Eagle Bancorp Montana, Inc.
Form 10-K
March 15, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

or

[ ] 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 registrant as specified in its charter)

Delaware	27-1449820
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

1400 Prospect Avenue, Helena, MT	59601
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code 406-442-3080

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01	The NASDAQ Stock Market LLC

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
o Yes x No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
o Yes x No

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.
x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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).
x Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

The aggregate market value of the common stock held by non-affiliates of Eagle, computed by reference to the closing price at which the stock was sold as of June 30, 2015 was $34,418,000. The outstanding number of shares of common stock of Eagle as of February 1, 2016, was 3,779,464.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive Proxy Statement relating to its 2016 annual meeting of stockholders ("2016 Proxy Statement") are incorporated by reference into Part III of this Form 10-K. The 2016 Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the Company's fiscal year end to which this report relates.

TABLE OF CONTENTS

		Page
	PART I	
ITEM 1.	DESCRIPTION OF BUSINESS	2
ITEM 1A.	RISK FACTORS	15
ITEM 1B.	UNRESOLVED STAFF COMMENTS	18
ITEM 2.	PROPERTIES	19
ITEM 3.	LEGAL PROCEEDINGS	19
ITEM 4.	MINE SAFETY DISCLOSURES	19
	PART II	
ITEM 5.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	20
ITEM 6.	SELECTED FINANCIAL DATA	21
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	21
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	44
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	44
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	44
ITEM 9A.	CONTROLS AND PROCEDURES	44
ITEM 9B.	OTHER INFORMATION	45
	PART III	
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	46
ITEM 11.	EXECUTIVE COMPENSATION	47
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	47
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	47
ITEM 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	47
	PART IV	
ITEM 15.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES	47

CAUTIONARY LANGUAGE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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,” “estin “plan,” “project,” “could,” “intend,” “target” and other similar words and expressions of the future. These forward-looki statements include, but are not limited to: (i) statements of our goals, intentions and expectations; (ii) statements regarding our business plans, prospects, growth and operating strategies; (iii) statements regarding the asset quality of our loan and investment portfolios; and (iv) 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;

adverse 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;

- the Company's ability to develop and maintain secure and reliable information technology systems;
- the impact of the restructuring of the U.S. financial and regulatory system;
- 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 other reports that we file with the SEC.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

Overview

Eagle Bancorp Montana, Inc. ("Eagle" or "the Company"), is a Delaware corporation that holds 100.0% of the capital stock of Opportunity Bank of Montana ("the Bank"), formerly American Federal Savings Bank ("AFSB"). In 2014, the Board of Directors ("the Board") determined that it was in the Company's best interests to adopt a Montana community bank charter and the Company applied to the State of Montana to form an interim bank for the purpose of facilitating the conversion of AFSB from a federally chartered savings bank to a Montana-chartered commercial bank. Upon receiving required approvals of the Montana Division of Banking and Financial Institutions and the federal banking agencies for the conversion, the conversion became effective on October 14, 2014. Concurrent with the conversion, the Bank applied, and was approved, for membership in the Federal Reserve System of the Board of Governors. In connection with the conversion, AFSB changed its name to Opportunity Bank of Montana. As a result of the conversion, the Bank is now regulated by the Montana Division of Banking and Financial Institutions. As a Federal Reserve Board ("FRB") member bank, its primary federal regulator is the FRB, and the Company is a registered bank holding company regulated by the FRB. The Bank is headquartered at 1400 Prospect Avenue, Helena, Montana, 59601. Investor information for the Company may be found at www.opportunitybank.com. The contents on or accessible through, our website are not incorporated into this report.

The Bank was founded in 1922 as a Montana-chartered building and loan association and has conducted operations in Helena since that time. In 1975, the Bank adopted a federal thrift charter and in October 2014 converted to a Montana-chartered commercial bank. On November 30, 2012, the Company completed a significant transaction with Sterling Financial Corporation ("Sterling") of Spokane, Washington in which the Company purchased all of Sterling's retail bank branches in Montana. As a result of this transaction, the Bank's assets grew to over $500 million and the retail branch network grew from six to 13 full service branches, with six branches in new markets. The acquisition also included the addition of a wealth management division with over $100 million in managed assets and a mortgage banking operation that has increased opportunities for additional origination and fee income. The Bank currently has 15 automated teller machines located in our market areas and we participate in the Money Pass® ATM network. As of December 31, 2015, the Bank was the 7th largest commercial bank headquartered in Montana in terms of deposits.

The Bank has equity investments in Certified Development Entities which have received allocations of New Markets Tax Credits ("NMTC"). Administered by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury, the NMTC program is aimed at stimulating economic and community development and job creation in low-income communities.

In August 2014, the Board of Eagle approved a change in the Company's fiscal year end from June 30 to December 31 of each year. The year-end change was effective January 1, 2015. As a result of this change, this form 10-K includes calendar year ("CY") 2015 for the period from January 1, 2015 through December 31, 2015, the six month transition period from July 1, 2014 through December 31, 2014 and fiscal year ("FY") 2014 for the period from July 1, 2013 through June 30, 2014.

Business Strategy

The Company's principal strategy is to manage its principal asset, the Bank, in a profitable manner. The Company seeks to continue profitable operations through building a diversified loan portfolio and positioning the Bank as a full-service community bank that offers both retail and commercial loan and deposit products in all of its markets. We

believe that this focus will enable us to continue to grow our franchise, while maintaining our commitment to customer service, high asset quality, and sustained net earnings.

The following are the key elements of our business strategy:

- Continue to diversify our portfolio through growth in commercial real estate and commercial business loans as a complement to our traditional single family residential real estate lending. As of December 31, 2015, such loans constituted approximately 50.7% of total loans;
- Continue to emphasize the attraction and retention of lower cost long-term core deposits;
- Seek opportunities where presented to acquire other institutions or expand our branch structure;
- Maintain our high asset quality levels; and
- Operate as a community-oriented independent financial institution that offers a broad array of financial services with high levels of customer service.

Our results of operations may be significantly affected by our ability to effectively implement our business strategy including our plans for expansion through strategic acquisitions. If we are unable to effectively integrate and manage acquired or merged businesses or attract significant new business through our branching efforts, our financial performance may be negatively affected.

Market Areas

From our headquarters in Helena, Montana, we operate thirteen full service retail banking offices, including our main office. Our other full service branches are located in Helena – Neill (opened 1987), Helena – Skyway (opened 2009), Bozeman – Oak (opened 1980, relocated 2009), Butte (opened 1979) and Townsend (opened 1979), Montana. The Sterling Montana branch acquisition that was completed November 30, 2012 included retail banking offices in: Bozeman, Big Timber, Livingston, Billings, Missoula and Hamilton. The Bozeman Mendenhall location was sold in June 2015 and relocated to a new leased building. The acquisition also included three mortgage loan origination locations in Bozeman, Missoula and Kalispell. The Kalispell location was closed in FY 2014. We opened a loan production office in Great Falls, Montana in January 2015.

Montana is one of the largest states in terms of land mass but ranks as one of the least populated states. According to U.S. Census Bureau data for 2010, it had a population of 989,415 (1.03 million estimated for 2015). Helena, where we are headquartered, is Montana's state capital. It is also the county seat of Lewis and Clark County, which has a population of approximately 65,856 and is located within 120 miles of four of Montana's other five largest cities: Missoula, Great Falls, Bozeman and Butte. Helena is approximately midway between Yellowstone and Glacier National Parks. Its economy has shown moderate growth, in terms of both employment and income. State government and the numerous offices of the federal government comprise the largest employment sector. Helena also has significant employment in the service industries. Specifically, it has evolved into a central health care center with employment in the medical and the supporting professions as well as the medical insurance industry. The local economy is also dependent to a lesser extent upon ranching and agriculture. These have been more cyclical in nature and remain vulnerable to severe weather conditions, increased competition, both domestic and international, as well as commodity prices.

Butte, Montana is approximately 64 miles southwest of Helena. Butte and the surrounding Silver-Bow County have a population of approximately 34,680. Butte's economy was historically reliant on the mining industry and fluctuations in metal and mineral commodity prices have had a corresponding impact on the local economy.

Bozeman is approximately 95 miles southeast of Helena. It is located in Gallatin County, which has a population of approximately 97,308. Bozeman is home to Montana State University and experienced fairly significant growth from 1990 to 2007, in part due to the growth of the University as well as the increased tourism for resort areas in and near Bozeman. Agriculture, however, remains an important part of Bozeman's economy. Bozeman has also become an attractive location for retirees, primarily from the West Coast, owing to its many winter and summer recreational opportunities and the presence of the University.

Townsend, Montana is approximately 34 miles southeast of Helena. Townsend is located in Broadwater County which has a population of approximately 5,667. Many of its residents commute to other Montana locations for work, particularly Helena. Other employment in Townsend is primarily in agriculture and services.

Livingston, Montana is approximately 124 miles southeast of Helena. Livingston and the surrounding Park County have a population of approximately 15,880. Livingston's economy is somewhat reliant on the wood products and tourism industry.

Big Timber, Montana is approximately 158 miles southeast of Helena. Big Timber and the surrounding Sweet Grass County have a population of approximately 3,665. Big Timber's economy is somewhat reliant on the wood products, agriculture and tourism industries.

Billings, Montana is approximately 239 miles southeast of Helena. Billings and the surrounding Yellowstone County have a population of approximately 155,634. Billings is a significant trade center for eastern Montana. Select manufacturing is also a significant contributing portion of its economy.

Missoula, Montana is approximately 116 miles west of Helena. Missoula and the surrounding Missoula County have a population of approximately 112,684. The University of Montana is located in Missoula and the local economy is reliant on the University and the corresponding trade and services resulting from the University's presence.

Hamilton, Montana is approximately 161 miles southwest of Helena in Ravalli County. Ravalli County has a population of approximately 41,030. Hamilton is a relatively short distance from Missoula with a number of persons working in Missoula, residing in Hamilton. Medical research and the wood products industry are significant contributors to Ravalli County's economy.

Great Falls, Montana is approximately 91 miles northeast of Helena in Cascade County. Cascade County has a population of approximately 82,344. Health care, education services, and accommodation and food services are large contributors to Cascade County's economy.

Competition

We face strong competition in our primary market areas for retail deposits and the origination of loans. Historically, Montana was a unit banking state. This means that the ability of Montana state banks to create branches was either prohibited or significantly restricted. As a result of unit banking, Montana has a significant number of independent financial institutions serving a single community in a single location. While the state's population is approximately 1.03 million people, there are 58 credit unions in Montana as well as 1 national thrift institution and 54 commercial banks as of December 31, 2015. Our most direct competition for depositors has historically come from locally owned and out-of-state commercial banks, thrift institutions and credit unions operating in our primary market areas. The number of such competitor locations has increased significantly in recent years. Our competition for loans also comes from banks, thrifts and credit unions in addition to mortgage bankers and brokers. Our principal market areas can be characterized as markets with moderately increasing incomes, relatively low unemployment, increasing wealth (particularly in the growing resort areas such as Bozeman), and moderate population growth.

Lending Activities

General

The Bank primarily originates residential mortgages (1-4 family) and, commercial real estate loans, real estate construction loans, home equity loans, consumer loans and commercial loans. Commercial real estate loans include loans on multi-family dwellings, loans on nonresidential property and loans on developed and undeveloped land. Home equity loans include loans secured by the borrower's primary residence. Typically, the property securing such loans is subject to a prior lien. Consumer loans consist of loans secured by collateral other than real estate, such as automobiles, recreational vehicles and boats. Personal loans and lines of credit are made on deposits held by the Bank and on an unsecured basis. Commercial business loans consist of business loans and lines of credit on a secured and unsecured basis.

Fee Income

The Bank receives lending related fee income from a variety of sources. Its principal source of this income is from the origination and servicing of sold mortgage loans. Fees generated from mortgage loan servicing, which generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and foreclosure processing for loans held by others, were $1.72 million for CY 2015, $767,000 for the six months ended December 31, 2014 and $1.37 million for FY 2014. Other loan related fee income for contract collections, late charges, credit life commissions and credit card fees were $59,000 for CY 2015, $64,000 for the six months ended December 31, 2014 and $164,000 for FY 2014.

Residential Lending

The Bank originates residential mortgage (1-4 family) loans secured by property located in the Bank's market areas. Approximately 29.0% of the Bank's total loans as of December 31, 2015 were comprised of such loans. The Bank generally originates residential mortgage (1-4 family) loans in amounts of up to 80.0% of the lesser of the appraised value or the selling price of the mortgaged property without requiring private mortgage insurance. A mortgage loan originated by the Bank, whether fixed rate or adjustable rate, can have a term of up to 30 years. The Bank holds substantially all of its adjustable rate and its 8, 10 and 12-year fixed rate loans in portfolio. Adjustable rate loans limit the periodic interest rate adjustment and the minimum and maximum rates that may be charged over the term of the loan. The Bank's fixed rate 15-year and 20-year loans are held in portfolio or sold in the secondary market depending on market conditions. Generally, all 30-year fixed rate loans are sold in the secondary market. The volume of loan sales is dependent on the volume, type and term of loan originations.

The Bank obtains a significant portion of its noninterest income from servicing of loans that it has sold. The Bank offers many of the fixed rate loans it originates for sale in the secondary market on a servicing retained basis. This means that we process the borrower's payments and send them to the purchaser of the loan. This retention of servicing enables the Bank to increase fee income and maintain a relationship with the borrower. At December 31, 2015, the Bank had $686.34 million in residential mortgage (1-4 family) loans and $4.54 million in commercial real estate and commercial loans sold with servicing retained. The Bank does not ordinarily purchase home mortgage loans from other financial institutions.

Property appraisals on real estate securing the Bank's single-family residential loans are made by state certified and licensed independent appraisers who are approved annually by the Board. Appraisals are performed in accordance with applicable regulations and policies. The Bank generally obtains title insurance policies on all first mortgage real estate loans originated. On occasion, refinancing of mortgage loans are approved using title reports instead of title insurance. Title reports are also allowed on home equity loans. Borrowers generally remit funds with each monthly payment of principal and interest, to a loan escrow account from which the Bank makes disbursements for such items as real estate taxes and hazard and mortgage insurance premiums as they become due.

