

Eagle Bancorp Montana, Inc.  
Form 10-Q  
May 10, 2018

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**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 March 31, 2018

☐ 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.

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(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

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(Address of principal executive offices)

(406) 442-3080

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(Issuer's telephone number)

Website address: [www.opportunitybank.com](http://www.opportunitybank.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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
(Do not check if smaller reporting company)		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 5,460,452 shares outstanding  
As of May 10, 2018

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EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

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Exhibit 31.1

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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

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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,” “continue,” “plan,” “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 the management of Eagle Bancorp Montana, Inc. (“Eagle” or the “Company”) and Opportunity Bank of Montana (the “Bank”), Eagle’s wholly-owned subsidiary, 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 the Company’s 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 or volatility in the securities markets;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate acquired businesses;

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 insurance premium assessments;  
the impact of a recurring recession on our loan portfolio (including cash flow and collateral values), investment portfolio, customers and capital market activities;  
our ability to develop and maintain secure and reliable information technology systems, effectively defend ourselves against cyberattacks or recover from breaches to our cybersecurity infrastructure;  
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 year ended December 31, 2017, 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.

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EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in Thousands, Except for Per Share Data)

(Unaudited)

	March 31, 2018	December 31, 2017
<b>ASSETS:</b>		
Cash and due from banks	\$7,679	\$5,517
Interest bearing deposits in banks	1,641	1,920
Federal funds sold	3,591	-
Total cash and cash equivalents	12,911	7,437
Securities available-for-sale	158,417	132,044
Federal Home Loan Bank stock	3,704	4,086
Federal Reserve Bank stock	2,019	1,465
Investment in Eagle Bancorp Statutory Trust I	155	155
Mortgage loans held-for-sale	8,979	8,949
Loans receivable, net of deferred loan fees of \$1,008 at March 31, 2018 and \$1,093 at December 31, 2017 and allowance for loan losses of \$6,130 at March 31, 2018 and \$5,750 at December 31, 2017	560,852	507,404
Accrued interest and dividends receivable	3,212	2,555
Mortgage servicing rights, net	6,613	6,578
Premises and equipment, net	27,364	21,958
Cash surrender value of life insurance	14,575	14,481
Real estate and other repossessed assets acquired in settlement of loans, net	639	525
Goodwill	12,124	7,034
Core deposit intangible, net	1,859	273
Deferred tax asset, net	2,040	1,360
Other assets	472	478
Total assets	\$815,935	\$716,782

The accompanying notes are an integral part of these unaudited consolidated financial statements.



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## EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)

(Dollars in Thousands, Except for Per Share Data)

(Unaudited)

	March 31, 2018	December 31, 2017
<b>LIABILITIES:</b>		
Deposit accounts:		
Noninterest bearing	\$ 133,933	\$ 99,799
Interest bearing	492,002	420,765
Total deposits	625,935	520,564
Accrued expenses and other liabilities	4,697	4,822
Federal Home Loan Bank advances and other borrowings	69,528	82,969
Other Long-term debt:		
Principal amount	25,155	25,155
Unamortized debt issuance costs	(328 )	(344 )
Total other long-term debt less unamortized debt issuance costs	24,827	24,811
Total liabilities	724,987	633,166
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock (par value \$0.01 per share; 1,000,000 shares authorized; no shares issued or outstanding)	-	-
Common stock (par value \$0.01 per share; 8,000,000 shares authorized; 5,718,942 and 5,272,168 shares issued; 5,460,452 and 5,013,678 shares outstanding at March 31, 2018 and December 31, 2017)	57	53
Additional paid-in capital	51,849	42,780
Unallocated common stock held by Employee Stock Ownership Plan	(601 )	(643 )
Treasury stock, at cost	(2,826 )	(2,826 )
Retained earnings	44,020	43,939
Net accumulated other comprehensive (loss) income	(1,551 )	313
Total shareholders' equity	90,948	83,616
Total liabilities and shareholders' equity	\$ 815,935	\$ 716,782

The accompanying notes are an integral part of these unaudited consolidated financial statements.



