow hedges, before income taxes	(179)	(62)	(192)	(18)
Total other items of comprehensive earnings	(790)	(328)	(550)	964
Income tax (expense) benefit related to other items of comprehensive earnings	323	98	224	(289)
COMPREHENSIVE EARNINGS	\$ (507)	\$ 257	\$ 56	\$ 1,590

See accompanying notes to consolidated financial statements.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

For the Six Months Ended December 31, 2012 and 2011

(Dollars in Thousands, Except for Per Share Data)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL UNALLOCATED PAID-IN CAPITAL	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						915		915
Other comprehensive income							675	675
Total comprehensive income								1,590
Dividends paid (\$0.07125 per share)						(555)		(555)
Treasury stock purchased					(414)			(414)
ESOP shares allocated or committed to be released for allocation (8,308 shares)			2	83				85
Balance, December 31, 2011	\$ -	\$ 41	\$ 22,112	\$(1,639)	\$(2,210)	\$ 32,278	\$ 2,609	\$ 53,191
Balance, June 30, 2012	\$ -	\$ 41	\$ 22,112	\$(1,556)	\$(2,210)	\$ 32,990	\$ 2,273	\$ 53,650
Net income						382		382
Other comprehensive income							(326)	(326)
Total comprehensive income								56
Dividends paid (\$0.07125 per share)						(554)		(554)

Treasury stock
reissued

(11)

217

206