Home Equity Loans

The Bank also originates home equity loans. These loans are secured by the borrowers' primary residence, but are typically subject to a prior lien, which may or may not be held by the Bank. At December 31, 2015, $45.35 million or 11.1% of our total loans were home equity loans. Borrowers may use the proceeds from the Bank's home equity loans for many purposes, including home improvement, debt consolidation or other purchasing needs. The Bank offers fixed rate, fixed payment home equity loans as well as variable and fixed rate home equity lines of credit. Fixed rate home equity loans typically have terms of no longer than 15 years.

Home equity loans are secured by real estate but they have historically carried a greater risk than first lien residential mortgages because of the existence of a prior lien on the property securing the loan, as well as the flexibility the borrower has with respect to the loan proceeds. The Bank attempts to minimize this risk by maintaining conservative underwriting policies on such loans. We generally make home equity loans for not more than 85.0% of appraised value of the underlying real estate collateral, less the amount of any existing prior liens on the property securing the loan.

Commercial Real Estate and Land Loans

The Bank originates commercial real estate mortgage and land loans, including both developed and undeveloped land loans, and loans on multi-family dwellings. Commercial real estate and land loans made up 41.3% of the Bank's total

loan portfolio, or $167.93 million at December 31, 2015. The Bank's commercial real estate mortgage loans are primarily permanent loans secured by improved property such as office buildings, retail stores, commercial warehouses and apartment buildings. The terms and conditions of each loan are tailored to the needs of the borrower and based on the financial strength of the project and any guarantors. Generally, commercial real estate loans originated by the Bank will not exceed 75.0% of the appraised value or the selling price of the property, whichever is less. The average loan size is approximately $470,000 and is typically made with fixed rates of interest and 5- to 15-year maturities. Upon maturity, the loan is repaid or the terms and conditions are renegotiated. Generally, all commercial real estate loans that we originate are secured by property located in the state of Montana and within the market areas of the Bank. The Bank's largest single commercial real estate loan had a balance of approximately $10.24 million ($9.23 million is guaranteed by Rural Development of the U.S. Department of Agriculture, leaving approximately $1.01 million unguaranteed) on December 31, 2015, and is secured by a detention facility.

Real Estate Construction Lending

The Bank also lends funds for the construction of one-to-four family homes. Real estate construction loans are made both to individual homeowners for the construction of their primary residence and, to a lesser extent, to local builders for the construction of pre-sold houses or houses that are being built for sale in the future. Real estate construction loans accounted for $22.96 million or 5.6% of the Bank's total loan portfolio at December 31, 2015.

Consumer Loans

As part of its strategy to invest in higher yielding shorter term loans, the Bank emphasized growth of its consumer lending portfolio in recent years. This portfolio includes personal loans secured by collateral other than real estate, unsecured personal loans and lines of credit and loans secured by deposits held by the Bank. As of December 31, 2015, consumer loans totaled $14.64 million or 3.6% of the Bank's total loan portfolio. These loans consist primarily of auto loans, RV loans, boat loans, personal loans and credit lines and deposit account loans. Consumer loans are originated in the Bank's market areas and generally have maturities of up to 7 years. For loans secured by savings accounts, the Bank will lend up to 90.0% of the account balance on single payment loans and up to 100.0% for monthly payment loans.

Consumer loans have a shorter term and generally provide higher interest rates than residential loans. Consumer loans can be helpful in improving the spread between average loan yield and cost of funds and at the same time improve the matching of the maturities of rate sensitive assets and liabilities. Increasing consumer loans continues to be a part of the Bank's strategy of operating more like a commercial bank than a traditional savings bank.

The underwriting standards employed by the Bank for consumer loans include a determination of the applicant's credit history and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan. The stability of the applicant's monthly income may be determined by verification of gross monthly income from primary employment, and additionally from any verifiable secondary income. Creditworthiness of the applicant is of primary consideration; however, the underwriting process also includes a comparison of the value of the collateral in relation to the proposed loan amount.

Commercial Business Loans

Commercial business loans amounted to $39.07 million, or 9.6% of the Bank's total loan portfolio at December 31, 2015. The Bank's commercial business loans are traditional business loans and are not secured by real estate. Such loans may be structured as unsecured lines of credit or may be secured by inventory, accounts receivable or other business assets. Within the commercial loan category, $1.92 million were in loans originated through a syndication program where the business resides outside of Montana, at December 31, 2015.

The Bank intends to continue to increase commercial business lending by focusing on market segments which it has not previously emphasized, such as business loans to doctors, lawyers, architects and other professionals, as well as, to small businesses within its market areas. Our management believes that this strategy provides opportunities for growth, without significant additional cost outlays for staff and infrastructure.

Commercial business loans of this nature usually involve greater credit risk than residential mortgage (1-4 family) loans. The collateral we receive is typically related directly to the performance of the borrower's business which means that repayment of commercial business loans is dependent on the successful operations and income stream of the borrower's business. Such risks can be significantly affected by economic conditions. In addition, commercial lending generally requires substantially greater oversight efforts compared to residential real estate lending.

Loans to One Borrower

Under Montana law, commercial banks such as the Bank, are subject to certain exemptions and are allowed to select the Office of the Comptroller of the Currency ("OCC") formula used to determine limits on credit concentrations to single borrowers to an amount equal to the greater of $500,000 or 15.0% of the institution's unimpaired capital and surplus. As of December 31, 2015, the Bank's limit to a single borrower was $9.14 million. Our largest aggregation of loans to one borrower was approximately $18.82 million at December 31, 2015. This consisted of three loans: two commercial real estate loans secured by two separate detention facilities and a commercial real estate loan secured by a chemical dependency treatment facility. The first commercial real estate loan had a principal balance of $4.47 million. However, 90.0% of that amount, or $4.02 million was sold to the Montana Board of Investments, leaving a net principal balance payable to the Bank of $447,000. As of December 31, 2015, the principal balance on the second commercial real estate loan was $10.24 million. However, 90.0% of this loan is guaranteed by the USDA Rural Development.

Thus, 90.0% of the loan, or $9.23 million, is not required to be included in the Bank's limitations to a single borrower under applicable banking regulations. This leaves approximately $1.01 million subject to the lending limit described above. The Bank entered into an interest rate swap with a third party to change the underlying cash flows of the second loan to be a variable market rate tied to one-month LIBOR. The interest rate swap was terminated during the quarter ended March 31, 2015. The third commercial real estate loan had a principal balance of $4.11 million as of December 31, 2015. As a result, the total amount subject to the lending limit at December 31, 2015 was $5.58 million. At December 31, 2015, these loans were performing in accordance with their terms. The Bank maintains the servicing for these loans.

Loan Solicitation and Processing

Our customary sources of mortgage loan applications include repeat customers, walk-ins and referrals from home builders and real estate brokers. We also advertise in local newspapers and on local radio and television. We currently have the ability to accept online mortgage loan applications and provide pre-approvals through our website. Our branch managers and loan officers located at our headquarters and in branches, have authority to approve certain types of loans when presented with a completed application. Other loans must be approved at our main offices as disclosed below. No loan consultants or loan brokers are currently utilized for either residential or commercial lending activities.

After receiving a loan application from a prospective borrower, a credit report and verifications are obtained to confirm specific information relating to the loan applicant's employment, income and credit standing. When required by our policies, an appraisal of the real estate intended to secure the proposed loan is undertaken by an independent fee appraiser. In connection with the loan approval process, our staff analyzes the loan applications and the property involved. Officers and branch managers are granted lending authority based on the nature of the loan and the managers' level of experience. We have established a series of loan committees to approve any loans which may exceed the lending authority of particular officers or branch managers. Three Directors of the Board are required for approval of any loan, or aggregation of loans to a single borrower, that exceeds $1.25 million.

Loan applicants are promptly notified of the decision by a letter setting forth the terms and conditions of the decision. If approved, these terms and conditions include the amount of the loan, interest rate basis, amortization term, a brief description of real estate to be mortgaged, tax escrow and the notice of requirement of insurance coverage to be maintained. We generally require title insurance on first mortgage loans and fire and casualty insurance on all properties securing loans, which insurance must be maintained during the entire term of the loan.

Loan Commitments

We generally provide commitments to fund fixed and adjustable-rate single-family mortgage loans for periods up to 60 days at a specified term and interest rate, and other loan categories for shorter time periods. The total amount of our commitments to extend credit as of December 31, 2015, was approximately $24.38 million, all of which was for residential mortgage loans.

Investment Activities

General

State-chartered commercial banks such as the Bank have the authority to invest in various types of investment securities, including United States Treasury obligations, securities of various Federal agencies (including securities collateralized by mortgages), certificates of deposits of insured banks and savings institutions, municipal securities, corporate debt securities and loans to other banking institutions.

Eagle maintains liquid assets that may be invested in specified short-term securities and other investments. Liquidity levels may be increased or decreased depending on the yields on investment alternatives. They may also be increased based on management's judgment as to the attractiveness of yields available in relation to other opportunities. Liquidity levels can also change based on management's expectation of future yield levels, as well as management's projections as to the short-term demand for funds to be used in the Bank's loan origination and other activities. Eagle maintains an investment securities portfolio and a mortgage-backed securities ("MBSs") portfolio as part of its investment portfolio.

Investment Policies

The investment policy of Eagle, which is established by the Board, is designed to foster earnings and liquidity within prudent interest rate risk guidelines, while complementing the Bank's lending activities. The policy provides for available-for-sale (including those accounted for under ASC Topic 825), held-to-maturity and trading classifications.

However, Eagle currently does not hold any securities for purposes of trading or held-to-maturity. The policy permits investments in high credit quality instruments with diversified cash flows while permitting us to maximize total return within the guidelines set forth in our interest rate risk and liquidity management policies. Permitted investments include but are not limited to U.S. government obligations, government agency or government-sponsored agency obligations, state, county and municipal obligations and mortgage-backed securities. Collateralized mortgage obligations ("CMOs"), investment grade corporate debt securities and commercial paper are also included. We also invest in Federal Home Loan Bank ("FHLB") overnight deposits and federal funds, but these instruments are not considered part of the investment portfolio.

Our investment policy also includes several specific guidelines and restrictions to ensure adherence with safe and sound activities. The policy prohibits investments in high-risk mortgage derivative products (as defined within the policy) without prior approval from the Board. To secure such approval, management must demonstrate the business advantage of such investments.

We do not participate in the use of off-balance sheet derivative financial instruments, except interest rate caps and certain financial instruments designated as cash flow hedges related to loans committed to be sold in the secondary market and interest rate swaps designated as fair-value hedges. Further, Eagle does not invest in securities which are not rated investment grade at time of purchase.

The Board, through its asset/liability committee, has charged the President and CEO with implementation of the investment policy. All transactions are reported to the Board monthly, as well as the current composition of the portfolio, including market values and unrealized gains and losses.

Sources of Funds

General

Deposits are the major source of our funds for lending and other investment purposes. Borrowings (principally from the FHLB of Des Moines) are also used to compensate for reductions in the availability of funds from other sources. In addition to deposits and borrowings, we derive funds from loans and investment securities principal payments. Funds are also derived from proceeds for the maturity, call and sale of investment securities and from the sale of loans. Loan and investment securities principal payments are a relatively stable source of funds, while loan prepayments and deposit inflows are significantly influenced by general interest rates and financial market conditions.

Deposits

We offer a variety of deposit accounts. Deposit account terms vary, primarily as to the required minimum balance amount, the amount of time that the funds must remain on deposit and the applicable interest rate.

Our current deposit products include certificates of deposit accounts ranging in terms from 90 days to five years, as well as, checking, savings and money market accounts. Individual retirement accounts ("IRAs") are included in certificates of deposit.

Deposits are obtained primarily from residents of Helena, Bozeman, Butte, Townsend, Billings, Missoula, Livingston, Big Timber and Hamilton. We believe we are able to attract deposit accounts by offering outstanding service, competitive interest rates, convenient locations and service hours. We use traditional methods of advertising to attract new customers and deposits, including radio, television, print media advertising and sales training and incentive programs for employees. Management believes that non-residents of Montana hold an insignificant number and amount of deposit accounts.

We pay interest rates on deposits which are competitive in our market. Interest rates on deposits are set by senior management, based on a number of factors, including: projected cash flow; a current survey of a selected group of competitors' rates for similar products; external data which may influence interest rates; investment opportunities and loan demand; and scheduled certificate maturities and loan and investment repayments.

Borrowings

Deposits are the primary source of funds for our lending and investment activities and for general business purposes. However, as the need arises, or in order to take advantage of funding opportunities, we also borrow funds in the form of advances from FHLB of Des Moines to supplement our supply of lendable funds and to meet deposit withdrawal requirements. We also have Federal funds line of credits with PNC Financial Services Group, Inc. ("PNC"), Zions Bank and Stockman Bank.

During FY 2006, our predecessor entity formed a special purpose subsidiary, Eagle Bancorp Statutory Trust I (the "Trust"), for the purpose of issuing trust preferred securities in the amount of $5.16 million. Our predecessor entity has issued subordinated debentures to the Trust, and the coupon on the debentures matches the dividend payment on the trust preferred securities. Upon the closing of the second-step conversion and reorganization, we assumed the obligations of our predecessor in connection with the subordinated debentures and trust preferred securities. For regulatory purposes, the securities qualify as Tier 1 Capital, while for accounting purposes they are recorded as long term debt. The securities have a 30 year maturity and carried a fixed coupon of 6.02% for the first five years, at which time the coupon became variable, at a spread of 142 basis points over 3 month LIBOR. At December 31, 2015 the rate was 2.033%.

In June 2015, the Company completed the issuance of $10.00 million in aggregate principal amount of subordinated notes due in 2025 in a private placement transaction to an institutional accredited investor. The notes will bear interest at an annual fixed rate of 6.75% and interest will be paid quarterly through maturity date or earlier redemption. The notes qualify as Tier 2 capital for regulatory purposes, subject to applicable limitations. The notes are recorded as long term debt for accounting purposes.