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## EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands, Except for Per Share Data)

(Unaudited)

	Three Months Ended March 31, 2018      2017	
<b>INTEREST AND DIVIDEND INCOME:</b>		
Interest and fees on loans	\$6,872	\$5,570
Securities available-for-sale	989	729
Federal Home Loan Bank dividends	79	40
Interest on deposits with banks	17	-
Other interest income	-	1
Total interest and dividend income	7,957	6,340
<b>INTEREST EXPENSE:</b>		
Deposits	426	380
Federal Home Loan Bank advances and other borrowings	337	205
Long-term debt	347	272
Total interest expense	1,110	857
<b>NET INTEREST INCOME</b>	<b>6,847</b>	<b>5,483</b>
Loan loss provision	502	301
<b>NET INTEREST INCOME AFTER LOAN LOSS PROVISION</b>	<b>6,345</b>	<b>5,182</b>
<b>NONINTEREST INCOME:</b>		
Service charges on deposit accounts	226	232
Net gain on sale of loans (includes \$325 and \$558 for the three months ended March 31, 2018 and 2017, respectively, related to accumulated other comprehensive earnings reclassification)	1,439	1,825
Mortgage loan servicing fees	560	547
Wealth management income	132	141
Interchange and ATM fees	225	206
Appreciation in cash surrender value of life insurance	124	124
Net loss on sale of available-for-sale securities (includes \$105 and \$0 for the three months ended March 31, 2018 and 2017, respectively, related to accumulated other comprehensive earnings)	(105 )	-

reclassification)

Net loss on sale of real estate owned and other repossessed property	(25 )	(1 )
Other noninterest income	103	134
Total noninterest income	2,679	3,208

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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## EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME (Continued)

(Dollars in Thousands, Except for Per Share Data)

(Unaudited)

	Three Months Ended March 31,	
	2018	2017 (As Restated)
<b>NONINTEREST EXPENSE:</b>		
Salaries and employee benefits	4,909	4,433
Occupancy and equipment expense	828	717
Data processing	637	567
Advertising	278	189
Amortization of mortgage servicing rights	241	262
Amortization of core deposit intangible and tax credits	102	107
Federal insurance premiums	69	84
Postage	50	48
Legal, accounting and examination fees	142	85
Consulting fees	17	49
Acquisition costs	234	-
Write-down on real estate owned and other repossessed property	-	36
Other noninterest expense	817	862
Total noninterest expense	8,324	7,439
<b>INCOME BEFORE INCOME TAXES</b>	700	951
Income tax expense (includes (\$677) and \$25 for the three months ended March 31, 2018 and 2017, respectively, related to income tax (benefit) expense from reclassification items)	127	188
<b>NET INCOME</b>	\$573	\$763
<b>BASIC EARNINGS PER SHARE</b>	\$0.11	\$0.20
<b>DILUTED EARNINGS PER SHARE</b>	\$0.11	\$0.20
<b>WEIGHTED AVERAGE SHARES OUTSTANDING (BASIC EPS)</b>	5,311,527	3,811,409
<b>WEIGHTED AVERAGE SHARES OUTSTANDING (DILUTED EPS)</b>	5,375,987	3,875,677

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Thousands)

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
<b>NET INCOME</b>	\$573	\$763
<b>OTHER ITEMS OF COMPREHENSIVE (LOSS) INCOME:</b>		
Change in fair value of investment securities available-for-sale, before income taxes	(2,583)	279
Reclassification for realized gains and losses on investment securities included in income, before income tax	105	-
Change in fair value of derivatives designated as cash flow hedges, before income taxes	262	341
Reclassification for realized gains on derivatives designated as cash flow hedges, before income taxes	(325 )	(558)
Total other items of comprehensive (loss) income	(2,541)	62
Income tax benefit (expense) related to:		
Investment securities	660	(113)
Derivatives designated as cash flow hedges	17	88
Total income tax benefit (expense)	677	(25 )
<b>COMPREHENSIVE (LOSS) INCOME</b>	<b>\$(1,291)</b>	<b>\$800</b>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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## EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Three Months Ended March 31, 2018 and March 31, 2017

(Dollars in Thousands, Except for Per Share Data)

(Unaudited)

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNALLOCATED ESOP SHARES	TREASURY STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Balance at January 1, 2017	\$ -	\$ 41	\$ 22,366	\$ (809 )	\$ (2,971 )	\$ 41,240	\$ (411 )	\$ 59,456
Net income						763		763
Other comprehensive income							37	37
Dividends paid (\$0.08 per share)						(304 )		(304 )
Employee Stock Ownership Plan shares allocated or committed to be released for allocation (4,154 shares)			41	42				83
Balance at March 31, 2017	\$ -	\$ 41	\$ 22,407	\$ (767 )	\$ (2,971 )	\$ 41,699	\$ (374 )	\$ 60,035
Balance at January 1, 2018	\$ -	\$ 53	\$ 42,780	\$ (643 )	\$ (2,826 )	\$ 43,939	\$ 313	\$ 83,616
Net income						573		573
Other comprehensive loss							(1,864 )	(1,864 )

Dividends paid (\$0.09 per share)					(492 )			(492 )
Stock issued in connection with TwinCo acquisition	4	9,026						9,030
Employee Stock Ownership Plan shares allocated or committed to be released for allocation (4,154 shares)		43	42					85
<b>Balance at March 31, 2018</b>	\$ -	\$ 57	\$ 51,849	\$ (601 )	\$ (2,826 )	\$ 44,020	\$ (1,551 )	\$ 90,948

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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## EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands, Except for Per Share Data)

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$573	\$763
Adjustments to reconcile net income to net cash provided by operating activities:		
Loan loss provision	502	301
Write-down on real estate owned and other repossessed assets	-	36
Depreciation	273	238
Net amortization of investment securities premium and discounts	307	412
Amortization of mortgage servicing rights	241	262
Amortization of core deposit intangible and tax credits	102	107
Deferred income tax expense (benefit)	189	(96 )
Net gain on sale of loans	(1,439 )	(1,825 )
Net loss on sale of available-for-sale securities	105	-
Net loss on sale of real estate owned and other repossessed assets	25	1
Net appreciation in cash surrender value of life insurance	(116 )	(96 )
Net change in:		
Accrued interest and dividends receivable	48	22
Loans held-for-sale	1,346	11,406
Other assets	10	87
Accrued expenses and other liabilities	(59 )	101
Net cash provided by operating activities	2,107	11,719
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Activity in available-for-sale securities:		
Sales	25,994	-
Maturities, principal payments and calls	2,578	2,093
Purchases	(27,107)	(1,002 )
Federal Home Loan Bank stock redeemed	493	668
Federal Reserve Bank stock purchased	(554 )	-
Cash paid for TwinCo acquisition, net of cash received	(4,243 )	-
Loan origination and principal collection, net	827	(22,994)

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Proceeds from bank owned life insurance	205	-
Proceeds from sale of real estate and other repossessed assets acquired in settlement of loans	-	120
Additions to premises and equipment	(4,074 )	(595 )
Net cash used in investing activities	(5,881 )	(21,710)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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## EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in Thousands, Except for Per Share Data)

(Unaudited)

	Three Months Ended March 31, 2018      2017	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase in deposits	\$23,181	\$13,490
Net short-term payments on Federal Home Loan Bank and other borrowings	(11,495)	(14,993)
Long-term advances from Federal Home Loan Bank and other borrowings	-	5,000
Payments on long-term Federal Home Loan Bank and other borrowings	(1,946 )	(4,154 )
Dividends paid	(492 )	(304 )
Proceeds from issuance of long-term debt	-	10,000
Payments for debt issuance costs	-	(200 )
Net cash provided by financing activities	9,248	8,839
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	5,474	(1,152 )
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	7,437	7,318
<b>CASH AND CASH EQUIVALENTS, end of period</b>	\$12,911	\$6,166
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the period for interest	\$1,229	\$776
Cash paid during the period for income taxes	\$-	\$-
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
(Decrease) increase in market value of securities available-for-sale	\$(2,478 )	\$279
Mortgage servicing rights recognized	\$276	\$301
Loans transferred to real estate and other assets acquired in foreclosure	\$4	\$-
Stock issued in connection with TwinCo acquisition	\$9,030	\$-

Employee Stock Ownership Plan shares released	\$85	\$83
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See Note 12. Mergers and Acquisitions for additional information related to assets acquired and liabilities assumed in the TwinCo acquisition.

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**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 annual 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 our financial position, results of operations, changes in comprehensive income and cash flows for the unaudited interim periods.

The results of operations for the *three* month period ended *March 31, 2018* are *not* necessarily indicative of the results to be expected for the year ending *December 31, 2018* 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 Bancorp Montana, Inc.'s ("the Company" or "Eagle") Form *10-K* for the year ended *December 31, 2017*.