Other Activities

The Company offers wealth management services at its locations through financial advisors employed by the Bank. Income from wealth management services was $625,000 for CY 2015, $290,000 for the six months ended December 31, 2014 and $527,000 for FY 2014.

Subsidiary Activity

We are permitted to invest in the capital stock of, or originate secured or unsecured loans to, subsidiary corporations. The following are subsidiaries of the Company: Opportunity Bank of Montana, Eagle Bancorp Statutory Trust I, and AFSB NMTC Investment Fund, LLC, which is a subsidiary of the Bank.

Personnel

As of December 31, 2015, we had 165 full-time employees and 9 part-time employees. The employees are not represented by a collective bargaining unit. We believe our relationship with our employees to be good.

Regulation

Set forth below is a brief description of certain laws and regulations applicable to Eagle and the Bank. These descriptions of laws and regulations as well as those contained elsewhere do not purport to be complete and are qualified in their entirety by reference to applicable laws and regulations. Legislative or regulatory changes in the future could adversely affect our operations or financial condition.

General

As a state-chartered commercial bank, the Bank is subject to extensive regulation, examination and supervision by the Montana Division of Banking and Financial Institutions and the Federal Deposit Insurance Corporation ("FDIC"), as the insurer of its deposits. The Bank is a member of the FRB System and its deposit accounts are insured up to applicable limits by the Deposit Insurance Fund, which is administered by the FDIC. There are periodic examinations to evaluate the Bank's safety and soundness and compliance with various regulatory requirements. Under certain circumstances, the FDIC may also examine the Bank. This regulatory structure is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities

extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate allowance for loan losses for regulatory purposes. Eagle, as a bank holding company, is required to file certain reports with, and is subject to examination by, and must otherwise comply with the rules and regulations of the FRB. Eagle is also subject to the rules and regulations of the Securities and Exchange Commission ("SEC") under the federal securities laws. See "—Holding Company Regulation."

Dodd-Frank Act

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Dodd-Frank Act has significantly changed the bank regulatory structure and affected the lending, investment, trading and operating activities of financial institutions and their holding companies. Many of the provisions of the Dodd-Frank Act are subject to delayed effective dates and/or require the issuance of implementing regulations. This effect on operations cannot yet be assessed fully. However, there is a significant possibility that the Dodd-Frank Act will, in the long run, increase regulatory burden, compliance cost and interest expense for Eagle and the Bank.

The Dodd-Frank Act will require the FRB to set minimum capital levels for depository institution holding companies that are as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital would be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. Under the Dodd-Frank Act, the proceeds of trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with less than $15 billion of assets.

The Dodd-Frank Act also created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks such as the Bank, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks with more than $10 billion in assets. Banks with $10 billion or less in assets will continue to be examined by their applicable bank regulators.

The legislation also broadened the base for FDIC insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2009, and non-interest bearing transaction accounts had unlimited deposit insurance through December 31, 2012. Lastly, the Dodd-Frank Act directs the FRB to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

Federal Regulation of Commercial Banks

General

Deposits in the Bank, a Montana state-chartered commercial bank are insured by the FDIC. The bank has no branches in any other state. The Bank is subject to regulation and supervision by the Montana Department of Administration's Banking and Financial Institutions Division and the FRB. The federal laws that apply to the Bank regulate, among other things, the scope of its business, its investments, its reserves against deposits, the timing of the availability of deposited funds, and the nature, amount of, and collateral for loans. Federal laws also regulate community reinvestment and insider credit transactions and impose safety and soundness standards.

The Bank's general permissible lending limit for loans-to-one-borrower is equal to the greater of $500,000 or 15.0% of unimpaired capital and surplus. An additional amount may be lent, equal to 10.0% of unimpaired capital and unimpaired surplus, if the loan is fully secured by certain readily marketable collateral, which is defined to include certain financial instruments and bullion, but generally does not include real estate.

The federal banking agencies, have adopted guidelines establishing safety and soundness standards on such matters as loan underwriting and documentation, asset quality, earnings standards, internal controls and audit systems, interest rate risk exposure and compensation and other employee benefits. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to submit or implement an acceptable plan, the appropriate federal banking agency may issue an enforceable order requiring correction of the deficiencies.

Federal Home Loan Bank System

The Bank is a member of the FHLB of Des Moines (formerly FHLB of Seattle). The FHLB of Des Moines completed a merger with FHLB of Seattle in June 2015. FHLB Des Moines is one of 11 regional FHLBs that administer the home financing credit function of banks, credit unions and savings institutions. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans or advances to members in accordance with policies and procedures, established by the Board of Directors of the FHLB, which are subject to the oversight of the Federal Housing Finance Board. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances are required to provide funds for residential home financing. As a member, the Bank is required to purchase and maintain a specified amount of shares of capital stock in the FHLB of Des Moines.

The FHLBs have continued and continue to contribute to low- and moderately-priced housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have affected adversely the level of FHLB dividends paid and could continue to do so in the future. These contributions could also have an adverse effect on the value of FHLB stock in the future. A reduction in value of the Bank’s FHLB stock may result in a corresponding reduction in the Bank’s capital.

Federal Reserve System

The Federal Reserve System requires all depository institutions to maintain noninterest-bearing reserves at specified levels against their checking and non-personal time deposits. The balances maintained to meet the reserve requirements imposed by the Federal Reserve System may be used to satisfy liquidity requirements.

The Bank has authority to borrow from the Federal Reserve System “discount window”. The Bank maintains a “primary credit” facility at the Federal Reserve’s discount window.

As a new member of the Federal Reserve System, the Company is required to maintain a minimum level of investment in FRB stock based on a specific percentage of its capital and surplus. A reduction in value of the Bank’s FRB stock may result in a corresponding reduction in the Bank’s capital.

Insurance of Deposit Accounts

Deposit accounts at the Bank are insured by the FDIC, generally up to a maximum of $250,000 per separately insured depositor and up to a maximum of $250,000 for self-directed retirement accounts. The Bank’s deposits, therefore, are subject to FDIC deposit insurance assessments. Assessments paid to the FDIC by the Bank and other banking institutions are used to fund the FDIC’s Federal Deposit Insurance Fund.

Insurance of Accounts and Regulation by the FDIC

As insurer of deposits in banks, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious risk to the fund. The FDIC also has the authority to initiate enforcement actions against savings institutions, after giving FRB an opportunity to take such action. Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or written agreement with the FDIC. We are not aware of any practice, condition or violation that might lead to the termination of the Bank’s

deposit insurance.

New Assessments Under Dodd-Frank

The FDIC assesses deposit insurance premiums on each insured institution quarterly based on annualized rates for one of four risk categories. As required by the Dodd-Frank Act, the FDIC adopted rules effective April 1, 2011, under which insurance premium assessments are based on an institution's total assets minus its tangible equity (defined as Tier I capital) instead of its deposits. Under these rules, an institution with total assets of less than $10 billion is assigned to a Risk Category and a range of initial base assessment rates applies to each category, subject to adjustment downward based on unsecured debt issued by the institution and, except for an institution in Risk Category I, adjustment upward if the institution's brokered deposits exceed 10.0% of its domestic deposits, to produce total base assessment rates. Effective April 1, 2011, total base assessment rates will range from 2.5 to 9.0 basis points for Risk Category I, 9.0 to 24.0 basis points for Risk Category II, 18.0 to 33.0 basis points for Risk Category III, and 30.0 to 45.0 basis points for Risk Category IV, all subject to further adjustment upward if the institution holds more than a de minimis amount of unsecured debt issued by another FD1C-insured institution. The FDIC may increase or decrease its rates for each quarter by 2.0 basis points without further rulemaking. In an emergency, the FDIC may also impose a special assessment.

Minimum Reserve Ratios

The Dodd-Frank Act establishes 1.35% as the minimum reserve ratio for the Deposit Insurance Fund. The FDIC has adopted a plan under which it will meet this ratio by September 30, 2020, the deadline imposed by the Dodd-Frank Act, The Dodd-Frank Act requires the FDIC to offset the effect on institutions with assets less than $10 billion of the increase in the statutory minimum reserve ratio to 1.35% from the former statutory minimum of 1.15%. The FDIC has not yet announced how it will implement this offset. In addition to the statutory minimum ratio, the FDIC must designate a reserve ratio, known as the designated reserve ratio, or DRR, which may exceed the statutory minimum. The FDIC has established 2.0% as the DRR.

The FDIC has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. There can be no prediction as to what insurance assessment rates will be in the future.

In addition to the assessment for deposit insurance, through 2019, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation to recapitalize a predecessor deposit insurance fund.

Capital Requirements

Federally insured savings institutions, such as the Bank, are required by the FRB to maintain minimum levels of regulatory capital. These minimum capital standards include: a ratio of total capital to risk-weighted assets of 8.0%, a ratio of Tier 1 capital to risk-weighted assets of 6.0%, a ratio of common equity Tier 1 capital to risk-weighted assets of 4.5%, or a ratio of Tier 1 capital to total assets of 4.0%. The regulations require that, in meeting the capital standards, institutions must generally deduct investments in and loans to subsidiaries engaged in activities as principal that are not permissible for a national bank.

The risk-based capital standard requires state chartered commercial banks to maintain Tier 1 and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 6.0% and 8.0%, respectively. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, recourse obligations, residual interests and direct credit substitutes, are multiplied by a risk-weight factor of 0.0% to 100.0%, assigned by the FRB capital regulation based on the risks believed inherent in the type of asset. Tier 1 capital is defined as common stockholders' equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries, less intangibles other

than certain mortgage servicing rights and credit card relationships. The components of supplementary capital currently include cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock, the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100.0% of core capital. The FRB also has authority to establish individual minimum capital requirements for financial institutions.

Basel III – New Capital and Prompt Corrective Action Regulations. In July 2013, the federal bank regulatory agencies issued interim final rules that revise and replace the current risk-based capital requirements in order to implement the "Basel III" regulatory capital reforms released by the Basel Committee on Banking Supervision and changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Basel III reforms reflected in the final rules include an increase in the risk-based capital requirements and certain changes to capital components and the calculation of risk-weighted assets.

Effective January 1, 2015, bank holding companies with consolidated assets of $1 Billion or more and banks like Opportunity Bank must comply with new minimum capital ratio requirements to be phased-in between January 1, 2015 and January 1, 2019, which would consist of the following: (i) a new common equity Tier 1 capital to total risk weighted assets ratio of 4.5%; (ii) a Tier 1 capital to total risk weighted assets ratio of 6% (increased from 4%); (iii) a total capital to total risk weighted assets ratio of 8% (unchanged from current rules); and (iv) a Tier 1 capital to adjusted average total assets ("leverage") ratio of 4%.

In addition, a "capital conservation buffer," is established which when fully phased-in will require maintenance of a minimum of 2.5% of common equity Tier 1 capital to total risk weighted assets in excess of the regulatory minimum capital ratio requirements described above. The 2.5% buffer will increase the minimum capital ratios to (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. The new buffer requirement will be phased-in between January 1, 2016 and January 1, 2019. If the capital ratio levels of a banking organization fall below the capital conservation buffer amount, the organization will be subject to limitations on (i) the payment of dividends; (ii) discretionary bonus payments; (iii) discretionary payments under Tier 1 instruments; and (iv) engaging in share repurchases.

The federal bank regulatory agencies also implemented changes to the prompt corrective action framework, which is designed to place restrictions on insured depository institutions if their capital ratios begin to show signs of weakness. These changes will take effect beginning January 1, 2015 and will require insured depository institutions to meet the following increased capital ratio requirements in order to qualify as "well capitalized:" (i) a new common equity Tier 1 capital ratio of 6.5%; (ii) a Tier 1 capital ratio of 8%; (iii) a total capital ratio of 10%; and (iv) a Tier 1 leverage ratio of 5%. See also the additional discussion below under "Prompt Corrective Action."

Management believes that, as of December 31, 2015, the Company and the Bank would meet all capital adequacy requirements under the Basel III Capital rules on a fully phased-in basis as if such requirements were currently in effect; however, final rules are subject to regulatory discretion and could result in the need for additional capital levels in the future.

Prompt Corrective Action

Federal bank regulatory agencies are required to take certain supervisory actions against undercapitalized institutions, the severity of which depends upon the institution's degree of undercapitalization. Generally, an institution that has a ratio of total capital to risk-weighted assets of less than 8.00%, a ratio of Tier 1 capital to risk-weighted assets of less than 6.0%, a ratio of common equity Tier 1 capital to risk-weighted assets of less than 4.5%, or a ratio of Tier 1 capital to total assets of less than 4.0% is considered to be "undercapitalized." An institution that has a total risk-based capital ratio less than 6.0%, a Tier 1 capital ratio of less than 4.0%, a common equity Tier 1 capital ratio of less than 3.0% or a Tier 1 leverage ratio that is less than 3.0% is considered to be "significantly undercapitalized." An institution that has a tangible capital to assets ratio equal to or less than 2.0% is deemed to be "critically undercapitalized." Subject to a narrow exception, the FRB is required to appoint a receiver or conservator for a savings institution that is "critically undercapitalized." Regulations also require that a capital restoration plan be filed with the FRB within 45 days of the date a savings institution receives notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution, including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. "Significantly undercapitalized" and "critically undercapitalized" institutions are subject to more extensive mandatory regulatory actions. The FRB also could take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors. At December 31, 2015, the Bank's capital ratios met the "well capitalized" standards.

Limitations on Capital Distributions

A principal source of the parent holding company's cash is from dividends received from the Bank, which are subject to government regulation and limitation. Regulatory authorities may prohibit banks and bank holding companies from paying dividends in a manner that would constitute an unsafe or unsound banking practice. In addition, a bank may not pay cash dividends if that payment could reduce the amount of its capital below that necessary to meet minimum applicable regulatory capital requirements. The Bank is subject to Montana state law and cannot declare a dividend greater than the previous two years' net earnings without providing notice to the state. Additionally, current guidance

from the FRB provides, among other things, that dividends per share on the Company's common stock generally should not exceed earnings per share, measured over the previous four fiscal quarters. Basel III also introduces additional limitations on banks' ability to issue dividends by imposing a capital conservation buffer requirement.

Transactions with Affiliates

The Bank's authority to engage in transactions with "affiliates" is limited by regulations and by Sections 23A and 23B of the Federal Reserve Act as implemented by the FRB's Regulation W. The term "affiliates" for these purposes generally means any company that controls or is under common control with an institution. Eagle is an affiliate of the Bank. In general, transactions with affiliates must be on terms that are as favorable to the institution as comparable transactions with non-affiliates. In addition, certain types of transactions, i.e. "covered transactions"¸ are restricted to an aggregate percentage of the institution's capital. Collateral in specified amounts must be provided by affiliates in order to receive loans from an institution. In addition, savings institutions are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies and no savings institution may purchase the securities of any affiliate other than a subsidiary.

Our authority to extend credit to executive officers, directors and 10.0% or greater shareholders (“insiders”), as well as entities controlled by these persons, is governed by Sections 22(g) and 22(h) of the Federal Reserve Act and its implementing regulation, FRB Regulation O. Among other things, loans to insiders must be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for bank-wide lending programs that do not discriminate in favor of insiders. Regulation O also places individual and aggregate limits on the amount of loans that may be made to insiders based, in part, on the institution’s capital position, and requires that certain prior board approval procedures be followed. Extensions of credit to executive officers are subject to additional restrictions on the types and amounts of loans that may be made. At December 31, 2015, we were in compliance with these regulations.

Holding Company Regulation

General

Eagle is a bank holding company subject to regulatory oversight of the FRB. Eagle is required to register and file reports with the FRB and is subject to regulation and examination by the FRB. In addition, the FRB has enforcement authority over Eagle and its non-bank institution subsidiaries which also permits the FRB to restrict or prohibit activities that are determined to present a serious risk to the Bank.

Mergers and Acquisitions

Eagle must obtain approval from the FRB before acquiring more than 5.0% of the voting stock of another bank or bank holding company or acquiring such an institution or holding company by merger, consolidation or purchase of its assets. In evaluating an application for Eagle to acquire control of a bank, the FRB would consider the financial and managerial resources and future prospects of Eagle and the target institution, the effect of the acquisition on the risk to the Deposit Insurance Fund, the convenience and the needs of the community and competitive factors.

Acquisition of Eagle

Under the Bank Holding Company Act and the Change in Bank Control Act, a notice or application must be submitted to the FRB if any person (including a company), or a group acting in concert, seeks to acquire 10.0% or more of Eagle’s outstanding voting stock, unless the FRB has found that the acquisition will not result in a change in control of Eagle. In acting on such a notice or application, the FRB must take into consideration certain factors, including the financial and managerial resources of the acquirer and the anti-trust effect of the acquisition. Any company that acquires control will be subject to regulation as a bank holding company.

Federal Securities Laws

Eagle’s common stock is registered with the SEC under the Exchange Act. We are subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Exchange Act. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports, filed with or furnished to the SEC, are available free of charge through our Internet website, www.opportunitybank.com, as soon as reasonably practical after we have electronically filed such material with, or furnished it to, the SEC. The public may read and copy any materials filed by us with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov. The contents on or accessible through, these websites are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act addresses, among other issues, corporate governance, auditing and accounting, executive compensation and enhanced and timely disclosure of corporate information. As directed by the Sarbanes-Oxley Act, our Chief Executive Officer and Chief Financial Officer are required to certify that our quarterly and annual reports do not contain any untrue statement of a material fact. The rules adopted by the Securities and Exchange Commission under the Sarbanes-Oxley Act have several requirements, including having these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our internal control over financial reporting; they have made certain disclosures to our auditors and the audit committee of the board of directors about our internal control over financial reporting; and they have included information in our quarterly and annual reports about their evaluation and whether there have been changes in our internal control over financial reporting or in other factors that could materially affect internal control over financial reporting.

ITEM 1A. RISK FACTORS

We hold certain intangible assets that could be classified as impaired in the future. If these assets are considered to be either partially or fully impaired in the future, our earnings and the book values of these assets would decrease.

As a result of the branch acquisition from Sterling in FY 2013, we recorded goodwill in the amount of $6.89 million in the second quarter of 2013. Final valuation adjustments were recorded in the second quarter of 2014 for $144,000 and impacted goodwill. The final goodwill recorded related to the acquisition was $7.03 million. We are required to test our goodwill for impairment on a periodic basis. The impairment testing process considers a variety of factors, including the current market price of our common shares, the estimated net present value of our assets and liabilities and information concerning the terminal valuation of similarly situated insured depository institutions. It is possible that future impairment testing could result in a partial or full impairment of the value of our goodwill. If an impairment determination is made in a future reporting period, our earnings and the book value of goodwill will be reduced by the amount of the impairment.

Risks associated with system failures, interruptions, or breaches of security could negatively affect our earnings.

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches, but such events may still occur or may not be adequately addressed if they do occur. In addition, any compromise of our systems could deter customers from using our products and services. Although we rely on security systems to provide security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource a majority of our data processing to certain third-party providers. If these third-party providers encounter difficulties, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any system failures, interruption, or breach of security could damage our reputation and result in a loss of customers and business thereby subjecting us to additional regulatory scrutiny, or could expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

Changes in the structure of Fannie Mae and Freddie Mac ("GSEs") and the relationship among the GSEs, the federal government and the private markets, or the conversion of the current conservatorship of the GSEs into receivership, could result in significant changes to our securities portfolio.

The GSEs are currently in conservatorship, with their primary regulator, the Federal Housing Finance Agency, acting as conservator. We cannot predict if, when or how the conservatorships will end, or any associated changes to the GSEs' business structure that could result. There are several proposed approaches, including possible legislative changes in discussion in both the House Financial Services Committee and the Senate Banking Committee which, if enacted, could change the nature of government participation in the private mortgage market or alternatively the structure of the GSEs, the relationship among the GSEs, the government and the private markets, including the trading markets for agency conforming mortgage loans and markets for mortgage-related securities in which we participate. We cannot predict the prospects for the enactment, timing or content of legislative or rulemaking proposals regarding the future status of any of these approaches. Accordingly, there continues to be uncertainty

regarding the future of the GSEs, including whether they will continue to exist in their current form. GSE reform, if enacted, could result in a significant change and adversely impact our business operations, particularly as to our residential mortgage lending activities.

We cannot accurately predict the effect of the recent economic downturn on our future results of operations or market price of our stock.

The national economy and the financial services sector, while improving somewhat, continue to face challenges. We cannot accurately predict whether the economic downturn, which adversely impacted the markets we serve, will continue to abate or whether further downturns may occur. Any renewed deterioration in the economies of the nation as a whole or in our markets would have an adverse effect, which could be material, on our business, financial condition, results of operations and prospects, and could also cause the market price of our stock to decline. A fragile recovery or another recession could continue to present risks for some time for the financial services industry and our company.

If the allowance for credit losses is not sufficient to cover actual loan losses, our earnings could decrease.

Our customers may not repay their loans according to the original terms, and the collateral, if any, securing the payment of these loans may be insufficient to pay any remaining loan balance. We may experience significant loan losses, which may have a material adverse effect on operating results. We make various assumptions and judgments about the collectability of the loan portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. If the assumptions prove to be incorrect, the allowance for credit losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to the allowance. Material additions to the allowance would materially decrease net income.

Our emphasis on the origination of consumer, commercial real estate and commercial business loans is one of the more significant factors in evaluating the allowance for loan losses. As we continue to increase the amount of such loans, additional or increased provisions for loan losses may be necessary and would decrease earnings.

Bank regulators periodically review our allowance for loan losses and may require an increase to the provision for loan losses or further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities may have a material adverse effect on our results of operations or financial condition.

We could record future losses on our securities portfolio.

A number of factors or combinations of factors could require us to conclude in one or more future reporting periods that an unrealized loss exists with respect to our investment securities portfolio that constitutes an impairment that is other than temporary, which could result in material losses to us. These factors include, but are not limited to, continued failure by the issuer to make scheduled interest payments, an increase in the severity of the unrealized loss on a particular security, an increase in the continuous duration of the unrealized loss without an improvement in value or changes in market conditions and/or industry or issuer specific factors that would render us unable to forecast a full recovery in value. In addition, the fair values of securities could decline if the overall economy and the financial condition of some of the issuers deteriorates and there is limited liquidity for these securities.

Changes in our accounting policies or in accounting standards could materially affect how we report our financial condition and results of operations.

Our accounting policies are essential to understanding our financial results and condition. Some of these policies require the use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Some of our accounting policies are critical because they require management to make difficult, subjective, and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying our financial statements are incorrect, we may experience material losses.

From time to time, the Financial Accounting Standards Board and the Securities and Exchange Commission change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of our financial statements. These changes are beyond our control, can be hard to predict and could materially impact how we report our results of operations and financial condition. We could also be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements in material amounts.

A prolonged economic downturn, especially one affecting our geographic market areas, will adversely affect our business and financial results.

The United States and many industrial nations are experiencing adverse economic conditions and slow recovery. Loan portfolio quality has improved at many institutions, reflecting in part, the improving U.S. economy and rising employment. In addition, the values of real estate collateral supporting many commercial loans and home mortgages appear to have stabilized but may continue to decline. The continuing stagnation in the real estate market also has resulted in reduced demand for the construction of new housing and increased delinquencies in construction, residential and commercial mortgage loans. Financial institution stock prices have declined substantially, and it is significantly more difficult for financial institutions to raise capital or borrow in the debt markets.

Continued negative developments in the financial services industry and the domestic and international credit markets may significantly affect the markets in which we do business, the market for and value of our loans and investments, and our ongoing operations, costs and profitability. Moreover, continued volatility or declines in the stock market in general, or stock values of financial institutions and their holding companies, could adversely affect our stock performance.

Because we have increased our commercial real estate and commercial business loan originations, our credit risk has increased and continued downturns in the local real estate market or economy could adversely affect our earnings.

We intend to continue our recent emphasis on originating commercial real estate and commercial business loans. Commercial real estate and commercial business loans generally have more risk than the residential real estate (1-4 family) loans we originate. Because the repayment of commercial real estate and commercial business loans depends on the successful management and operation of the borrower's properties or related businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Commercial real estate and commercial business loans may also involve relatively large loan balances to individual borrowers or groups of related borrowers. A downturn in the real estate market or the local economy could adversely affect the value of properties securing the loan or the revenues from the borrower's business, thereby increasing the risk of nonperforming loans. As our commercial real estate and commercial business loan portfolios increase, the corresponding risks and potential for losses from these loans may also increase.

Declines in home values could decrease our loan originations and increase delinquencies and defaults.

Declines in home values in our markets could adversely impact results from operations. Like all financial institutions, we are subject to the effects of any economic downturn, and in particular, a significant decline in home values would likely lead to a decrease in new home equity loan originations and increased delinquencies and defaults in both the consumer home equity loan and residential real estate loan portfolios and result in increased losses in these portfolios. Declines in the average sale prices of homes in our primary markets could lead to higher loan losses.

We depend on the services of our executive officers and other key employees.

Our success depends upon the continued employment of certain members of our senior management team. We also depend upon the continued employment of the individuals that manage several of our key functional areas. The departure of any member of our senior management team may adversely affect our operations.

Changes in interest rates could adversely affect our results of operations and financial condition.

Our results of operations and financial condition are significantly affected by changes in interest rates. Our results of operations depend substantially on our net interest income, which is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest expense we pay on our interest-bearing liabilities, such as deposits, borrowings and trust preferred securities. Because our interest-bearing liabilities generally reprice or mature more quickly than our interest-earning assets, an increase in interest rates generally would tend to result in a decrease in net interest income.

Changes in interest rates may also affect the average life of loans and mortgage-related securities. Decreases in interest rates can result in increased prepayments of loans and mortgage-related securities, as borrowers refinance to reduce their borrowing costs. Under these circumstances, we are subject to reinvestment risk to the extent that we are unable to reinvest the cash received from such prepayments at rates that are comparable to the rates on existing loans and securities. Additionally, increases in interest rates may decrease loan demand and make it more difficult for borrowers to repay adjustable rate loans. Also, increases in interest rates may extend the life of fixed rate assets, which would restrict our ability to reinvest in higher yielding alternatives, and may result in customers withdrawing certificates of deposit early so long as the early withdrawal penalty is less than the interest they could receive as a result of the higher interest rates.

Changes in interest rates also affect the current fair value of our interest-earning securities portfolio. Generally, the value of securities moves inversely with changes in interest rates.

Strong competition may limit growth and profitability.

Competition in the banking and financial services industry is intense. We compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Many of these competitors (whether regional or national institutions) have substantially greater resources and lending limits than we have and may offer certain services that we do not or cannot provide. Our profitability depends upon our ability to successfully compete in our market areas.

We operate in a highly regulated environment and may be adversely affected by changes in laws and regulations.

We are subject to extensive regulation, supervision and examination by the Board of Governors of the Federal Reserve Board and the Montana Division of Banking and Financial Institutions. The federal banking laws and regulations govern the activities in which we may engage, and are primarily for the protection of depositors and the Deposit Insurance Fund at the FDIC. These regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the ability to impose restrictions on a bank's operations, reclassify assets, determine the adequacy of a bank's allowance for loan losses and determine the level of deposit insurance premiums assessed. Any change in such regulation and oversight, whether in the form of regulatory policy, new regulations or legislation or additional deposit insurance premiums could have a material impact on our operations. Because our business is highly regulated, the laws and applicable regulations are subject to frequent change. Any new laws, rules and regulations could make compliance more difficult or expensive or otherwise adversely affect our business, financial condition or prospects.

Financial reform legislation enacted by Congress will, among other things, tighten capital standards, create a new Consumer Financial Protection Bureau and result in new laws and regulations that are expected to increase our costs of operations.