Certain loan amounts were reclassified for prior periods to conform to the presentation for *2018*. These reclassifications had *no* impact on net income or total shareholders' equity. During the quarter ended *March 31, 2018*, Eagle completed the acquisition of TwinCo, Inc. ("TwinCo"). See Note *12. Mergers and Acquisitions* for more information. The acquisition included the addition of over *\$55,000,000* in gross loans and added a considerable amount to Eagle's agricultural loans. There was *no* impact to Eagle's loan policies due to the acquisition.

The Company evaluated subsequent events for potential recognition and/or disclosure through *May 10, 2018*, the date the unaudited consolidated financial statements were issued.

**NOTE 2. INVESTMENT SECURITIES**

Investment securities are summarized as follows:

	March 31, 2018				December 31, 2017			
	Gross				Gross			
	Amortized	Unrealized		Fair	Amortized	Unrealized		Fair
	Cost	Gains	(Losses)	Value	Cost	Gains	(Losses)	Value
	(In Thousands)							
<b>Available-for-Sale:</b>								
U.S. government and agency obligations	\$9,619	\$-	\$(103 )	\$9,516	\$4,881	\$13	\$(37 )	\$4,857
Municipal obligations	78,745	385	(1,555 )	77,575	67,508	807	(429 )	67,886
Corporate obligations	14,199	6	(244 )	13,961	14,725	18	(99 )	14,644
Mortgage-backed securities	26,916	274	(453 )	26,737	24,770	364	(265 )	24,869
Collateralized mortgage obligations	23,843	5	(640 )	23,208	20,051	7	(270 )	19,788
Asset-backed securities	7,464	-	(44 )	7,420	-	-	-	-
Total	\$160,786	\$670	\$(3,039 )	\$158,417	\$131,935	\$1,209	\$(1,100 )	\$132,044

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EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**NOTE 2. INVESTMENT SECURITIES - continued**

Proceeds from sales of available-for-sale securities and the associated gross realized gains and losses were as follows:

	Three Months Ended March 31, 2018      2017 (In Thousands)	
Proceeds from sale of available-for-sale securities	\$25,994	\$ -
Gross realized gain on sale of available-for-sale securities	\$-	\$ -
Gross realized loss on sale of available-for-sale securities	(105 )	-
Net realized loss on sale of available-for-sale securities	\$(105 )	\$ -

The amortized cost and fair value of securities by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers *may* have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2018 Amortized Fair Cost      Value (In Thousands)	
Due in one year or less	\$3,231	\$3,224
Due from one to five years	14,399	14,136
Due from five to ten years	18,191	17,957

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Due after ten years	74,206	73,155
	110,027	108,472
Mortgage-backed securities	26,916	26,737
Collateralized mortgage obligations	23,843	23,208
Total	\$160,786	\$158,417

Maturities of securities do *not* reflect repricing opportunities present in adjustable rate securities.

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## EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**NOTE 2. INVESTMENT SECURITIES – continued**

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 were as follows:

	March 31, 2018		12 Months or Longer	
	Less Than 12			
	Months			
	Fair	Gross	Fair	Gross
	Value	Unrealized	Value	Unrealized
		Losses		Losses
	(In Thousands)			
U.S. government and agency	\$8,175	\$ (60)	) \$1,342	\$ (43)
Municipal obligations	40,648	(740)	) 15,263	(815)
Corporate obligations	9,969	(227)	) 2,485	(17)
Mortgage-backed securities and collateralized mortgage obligations	15,424	(388)	) 21,319	(705)
Asset-backed securities	7,420	(44)	) -	-
Total	\$81,636	\$ (1,459)	) \$40,409	\$ (1,580)

	December 31, 2017		12 Months or Longer	
	Less Than 12			
	Months			
	Fair	Gross	Fair	Gross
	Value	Unrealized	Value	Unrealized
		Losses		Losses
	(In Thousands)			
U.S. government and agency	\$2,493	\$ (14)	) \$1,363	\$ (23)
Municipal obligations	15,404	(87)	) 16,675	(342)
Corporate obligations	7,643	(71)	) 3,981	(28)
Mortgage-backed securities and collateralized mortgage obligations	9,107	(81)	) 21,653	(454)
Asset-backed securities	-	-	) -	-
Total	\$34,647	\$ (253)	) \$43,672	\$ (847)