Congress enacted the Dodd-Frank Act in July 2010. This new law has significantly changed the bank regulatory structure and affected the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years.

The Dodd-Frank Act created the Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Banks with $10 billion or less in assets will continue to be examined for compliance with the consumer laws by their primary bank regulators, which in the case of the Bank is the FRB.

It is difficult to predict at this time what impact the Dodd-Frank Act and its implementing rules will have on community banks like the Bank. However, it is expected that at a minimum they will increase our operating and compliance costs and could increase our interest expense.

If our investment in the Federal Home Loan Bank of Des Moines becomes impaired, our earnings and shareholders' equity could decrease.

We are required to own common stock of the Federal Home Loan Bank of Des Moines ('FHLB") to qualify for membership in the FHLB System and to be eligible to borrow funds under the FHLB's advance program. The aggregate cost of our FHLB common stock as of December 31, 2015 was $3.40 million. FHLB common stock is not a marketable security and can only be redeemed by the FHLB.

FHLB's may be subject to accounting rules and asset quality risks that could materially lower their regulatory capital. In an extreme situation, it is possible that the capitalization of a FHLB, including the FHLB of Des Moines, could be substantially diminished or reduced to zero. Consequently, we believe that there is a risk that our investment

in FHLB of Des Moines common stock could be deemed impaired at some time in the future, and if this occurs, it would cause our earnings and shareholders' equity to decrease by the amount of the impairment charge.

Future legislative or regulatory actions responding to perceived financial and market problems could impair our ability to foreclose on collateral.

There have been proposals made by members of Congress and others that would reduce the amount distressed borrowers are otherwise contractually obligated to pay under their mortgage loans and limit an institution's ability to foreclose on mortgage collateral. Were proposals such as these, or other proposals limiting our rights as a creditor, to be adopted, we could experience increased credit losses or increased expense in pursuing our remedies as a creditor.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Eagle's and the Bank's executive office is located at 1400 Prospect Avenue in Helena, Montana. The Bank conducts its business through 17 offices. These offices are located in Helena, Butte, Bozeman, Townsend, Livingston, Big Timber, Billings, Missoula and Hamilton, Montana. A loan production office was opened in Great Falls, Montana in January 2015. The Bozeman – Mendenhall Branch that was acquired in 2012 as part of the Sterling Montana branch acquisition was sold in June 2015 and was relocated to a leased location. The principal banking office in Helena also serves as the executive headquarters. This headquarters houses approximately 28.0% of the Bank's full-time employees. In addition, an operations center is located in Helena. The following table includes the location of each of the Bank's offices, the year the office was opened and the net book value including land, buildings and furniture and equipment. The square footage at each location is also presented.

Location	Address	Opened	Value At December 31, 2015 (In Thousands)	Square Footage
Helena Main Office	1400 Prospect Ave. Helena, MT 59601	1997	$ 3,405	32,304
Helena Neill Avenue Branch	28 Neill Ave. Helena, MT 59601	1987	$ 874	1,391
Helena Skyway Branch	2090 Cromwell Dixon Helena, MT 59602	2009	$ 2,005	4,643
Butte Office	3401 Harrison Ave. Butte, MT 59701	1979	$ 387	3,890
Bozeman - Oak Office	1455 Oak St. Bozeman, MT 59715	2009	$ 7,075	19,818
Townsend Office	416 Broadway Townsend, MT 59644	1979	$ 150	1,973
Bozeman - Downtown Branch	237 W. Main St. Bozeman, MT 59715	2012 (Relocated 2015)	$ 35	1,711
Livingston Office	123 S. Main St. Livingston, MT 59047	2012 *	$ 825	11,072
Big Timber Office	101 McLeod St. Big Timber, MT 59011	2012	$ 824	2,004
Billings Office	455 S. 24th St. West Billings, MT 59102	2012 *	$ 132	3,778
Missoula - Higgins Branch	200 N. Higgins Missoula, MT 59802	2012 *	$ 207	3,079
Missoula - Reserve Office	1510 S Reserve St. Missoula, MT 59801	2012 *	$ 69	4,320
Hamilton Office	711 S. First Street	2012	$ 1,760	4,870

	Hamilton, MT 59840				
Helena Operations Center	3210 Euclid Ave. 3203 Broadwater Ave.	2012		$ 402	6,758
Bozeman Home Loan Office	1006 W. Main St. Bozeman, MT 59715	2012	*	$ 29	2,981
Missoula Home Loan Office	2800 S. Reserve St. Missoula, MT 59801	2012	*	$ 29	2,965
Great Falls Loan Production Office	120 1st Ave. North, Suite 201 Great Falls, MT 59401	2015	*	$ 9	1,883

* Leased location

As of December 31, 2015, the net book value of land, buildings and furniture and equipment owned by the Bank, less accumulated depreciation, totaled $18.22 million.

ITEM 3. LEGAL PROCEEDINGS.

The Bank, from time to time, is a party to routine litigation, which arises in the normal course of business, such as claims to enforce liens, condemnation proceedings on properties in which the Bank holds security interests, claims involving the making and servicing of real property loans, and other issues incident to the business of the Bank. There were no lawsuits pending or known to be contemplated against Eagle or the Bank as of December 31, 2015.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is traded on the NASDAQ Global Market under the symbol "EBMT." At the close of business on December 31, 2015, there were 3,779,464 shares of common stock outstanding, held by approximately 880 shareholders of record. The closing price of the common stock on December 31, 2015, was $12.36 per share. The following table includes the high and low prices for our common stock for each quarter presented, as well as, dividends paid during each quarter:

Quarter Ended	High	Low	Dividends Paid
Calendar Year 2015:			
December 31, 2015	$ 13.23	$ 11.26	$ 0.0775
September 30, 2015	$ 12.46	$ 10.68	$ 0.0775
June 30, 2015	$ 11.19	$ 10.54	$ 0.0750
March 31, 2015	$ 11.20	$ 10.60	$ 0.0750
Six Months Ended December 31, 2014			
December 31, 2014	$ 11.40	$ 10.50	$ 0.0750
September 30, 2014	$ 10.94	$ 10.50	$ 0.0750
Fiscal Year 2014:			
June 30, 2014	$ 11.37	$ 10.45	$ 0.0725
March 31, 2014	$ 11.64	$ 10.60	$ 0.0725
December 31, 2013	$ 11.05	$ 10.70	$ 0.0725
September 30, 2013	$ 12.03	$ 10.66	$ 0.0725

Payment of dividends on our shares of common stock is subject to determination and declaration by the Board of Directors (the "Board'') and will depend upon a number of factors, including capital requirements, regulatory limitations on the payment of dividends, our results of operations and financial condition, tax considerations and general economic conditions. No assurance can be given that dividends will be declared or, if declared, what the amount of dividends will be, or whether such dividends, once declared, will continue.

On July 23, 2015, the Board of Directors authorized the repurchase of up to 100,000 shares of its common stock. Under the plan, shares may be purchased by the Company on the open market or in privately negotiated transactions. The extent to which the company repurchases its shares and the timing of such repurchase will depend upon market conditions and other corporate considerations. During the three months ended September 30, 2015, 46,065 shares were purchased at an average price of $11.47 per share. The repurchase program expires on July 23, 2016.

The following table summarizes the Company's purchase of its common stock for the three months ended December 31, 2015:

	Total Number of Shares	Average Price Paid	Total Number of Shares Purchased as Part of Publicly	Maximum Number of Shares that May Yet Be Purchased

	Purchased	Per Share	Announced Plans or Programs	Under the Plans or Programs
October 1, 2015 through October 31, 2015	-	-	-	53,935
November 1, 2015 through November 30, 2015	15,000	$11.75	15,000	38,935
December 1, 2015 through December 31, 2015	-	-	-	38,935
Total	15,000	$11.75	15,000	

20

On July 1, 2014, the Company announced that its Board of Directors had authorized the repurchase of up to 200,000 shares of its common stock. Under the plan, shares could be purchased by the company on the open market or in privately negotiated transactions. During the six months ended June 30, 2015, 55,800 shares were purchased at an average price of $11.03 per share. During the six month transition period ended December 31, 2014, 55,000 shares were purchased at an average price of $10.66 per share. The repurchase program expired on June 30, 2015.

On July 1, 2013, the Company announced that its Board of Directors authorized a common stock repurchase program for 150,000 shares of common stock, effective July 1, 2013. The Company did not purchase any shares of our common stock during the FY 2014. The repurchase program expired on June 30, 2014.

ITEM 6. SELECTED FINANCIAL DATA.

This item has been omitted based on Eagle's status as a smaller reporting company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of the financial condition and results of operations of Eagle is intended to help investors understand our company and our operations. The financial review is provided as a supplement to, and should be read in conjunction with the Consolidated Financial Statements and the related Notes included elsewhere in this report.

Overview

Historically, our principal business has consisted of attracting deposits from the general public and the business community and making loans secured by various types of collateral, including real estate and other consumer assets. We are significantly affected by prevailing economic conditions, particularly interest rates, as well as government policies concerning, among other things, monetary and fiscal affairs, housing and financial institutions and regulations regarding lending and other operations, privacy and consumer disclosure. Attracting and maintaining deposits is influenced by a number of factors, including interest rates paid on competing investments offered by other financial and non-financial institutions, account maturities, fee structures and levels of personal income and savings. Lending activities are affected by the demand for funds and thus are influenced by interest rates, the number and quality of lenders and regional economic conditions. Sources of funds for lending activities include deposits, borrowings, repayments on loans, cash flows from maturities of investment securities and income provided from operations.

Our earnings depend primarily on our level of net interest income, which is the difference between interest earned on our interest-earning assets, consisting primarily of loans, mortgage-backed securities and other investment securities, and the interest paid on interest-bearing liabilities, consisting primarily of deposits, borrowed funds, and trust-preferred securities. Net interest income is a function of our interest rate spread, which is the difference between the average yield earned on our interest-earning assets and the average rate paid on our interest- bearing liabilities, as well as a function of the average balance of interest-earning assets compared to interest-bearing liabilities. Also contributing to our earnings is noninterest income, which consists primarily of service charges and fees on loan and deposit products and services, net gains and losses on sale of assets, and mortgage loan service fees. Net interest income and noninterest income are offset by provisions for loan losses, general administrative and other expenses, including salaries and employee benefits and occupancy and equipment costs, as well as by state and federal income tax expense.

The Bank has a strong mortgage lending focus, with the majority of its loan originations in single-family residential mortgages, which has enabled it to successfully market home equity loans, as well as a wide range of shorter term consumer loans for various personal needs (automobiles, recreational vehicles, etc.). In recent years we have also focused on adding commercial loans to our portfolio, both real estate and non-real estate. We have made significant progress in this initiative. As of December 31, 2015, commercial real estate and land loans and commercial business loans represented 41.2% and 9.6% of the total loan portfolio, respectively. The purpose of this diversification is to mitigate our dependence on the mortgage market, as well as to improve our ability to manage our interest rate spread. The Bank's management recognizes that fee income will also enable it to be less dependent on specialized lending and it maintains a significant loan serviced portfolio, which provides a steady source of fee income. As of December 31, 2015, we had mortgage servicing rights, net of $4.97 million compared to $4.12 million as of December 31, 2014. Gain on sale of loans also provides significant fee income or noninterest income in periods of high mortgage loan origination volumes. Such income will be adversely affected in periods of lower mortgage activity.

Fee income is also supplemented with fees generated from our deposit accounts. The Bank has a high percentage of non-maturity deposits, such as checking accounts and savings accounts, which allows management flexibility in managing its spread. Non-maturity deposits do not automatically reprice as interest rates rise, as do certificates of deposit.

In recent years, management's focus has been on improving our core earnings. Core earnings can be described as income before taxes, with the exclusion of gain on sale of loans and adjustments to the market value of our loans serviced portfolio. Management believes that we will need to continue to focus on increasing net interest margin, other areas of fee income, and control operating expenses to achieve earnings growth going forward. Management's strategy of growing the loan portfolio and deposit base is expected to help achieve these goals: loans typically earn higher rates of return than investments; a larger deposit base will yield higher fee income; increasing the asset base will reduce the relative impact of fixed operating costs. The biggest challenge to management's strategy is funding the growth of our balance sheet in an efficient manner. Though deposit growth this last year was steady, it may become more difficult to maintain due to significant competition and possible reduced customer demand for deposits as customers may shift into other asset classes.

Other than in limited circumstances for certain high-credit-quality customers, we do not offer "interest only" mortgage loans on residential (1-4 family) properties (where the borrower pays interest but no principal for an initial period, after which the loan converts to a fully amortizing loan). We also do not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on their loan, resulting in an increased principal balance during the life of the loan. We do not offer "subprime loans" (loans that generally target borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (traditionally defined as loans having less than full documentation).

The level and movement of interest rates impacts the Bank's earnings as well. The Federal Open Market Committee ("FOMC") changed the federal funds target rate from 0.25% to 0.50% in December 2015.

From time to time the Bank has considered growth through mergers or acquisition as an alternative to its strategy of organic growth. In this regard, the Bank has experienced an increase in loan originations due to the Sterling branch acquisition which closed in December 2012. Deposit fee income has also increased due to the increase in the number of accounts. The addition of the wealth management division from the acquisition has also increased noninterest income and furthered the Bank's strategy to increase fee income to complement its margin. Operating expenses, primarily salaries and employee benefits also increased as a result of the acquisition.

The Bank completed a core systems conversion during the third quarter of CY 2015. Future cost savings are anticipated due to the core systems conversion.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-9, Revenue from Contracts with Customers (Topic 606). This guidance is a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. On July 9, 2015, the FASB agreed to delay the effective date of the standard by one year. Therefore, the new standard will be effective in the first quarter of 2018

and is not expected to have a significant impact to the Company's financial statements.

In 2015, the FASB amended its authoritative guidance related to debt issuance costs. The amendment requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. However, the recognition and measurement guidance related to debt issuance costs is not affected by this amendment. The amendment is effective for annual and interim reporting periods beginning after December 15, 2015 and is to be applied on a retrospective basis. Early adoption is permitted. The Company adopted this standard during the quarter ended June 30, 2015 and has included the required disclosures in this report on Form 10-K.

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments." The amendments in ASU 2015-16 require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The amendment is effective for annual and interim reporting periods beginning after December 15, 2015 and is not expected to have a significant impact to the Company's financial statements.

In January 2016, the FASB issued ASU No. 2016-01 "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." The amendment has a number of provisions including the requirements that public business entities use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, a separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans receivables), and eliminating the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The amendment is effective for annual and interim reporting periods beginning after December 15, 2017. The Company is evaluating the potential impact of the amendment on the financial statements.

Critical Accounting Policies

Certain accounting policies are important to the understanding of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances, including, but without limitation, changes in interest rates, performance of the economy, financial condition of borrowers and laws and regulations. The following are the accounting policies we believe are critical.

Allowance for Loan Losses

We recognize that losses will be experienced on loans and that the risk of loss will vary with, among other things, the type of loan, the creditworthiness of the borrower, general economic conditions and the quality of the collateral for the loan. We maintain an allowance for loan losses to absorb losses inherent in the loan portfolio. The allowance for loan losses represents management's estimate of probable losses based on all available information. The allowance for loan losses is based on management's evaluation of the collectability of the loan portfolio, including past loan loss experience, known and inherent losses, information about specific borrower situations and estimated collateral values, and current economic conditions. The loan portfolio and other credit exposures are regularly reviewed by management in its determination of the allowance for loan losses. The methodology for assessing the appropriateness of the allowance includes a review of historical losses, internal data including delinquencies among others, industry data, and economic conditions.

As an integral part of their examination process, the Federal Reserve Board ("FRB") and the Montana Division of Banking will periodically review our allowance for loan losses and may require us to make additional provisions for estimated losses based upon judgments different from those of management. In establishing the allowance for loan losses, loss factors are applied to various pools of outstanding loans. Loss factors are derived using our historical loss experience and may be adjusted for factors that affect the collectability of the portfolio as of the evaluation

date. Commercial business loans that are criticized are evaluated individually to determine the required allowance for loan losses and to evaluate the potential impairment of such loans under FASB ASC Topic 310 Receivables. Although management believes that it uses the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses is adequate or that increases will not be necessary should the quality of loans deteriorate as a result of the factors discussed previously. Any material increase in the allowance for loan losses may adversely affect our financial condition and results of operations. The allowance is based on information known at the time of the review. Changes in factors underlying the assessment could have a material impact on the amount of the allowance that is necessary and the amount of provision to be charged against earnings. Such changes could impact future results.

Valuation of Investment Securities

Substantially all of our investment securities are classified as available-for-sale and recorded at current fair value. Unrealized gains or losses, net of deferred taxes, are reported in other comprehensive income as a separate component of shareholders' equity. In general, fair value is based upon quoted market prices of identical assets, when available. If quoted market prices are not available, fair value is based upon valuation models that use cash flow, security structure and other observable information. Where sufficient data is not available to produce a fair valuation, fair value is based on broker quotes for similar assets. Broker quotes may be adjusted to ensure that financial instruments are recorded at fair value. Adjustments may include unobservable parameters, among other things. No adjustments were made to any broker quotes received by us.

We conduct a quarterly review and evaluation of our investment securities to determine if any declines in fair value are other than temporary. In making this determination, we consider the period of time the securities were in a loss position, the percentage decline in comparison to the securities' amortized cost, the financial condition of the issuer, if applicable, and the delinquency or default rates of underlying collateral. We consider our intent to sell the investment securities and the likelihood that we will not have to sell the investment securities before recovery of their cost basis. If impairment exists, credit related impairment losses are recorded in earnings while noncredit related impairment losses are recorded in accumulated other comprehensive income.

Deferred Income Taxes

We use the asset and liability method of accounting for income taxes as prescribed in FASB ASC Topic 740 Income Taxes. Using this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on an ongoing basis as regulatory and business factors change. A reduction in estimated future taxable income could require us to record a valuation allowance. Changes in levels of valuation allowances could result in increased income tax expense, and could negatively affect earnings.

Financial Condition

December 31, 2015 compared to December 31, 2014

Total assets increased $70.14 million, or 12.5%, to $630.35 million at December 31, 2015 from $560.21 million at December 31, 2014. The loan portfolio increased $87.46 million or 27.7%, to $403.73 million at December 31, 2015 from $316.27 million at December 31, 2014. Securities available-for-sale decreased $16.05 million or 9.9%, to $145.74 million from $161.79 million at December 31, 2014. Total liabilities increased by $69.19 million, or 13.7%, to $574.90 million from $505.71 million at December 31, 2014. Total deposits increased $41.78 million or 9.5%, to $483.18 million at December 31, 2015. Subordinated debentures less debt issuance costs increased $9.79 million to $14.95 million at December 31, 2015. Federal Home Loan Bank ("FHLB") advances and other borrowings increased $17.73 million or 32.2%, to $72.72 million at December 31, 2015.

Balance Sheet Details

Investment Securities

We maintain a portfolio of investment securities, classified as either available-for-sale (including those accounted for under FASB ASC Topic 825) or held-to-maturity to enhance total return on investments. Our investment securities include U.S. government and agency obligations, Small Business Administration pools, municipal securities, mortgage-backed securities ("MBSs"), collateralized mortgage obligations ("CMOs") and corporate obligations, all with varying characteristics as to rate, maturity and call provisions. There were no held-to-maturity investment securities included in the investment portfolio at December 31, 2015. All investment securities included in the investment portfolio are currently available-for-sale. Eagle also has interest-bearing deposits in other banks and stock in the FHLB of Des Moines and FRB.

The following table summarizes investment securities:

	December 31,			
	2015		2014	
	Fair Value	Percentage of Total	Fair Value	Percentage of Total
	(Dollars in Thousands)			
Securities available-for-sale:				
U.S. government and agency	$ 10,615	7.03 %	$ 33,181	20.11 %
Municipal obligations	67,069	44.42 %	71,885	43.57 %
Corporate obligations	9,450	6.26 %	6,005	3.64 %
MBSs	32,735	21.68 %	21,964	13.31 %
CMOs	25,869	17.13 %	28,752	17.42 %
Total securities available-for-sale	145,738	96.52 %	161,787	98.05 %
Interest-bearing deposits	970	0.64 %	613	0.37 %
FHLB capital stock, at cost	3,397	2.25 %	1,968	1.19 %
FRB capital stock, at cost	887	0.59 %	641	0.39 %
Total	$ 150,992	100.00 %	$ 165,009	100.00 %

December 31, 2015 compared to December 31, 2014. Securities available-for-sale decreased $16.05 million. The largest decrease in securities available-for-sale was in U.S. government and agency securities which decreased $22.57 million largely due to sales activity during the period. Municipal obligations decreased by $4.82 million and CMOs decreased by $2.88 million. These decreases were partially offset by increases in MBSs of $10.77 million and increases in corporate obligations of $3.45 million largely due to purchase activity during the period.

The following table sets forth information regarding the values, weighted average yields and maturities of investment securities:

	December 31, 2015										
	One Year or Less		One to Five Years		Five to Ten Years		After Ten Years		Total Investment Securities		
	Fair Value	Annualized Weighted Average Yield	Fair Value	Annualized Weighted Average Yield	Fair Value	Annualized Weighted Average Yield	Fair Value	Annualized Weighted Average Yield	Fair Value	Approximate Market Value	Annualized Weighted Average Yield
	(Dollars in Thousands)										
Securities available-for-sale:											
U.S. government and agency	$-	- %	$-	- %	$987	2.02 %	$9,628	2.56 %	$10,615	$10,615	2.51 %
Municipal obligations	-	-	1,357	2.19	9,779	3.06	55,933	3.92	67,069	67,069	3.76
Corporate obligations	-	-	5,537	1.32	3,913	1.48	-	-	9,450	9,450	1.39
MBSs	-	-	-	-	1,820	1.43	30,915	2.93	32,735	32,735	2.85
CMOs	-	-	4,415	1.37	10,201	1.94	11,253	2.33	25,869	25,869	2.01
Total securities available-for-sale	-	-	11,309	1.44	26,700	2.25	107,729	3.35	145,738	145,738	3.00
Interest-bearing deposits	970	0.25	-	-	-	-	-	-	970	970	0.25
Federal funds sold	-	-	-	-	-	-	-	-	-	-	-
FHLB capital stock	-	-	-	-	3,397	2.75	-	-	3,397	3,397	2.75
FRB capital stock	-	-	-	-	887	6.00	-	-	887	887	6.00
Total	$970	0.25 %	$11,309	1.44 %	$30,984	2.41 %	$107,729	3.35 %	$150,992	$150,992	2.99 %

Lending Activities

The following table includes the composition of the Bank's loan portfolio by loan category:

	December 31,			
	2015		2014	
	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)			
Real estate loans:				
Residential mortgage (1-4 family) (1)	$ 118,133	28.95 %	$ 103,420	32.40 %
Commercial real estate	167,930	41.15 %	116,105	36.37 %
Real estate construction	22,958	5.63 %	10,149	3.18 %
Total real estate loans	309,021	75.73 %	229,674	71.95 %
Other loans:				
Home equity	45,345	11.11 %	40,123	12.57 %
Consumer	14,641	3.59 %	13,827	4.33 %
Commercial	39,072	9.57 %	35,582	11.15 %
Total other loans	99,058	24.27 %	89,532	28.05 %
Total loans	408,079	100.00 %	319,206	100.00 %
Deferred loan fees	795		486	
Allowance for loan losses	3,550		2,450	
Total loans, net	$ 403,734		$ 316,270	

(1) Excludes loans held-for-sale.

December 31, 2015 compared to December 31, 2014. Loans receivable increased $87.46 million. Commercial real estate loans increased $51.83 million, residential mortgage loans increased $14.71 million and construction loans increased $12.81 million. Home equity, commercial and consumer loans also increased. Total loan originations were $380.36 million for the year ended December 31, 2015, with residential mortgages (1-4 family) accounting for $240.65 million of the total. Commercial real estate and land loan originations totaled $80.50 million. Construction and home equity loan originations totaled $16.56 million and $13.54 million, respectively, for the same period. Consumer loan originations totaled $8.12 million. Commercial loan originations totaled $20.99 million. There were no commercial loan originations from loan syndication programs with borrowers residing outside of Montana during the year ended December 31, 2015. Loans held-for-sale increased $1.11 million, to $18.70 million at December 31, 2015 from $17.59 million at December 31, 2014.

Loan Maturities. The following table sets forth the estimated maturity of the loan portfolio of the Bank at December 31, 2015. Balances exclude deferred loan fees and allowance for loan losses. Scheduled principal repayments of loans do not necessarily reflect the actual life of such assets. The average life of a loan is typically substantially less than its contractual terms because of prepayments. In addition, due on sale clauses on loans generally give the Bank the right to declare loans immediately due and payable in the event, among other things, the borrower sells the real property, subject to the mortgage, and the loan is not paid off. All mortgage loans are shown to be maturing based on the date of the last payment required by the loan agreement, except as noted.

Loans having no stated maturity, those without a scheduled payment, demand loans and matured loans, are shown as due within six months.

	One Year or Less	One to Five Years	After 5 Years	Total
Residential mortgage (1-4 family) (1)	$ 2,025	$ 2,959	$ 131,851	$ 136,835
Commercial real estate	22,100	17,569	128,261	167,930
Real estate construction	18,464	2,690	1,804	22,958
Home equity	4,180	6,693	34,472	45,345
Consumer	1,460	9,079	4,102	14,641
Commercial	11,336	14,607	13,129	39,072
Total loans (1)	$ 59,565	$ 53,597	$ 313,619	$ 426,781

(1) Includes loans held-for-sale.

The following table includes loans by fixed or adjustable rates at December 31, 2015:

	Fixed	Adjustable	Total
		(Dollars in Thousands)	
Due after December 31, 2016:			
Residential mortgage (1 to 4 family) (1)	$ 91,450	$ 43,360	$ 134,810
Commercial real estate	86,380	59,450	145,830
Real estate construction	2,503	1,991	4,494
Home equity	11,295	29,870	41,165
Consumer	11,393	1,788	13,181
Commercial	22,297	5,439	27,736
Total (1)	225,318	141,898	367,216
Due in less than one year	54,301	5,264	59,565
Total Loans (1)	$ 279,619	$ 147,162	$ 426,781
Percent of total	65.52 %	34.48 %	100.00 %

(1) Includes loans held-for-sale

The following table sets forth information with respect to our loan originations, purchases and sales activity:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
		(In Thousands)	
Net loans receivable at beginning of period (1)	$ 333,857	$ 291,236	$ 235,484
Loans originated:			
Residential mortgage (1-4 family)	240,649	120,829	212,761
Commercial real estate	80,505	35,225	41,425
Real estate construction	16,561	5,292	10,267
Home equity	13,544	4,958	12,921
Consumer	8,106	4,343	8,230
Commercial	20,993	5,212	12,179
Total loans originated	380,358	175,859	297,783
Loans sold:			
Whole loans	230,616	101,575	182,038
Principal repayments and loan refinancings	62,572	32,061	60,414
Deferred loan fees increase	309	73	296
Allowance for losses increase	1,100	325	125
Net loan increase	88,579	42,621	55,752
Net loans receivable at end of period (1)	$ 422,436	$ 333,857	$ 291,236

(1) Includes loans held-for-sale.

Nonperforming Assets. Generally, our collection procedures provide that when a loan is 15 or more days delinquent, the borrower is sent a past due notice. If the loan becomes 30 days delinquent, the borrower is sent a written delinquency notice requiring payment. If the delinquency continues, subsequent efforts are made to contact the delinquent borrower, including face to face meetings and counseling to resolve the delinquency. All collection actions are undertaken with the objective of compliance with the Fair Debt Collection Act.

For mortgage loans and home equity loans, if the borrower is unable to cure the delinquency or reach a payment agreement, we will institute foreclosure actions. If a foreclosure action is taken and the loan is not reinstated, paid in full or refinanced, the property is sold at judicial sale at which we may be the buyer if there are no adequate offers to satisfy the debt. Any property acquired as the result of foreclosure, or by deed in lieu of foreclosure, is classified as real estate owned until such time as it is sold or otherwise disposed of. When real estate owned is acquired, it is recorded at its fair market value less estimated selling costs. The initial recording of any loss is charged to the allowance for loan losses. As of December 31, 2015, the Bank had $595,000 of real estate owned.

Loans are reviewed on a quarterly basis and are placed on non-accrual status when they are 90 days or more delinquent. Loans may be placed on non-accrual status at any time if, in the opinion of management, the collection of additional interest is doubtful. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Subsequent payments are either applied to the outstanding principal balance or recorded as interest income, depending on the assessment of the ultimate collectability of the loan. At December 31, 2015, we had $2.03 million ($1.98 million net of specific reserves for loan losses) of loans that were nonperforming and held on non-accrual status.

The following table provides information regarding the Bank's loans that are delinquent 30 to 89 days:

	December 31, 2015		
	Number	Amount	Percentage of Total
		(Dollars in Thousands)	
Loan type:			
Residential mortgage (1-4 family)	16	$ 1,163	43.43 %
Commercial real estate	3	177	6.61 %
Real estate construction	5	662	24.72 %
Home equity	18	319	11.91 %
Consumer	67	184	6.87 %
Commercial	11	173	6.46 %
Total	120	$ 2,678	100.00 %

The following table sets forth information regarding nonperforming assets:

	December 31,	
	2015	2014
	(Dollars in Thousands)	
Non-accrual loans		
Real estate loans:		
Residential mortgage (1-4 family)	$ 730	$ 821
Commercial real estate	667	-
Other loans:		
Home equity	161	48
Consumer	145	16
Commercial	327	77
Accruing loans delinquent 90 days or more		
Real estate loans:		
Residential mortgage (1-4 family)	221	-
Commercial real estate	4	-
Real estate construction	247	-
Restructured loans:		
Home equity	46	48
Total nonperforming loans	2,548	1,010
Real estate owned and other repossessed property, net	595	637
Total nonperforming assets	$ 3,143	$ 1,647
Total nonperforming loans to total loans	0.63 %	0.32 %
Total nonperforming loans to total assets	0.40 %	0.18 %
Total allowance for loan loss to nonperforming loans	139.32 %	242.57 %
Total nonperforming assets to total assets	0.50 %	0.29 %

Residential mortgage (1-4 family) non-accrual loans decreased during the year ended December 31, 2015 by $821,000 due to one loan paid off via a short sale. However, the balance increased to $730,000 at December 31, 2015 due to three loans moving to non-accrual status. Commercial real estate non-accrual loans increased during the year ended December 31, 2015 due to one loan moving to non-accrual status.

During the year ended December 31, 2015, the Bank sold six real estate owned and other repossessed assets resulting in a loss of $13,000. There were no write-downs on fair value less cost to sell for foreclosed real estate property and other repossessed during the year ended December 31, 2015. During the year ended December 31, 2015, a minimal amount of interest was recorded on loans previously accounted for on a non-accrual basis.

Management, in compliance with regulatory guidelines, conducts an internal loan review program, whereby loans are placed or classified in categories depending upon the level of risk of nonpayment or loss. These categories are special mention, substandard, doubtful or loss. When a loan is classified as substandard or doubtful, management is required to establish an allowance for loan loss in an amount that is deemed prudent. When management classifies a loan as a loss asset, an allowance equal up to 100.0% of the loan balance is required to be established or the loan is required to be charged-off. The allowance for loan losses is composed of an allowance for both inherent risk associated with lending activities and specific problem assets.

Management's evaluation of the classification of assets and the adequacy of the allowance for loan losses is reviewed by the Board on a regular basis and by regulatory agencies as part of their examination process. In addition, each loan that exceeds $750,000 and each group of loans that exceeds $750,000 is monitored more closely.

The following table reflects our classified assets:

	December 31,	
	2015	2014
	(In Thousands)	
Residential mortgage (1-4 family):		
Special mention	$ -	$ -
Substandard	1,422	1,331
Doubtful	-	-
Loss	-	140
Commercial real estate:		
Special mention	-	-
Substandard	667	-
Doubtful	-	-
Loss	-	-
Real estate construction:		
Special mention	-	-
Substandard	782	-
Doubtful	-	-
Loss	-	-
Home equity loans:		
Special mention	-	-
Substandard	156	328
Doubtful	82	-
Loss	7	-
Consumer loans:		
Special mention	-	-
Substandard	140	41
Doubtful	4	7
Loss	11	7
Commercial loans:		
Special mention	-	-

Substandard		367		229
Doubtful		-		-
Loss		30		-
Securities available-for-sale:				
Special mention		-		-
Substandard		-		-
Doubtful		-		-
Loss		-		-
Real estate owned/repossessed property		595		637
Total classified loans and real estate owned	$	4,263	$	2,720

31

Allowance for Loan Losses and Real Estate Owned. The Bank segregates its loan portfolio for loan losses into the following broad categories: real estate loans (residential mortgages (1-4 family), real estate construction, commercial real estate and land) home equity loans, consumer loans and commercial business loans. The Bank provides for a general allowance for losses inherent in the portfolio in the categories referenced above. General loss percentages which are calculated based on historical analyses and other factors such as volume and severity of delinquencies, local and national economy, underwriting standards and other factors. This portion of the allowance is calculated for inherent losses which probably exist as of the evaluation date even though they might not have been identified by the more objective processes used. This is due to the risk of error and/or inherent imprecision in the process. This portion of the allowance is subjective in nature and requires judgments based on qualitative factors which do not lend themselves to exact mathematical calculations such as: trends in delinquencies and non-accruals; trends in volume; terms and portfolio mix; new credit products; changes in lending policies and procedures; and changes in the outlook for the local, regional and national economy.

At least quarterly, the management of the Bank evaluates the need to establish an allowance against losses on loans based on estimated losses on specific loans when a finding is made that a loss is estimable and probable. Such evaluation includes a review of all loans for which full collectability may not be reasonably assured and considers, among other matters: the estimated market value of the underlying collateral of problem loans; prior loss experience; economic conditions; and overall portfolio quality. Real estate owned is evaluated annually and recorded at fair value.

Provisions for, or adjustments to, estimated losses are included in earnings in the period they are established. At December 31, 2015, we had $3.55 million in allowances for loan losses.

While we believe we have established our existing allowance for loan losses in accordance with generally accepted accounting principles, there can be no assurance that bank regulators, in reviewing our loan portfolio, will not request that we significantly increase our allowance for loan losses, or that general economic conditions, a deteriorating real estate market, or other factors will not cause us to significantly increase our allowance for loan losses, therefore negatively affecting our financial condition and earnings.

In making loans, we recognize that credit losses will be experienced and that the risk of loss will vary with, among other things, the type of loan being made, the creditworthiness of the borrower over the term of the loan and, in the case of a secured loan, the quality of the security for the loan.

It is our policy to review our loan portfolio, in accordance with regulatory classification procedures, on at least a quarterly basis.

The following table includes information for allowance for loan losses:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
	(Dollars in Thousands)		
Beginning balance	$ 2,450	$ 2,125	$ 2,000
Provision for loan losses	1,303	515	608
Loans charged-off			
Residentail mortgage (1-4 family)	(137)	-	-
Commercial real estate	-	-	(199)
Real estate construction	-	-	-
Home equity	-	(159)	(73)
Consumer	(61)	(65)	(88)
Commercial	(25)	(24)	(144)
Recoveries			
Residentail mortgage (1-4 family)	-	-	-
Commercial real estate	-	31	17
Real estate construction	-	-	-
Home equity	1	-	-
Consumer	18	27	4
Commercial	1	-	-
Net loans charged-off	(203)	(190)	(483)
Ending balance	$ 3,550	$ 2,450	$ 2,125
Allowance for loan losses to total loans	0.87 %	0.77 %	0.77 %
Allowance for loan losses to total nonperforming loans	139.32 %	242.57 %	407.09 %
Net charge-offs to average loans outstanding during the period	0.05 %	0.06 %	0.19 %

The following table presents allocation of the allowance for loan losses by loan category and the percentage of loans in each category to total loans:

	December 31,					
	2015			2014		
	Amount	Percentage of Allowance to Total	Loan Category to Total Loans	Amount	Percentage of Allowance to Total	Loan Category to Total Loans
	(Dollars in Thousands)					
Real estate loans:						
Residential mortgage (1-4 family)	$ 911	25.66 %	28.95 %	$ 684	27.92 %	32.40 %
Commercial real estate	1,593	44.88 %	41.15 %	1,098	44.81 %	36.37 %
Real estate construction	184	5.18 %	5.63 %	35	1.43 %	3.18 %
Total real estate loans	2,688	75.72 %	75.73 %	1,817	74.16 %	71.95 %
Other loans:						
Home equity	342	9.63 %	11.11 %	270	11.02 %	12.57 %
Consumer	66	1.86 %	3.59 %	46	1.88 %	4.33 %
Commercial	454	12.79 %	9.57 %	317	12.94 %	11.15 %
Total other loans	862	24.28 %	24.27 %	633	25.84 %	28.05 %
Total	$ 3,550	100.00 %	100.00 %	$ 2,450	100.00 %	100.00 %

Deposits and Other Sources of Funds

Deposits. Deposits are the Company's primary source of funds. Core deposits are deposits that are more stable and somewhat less sensitive to rate changes. They also represent a lower cost source of funds than rate sensitive, more volatile accounts such as certificates of deposit. We believe that our core deposits are our checking, savings accounts, money market accounts and IRA accounts. Based on our historical experience, we include IRA accounts funded by certificates of deposit as core deposits because they exhibit the principal features of core deposits in that they are stable and generally are not rate sensitive. Core deposits were $364.00 million or 75.3% of the Bank's deposits at December 31, 2015 ($330.74 million or 68.4% if IRA certificates of deposit are excluded). The presence of a high percentage of core deposits and, in particular, transaction accounts reflects in part our strategy to restructure our liabilities to more closely resemble the lower cost liabilities of a commercial bank. However, a significant portion of our deposits remains in certificate of deposit form. These certificates of deposit, if they mature and are renewed at higher rates, would result in an increase in our cost of funds.

The following table includes deposit accounts and the associated weighted average interest rates for each category of deposits:

December 31,			
2015		2014	
	Weighted		Weighted

	Amount	Percent of Total	Average Rate	Amount	Percent of Total	Average Rate
			(Dollars in Thousands)			
Noninterest checking	$ 77,031	15.94 %	0.00 %	$ 60,924	13.80 %	0.00 %
Interest bearing checking	87,350	18.08 %	0.03 %	76,367	17.30 %	0.04 %
Savings	71,474	14.79 %	0.04 %	62,455	14.15 %	0.04 %
Money market accounts	94,880	19.64 %	0.12 %	91,431	20.72 %	0.11 %
Total	330,735	68.45 %	0.05 %	291,177	65.97 %	0.05 %
Certificates of deposit accounts:						
IRA certificates	33,262	6.88 %	0.96 %	34,216	7.75 %	1.01 %
Brokered certificates	7,071	1.46 %	1.02 %	4,195	0.95 %	1.80 %
Other certificates	112,114	23.21 %	0.89 %	111,812	25.33 %	0.86 %
Total certificates of deposit	152,447	31.55 %	0.92 %	150,223	34.03 %	0.92 %
Total deposits	$ 483,182	100.00 %	0.32 %	$ 441,400	100.00 %	0.35 %

December 31, 2015 compared to December 31, 2014. All deposit products increased during the period. Management attributes the continued organic increase in deposits to increased marketing of checking accounts as well as customers' preference for placing funds in secure, federally insured accounts. Noninterest checking increased $16.12 million or 26.4%, to $77.03 million at December 31, 2015. Interest bearing checking increased $10.98 million or 14.4%, to $87.35 million at December 31, 2015. Savings increased $9.02 million or 14.4%, to $71.47 million at December 31, 2015. Money markets increased $3.45 million, or 3.8% and time certificates of deposit increased $2.22 million or 1.5%. Brokered certificates increased $2.88 million to $7.07 million at December 31, 2015 from $4.20 million at December 31, 2014. The increase is due to the purchase of three brokered certificates with coupon rates ranging from 0.55% to 1.35% and maturities ranging from December 2016 through December 2018, partially offset by the call of the $4.20 million brokered certificate that was outstanding at December 31, 2014.

The following table shows the amount of certificates of deposit with balances of $100,000 to $250,000 and greater than $250,000 by time remaining until maturity as of December 31, 2015:

	Balance		
	$100 - $250	Greater than $250	Total
		(In Thousands)	
3 months or less	$ 6,809	$ 1,960	$ 8,769
Over 3 to 6 months	8,632	4,074	12,706
Over 6 to 12 months	10,939	7,367	18,306
Over 12 months	19,817	10,791	30,608
Total	$ 46,197	$ 24,192	$ 70,389

Our depositors are primarily residents of the state of Montana.

Borrowings. Deposits are the primary source of funds for our lending and investment activities and for general business purposes. However, as the need arises, or in order to take advantage of funding opportunities, we also borrow funds in the form of advances from FHLB of Des Moines to supplement our supply of lendable funds and to meet deposit withdrawal requirements. We also have Federal funds line of credits with PNC, Zions Bank and Stockman Bank.

The following table includes information related to FHLB of Des Moines and other borrowings:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
		(Dollars in Thousands)	
FHLB advances:			
Average balance	$ 47,344	$ 45,598	$ 28,692
Maximum balance at any month-end	68,261	48,898	49,404
Balance at period end	68,261	43,704	49,404
Weighted average interest rate during the period	1.11 %	1.30 %	2.24 %
Weighted average interest rate at period end	1.08 %	1.28 %	1.20 %
Repurchase agreements:			
Average balance	$ -	$ -	$ -
Maximum balance at any month-end	-	-	-
Balance at period end	-	-	-
Weighted average interest rate during the period	0.00 %	0.00 %	0.00 %
Weighted average interest rate at period end	0.00 %	0.00 %	0.00 %
Other:			
Average balance	$ 4,023	$ 5,512	$ 3,926
Maximum balance at any month-end	12,647	11,750	12,070
Balance at period end	4,455	11,289	2,050
Weighted average interest rate during the period	0.57 %	0.48 %	0.51 %
Weighted average interest rate at period end	0.68 %	0.41 %	0.65 %
Total borrowings:			
Average balance	$ 51,367	$ 51,110	$ 32,618
Maximum balance at any month-end	72,716	55,471	51,454
Balance at period end	72,716	54,993	51,454
Weighted average interest rate during the period	1.07 %	1.21 %	2.04 %
Weighted average interest rate at period end	1.05 %	1.11 %	1.17 %

December 31, 2015 compared to December 31, 2014. Advances from the FHLB and other borrowings increased $17.73 million or 32.2%, to $72.72 million at December 31, 2015. The increase was primarily due to increases in long-term FHLB borrowings slightly offset by decreases in short-term FHLB and other borrowings. The borrowings were used to help fund the robust loan growth. Subordinated debentures, net of issuance costs, increased $9.79 million to $14.95 million at December 31, 2015 compared to $5.16 million at December 31, 2014. In June 2015, the Company completed the issuance of $10.00 million in aggregate principal amount of subordinated notes due in 2025 in a private placement transaction to an institutional accredited investor. The notes will bear interest at an annual fixed rate of 6.75% and interest will be paid quarterly through maturity date or earlier redemption.

Shareholders' Equity

December 31, 2015 compared to December 31, 2014. Total shareholders' equity increased slightly by $952,000 or 1.7%, to $55.45 million at December 31, 2015 from $54.50 million at December 31, 2014. This is primarily due to net income of $2.58 million and an increase in accumulated other comprehensive income of $467,000 partially offset

by treasury stock purchased for $1.32 million and dividends paid of $1.16 million.

Analysis of Net Interest Income

The Bank's earnings have historically depended primarily upon net interest income, which is the difference between interest income earned on loans and investments and interest paid on deposits and any borrowed funds. It is the single largest component of Eagle's operating income. Net interest income is affected by (i) the difference between rates of interest earned on loans and investments and rates paid on interest-bearing deposits and borrowings (the "interest rate spread") and (ii) the relative amounts of loans and investments and interest-bearing deposits and borrowings.

The following table includes average balances for balance sheet items, as well as, interest and dividends and average yields related to the average balances. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields include the effect of deferred fees and discounts and premiums that are amortized or accreted to interest income or expense.

	Year Ended December 31, 2015			Six Months Ended December 31, 2014			Year Ended June 30, 2014		
	Average Daily Balance	Interest and Dividends	Yield/ Cost(3)	Average Daily Balance	Interest and Dividends	Yield/ Cost(3)	Average Daily Balance	Interest and Dividends	Yield/ Cost(3)
				(Dollars in Thousands)					
Assets:									
Interest-earning assets:									
FHLB and FRB stock	$2,979	$67	2.25 %	$2,189	$19	1.72 %	$1,901	$2	0.10 %
Loans receivable, net	374,849	17,332	4.62 %	315,316	7,562	4.80 %	260,825	12,985	4.98 %
Investment securities	150,520	3,058	2.03 %	181,668	2,026	2.23 %	200,226	4,283	2.14 %
Other	4,913	9	0.18 %	4,754	2	0.03 %	3,106	11	0.26 %
Total interest-earning assets	533,261	20,466	3.84 %	503,927	9,609	3.81 %	466,058	17,281	3.71 %
Noninterest-earning assets	50,397			46,520			49,415		
Total assets	$583,658			$550,447			$515,473		
Liabilities and equity:									
Interest-bearing liabilities:									
Deposit accounts:									
Money market	$94,525	$107	0.11 %	$90,773	$51	0.11 %	$89,590	$78	0.09 %
Savings	67,051	30	0.04 %	60,960	13	0.04 %	58,782	33	0.06 %
Checking	81,462	27	0.03 %	72,543	13	0.03 %	67,688	28	0.04 %
Certificates of deposit	151,472	1,293	0.85 %	151,431	600	0.79 %	154,845	1,156	0.75 %
Advances from FHLB and other									

borrowings including subordinated debt	61,392	998	1.63 %	55,424	353	1.27 %	36,908	750	2.03 %
Total interest-bearing liabilities	455,902	2,455	0.54 %	431,131	1,030	0.48 %	407,813	2,045	0.50 %
Non-interest checking	70,766			63,044			57,771		
Other noninterest-bearing liabilities	2,940			3,301			753		
Total liabilities	529,608			497,476			466,337		
Total equity	54,050			52,971			49,136		
Total liabilities and equity	$ 583,658			$ 550,447			$ 515,473		
Net interest income/interest rate spread(1)		$ 18,011	3.30 %		$ 8,579	3.34 %		$ 15,236	3.21 %
Net interest margin(2)			3.38 %			3.40 %			3.27 %
Total interest-earning assets to interest-bearing liabilities			116.97 %			116.88 %			114.28 %

(1) Interest rate spread represents the difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(2) Net interest margin represents income before the provision for loan losses divided by average interest-earning assets.

(3) For purposes of this table, tax exempt income is not calculated on a tax equivalent basis.

Rate/Volume Analysis

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to: (1) changes in volume multiplied by the old rate; (2) changes in rate, which are changes in rate multiplied by the old volume; and (3) changes not solely attributable to rate or volume, which have been allocated proportionately to the change due to volume and the change due to rate.

	Year Ended December 31, 2015			Six Months Ended December 31, 2014			Year Ended June 30, 2014		
	Due to			Due to			Due to		
	Volume	Rate	Net	Volume	Rate	Net	Volume	Rate	Net
	(In Thousands)								
Interest earning assets:									
FHLB and FRB stock	$ 9	$ 39	$ 48	$ -	$ 35	$ 35	$ -	$ 2	$ 2
Loans receivable, net	3,923	(786)	3,137	2,712	(573)	2,139	2,801	(1,016)	1,785
Investment securities	(844)	(307)	(1,151)	(397)	167	(230)	707	8	715
Other earning assets	1	-	1	4	(11)	(7)	(20)	1	(19)
Total interest earning assets	3,089	(1,054)	2,035	2,319	(382)	1,937	3,488	(1,005)	2,483
Interest-bearing liabilities:									
Savings, money market and checking accounts	11	(8)	3	4	10	14	51	(65)	(14)
Certificates of deposit	(12)	128	116	(25)	71	46	247	(137)	110
Borrowings and subordinated debentures	229	73	302	375	(420)	(45)	(51)	(247)	(298)
Total interest-bearing liabilities	228	193	421	354	(339)	15	247	(449)	(202)
Change in net interest income	$ 2,861	$ (1,247)	$ 1,614	$ 1,965	$ (43)	$ 1,922	$ 3,241	$ (556)	$ 2,685

Results of Operations

As a result of Eagle's election to change its fiscal year from June 30 to December 31, the audited periods presented in the Consolidated Statements of Income include the year ended December 31, 2015, the six month transition period ended December 31, 2014 and the year ended June 30, 2014. To facilitate a better understanding of Eagle's results of operations and business trends, the following discussion is based on the comparison of the audited year ended December 31, 2015 to the unaudited year ended December 31, 2014. Financial information for the year ended December 31, 2014 is derived from Eagle's audited consolidated financial statements for the six month transition period ended December 31, 2014 and Eagle's unaudited consolidated financial statements for the three month period ended June 30, 2014 and March 31, 2014.

Comparison of Operating Results for the Years Ended December 31, 2015 and 2014

Net Income

Eagle's net income for the year ended December 31, 2015 was $2.58 million compared to $2.61 million for the year ended December 31, 2014. The slight decrease of $32,000 or 1.2% was due to increases in noninterest expense of $2.31 million and increases in income tax expense of $1.04 million partially offset by increases in net interest income after loan loss provision of $1.12 million and increases in noninterest income of $2.19 million. Basic and diluted earnings per share were $0.68 and $0.67, respectively, for the year ended December 31, 2015 compared to $0.67 and 0.66, respectively, for the prior period.

Net Interest Income

Net interest income increased to $18.01 million for the year ended December 31, 2015, from $16.40 million for the year ended December 31, 2014. This increase of $1.61 million, or 9.8%, was due to an increase in interest and dividend income of $2.03 million partially offset by an increase in interest expense of $421,000.

Interest and Dividend Income

Total interest and dividend income was $20.47 million for the year ended December 31, 2015, compared to $18.43 million for the year ended December 31, 2014, an increase of $2.03 million, or 11.0%. Interest and fees on loans increased to $17.33 million for the year ended December 31, 2015 from $14.20 million for the same period ended December 31, 2014.

This increase of $3.13 million, or 22.0%, was due to an increase in the average balance of loans partially offset by a decrease in the average yield of loans for the year ended December 31, 2015. Average balances for loans receivable, net, including loans held for sale, for the year ended December 31, 2015 were $374.85 million, compared to $293.69 million for the prior year period. This represents an increase of $81.16 million, or 27.6%. The average interest rate earned on loans receivable decreased by 21 basis points, from 4.83% to 4.62%. Interest and dividends on investment securities available-for-sale decreased by $1.15 million or 27.3% for the year ended December 31, 2015 compared to the same period last year. Average balances on investments decreased to $150.52 million for the year ended December 31, 2015, from $188.26 million for the year ended December 31, 2014. The average interest rate earned on investments decreased to 2.03% from 2.24% for the year ended December 31, 2014.

Interest Expense

Total interest expense increased for the year ended December 31, 2015 to $2.46 million from $2.03 million for the year ended December 31, 2014, an increase of $421,000, or 20.7%. The average balance for borrowings was $61.39 million for the year ended December 31, 2015 compared to $46.18 million for the year ended December 31, 2014. The average rate paid on borrowings increased 12 basis points, from 1.50% to 1.62%. The average balances for borrowings for the year ended December 31, 2015 were impacted by the issuance of $10.00 million in aggregate principal amount of subordinated notes in June 2015, as well as, increased long-term FHLB borrowings. Interest expense on deposits increased $119,000 for the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase in interest on deposits is due to higher overall average balances for deposits. The average balance for deposits was $465.28 million for the year ended December 31, 2015 compared to $435.5 million for the year ended December 31, 2014. The growth was likely the result of the Bank’s customers continuing to opt for the safety of federally insured deposits, notwithstanding historically low rates on such deposits, over the risks and uncertainty of the capital markets. The overall average rate on deposits was comparable period over period.

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 the Bank to provide for probable loan losses based on prior loss experience, volume and type of lending we conduct 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 management 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. Using this methodology, the Bank recorded $1.30 million in provision for loan losses for the year ended December 31, 2015 and $811,000 for the year ended December 31, 2014. The provision for loan losses has been increased to keep pace with increasing loan production that is fueling loan growth. Management believes the level of total allowances is adequate. Total nonperforming loans, including restructured loans, net increased from $1.01 million at December 31, 2014 to $2.55 million at December 31, 2015. The Bank has $595,000 in other real estate owned and other repossessed assets at December 31, 2015.

Noninterest Income

Total noninterest income increased to $11.76 million for the year ended December 31, 2015, from $9.57 million for the year ended December 31, 2014, an increase of $2.19 million or 22.9%. The increase is largely due to increases in net gain on sale of loans which increased to $6.67 million for the year ended December 31, 2015 from $4.90 million for the year ended December 31, 2014. The net loss on the fair value hedge interest rate swap was $93,000 for the year ended December 31, 2015 compared to $498,000 for the year ended December 31, 2014. The interest rate swap was terminated during the quarter ended March 31, 2015. These increases were partially offset by a decrease in net gain on sale of available-for-sale securities of $338,000.

Noninterest Expense

Noninterest expense was $25.73 million for the year ended December 31, 2015 compared to $23.42 million for the year ended December 31, 2014. The increase of $2.31 million, or 9.9%, is largely due to increased salaries and employee benefits expenses of $1.68 million. Increased salaries expense is due in part to higher commission-based compensation related to the robust loan growth for the year ended December 31, 2015 compared to the year ended December 31, 2014.

Income Tax

Income tax expense was $163,000 for the year ended December 31, 2015, compared to income tax benefit of $881,000 for the year ended December 31, 2014. The effective tax rate was 5.9% for the year ended December 31, 2015. Tax free municipal bond income and Bank owned life insurance income contributed to the lower effective tax rates for the periods.

The effective tax rate is further reduced by a tax credit investment entered into by the Company in 2013. The Bank made an investment in Certified Development Entities which have received allocations of New Markets Tax Credits ("NMTC"). Administered by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury, the NMTC program is aimed at stimulating economic and community development and job creation in low-income communities. The federal income tax credits received are claimed over a seven-year credit allowance period.

Comparison of Operating Results for the Six Months Ended December 31, 2014 and 2013

Consistent with management's discussion and analysis included in Eagle's Transition Report on Form 10-K for the six month transition period from July 1, 2014 to December 31, 2014, the following discussion is based on the comparison of the audited six month period ended December 31, 2014 to the unaudited six month period ended December 31, 2013.

Net Income

Eagle's net income for the six months ended December 31, 2014 was $1.64 million compared to $1.14 million for the six months ended December 31, 2013. The increase of $501,000 was due to increases in net interest income of $1.16 million and an income tax benefit of $465,000 for the six months ended December 31, 2014 compared to income tax expense of $66,000 for the six months ended December 31, 2013. These were partially offset by an increase in noninterest expense of $513,000, a decrease in noninterest income of $475,000 and an increase in provision for loan losses of $203,000. Basic and diluted earnings per share were $0.42 for the current period and $0.29 per share for the prior comparable period.

Net Interest Income

Net interest income increased to $8.58 million for the six months ended December 31, 2014, from $7.42 million for the six months ended December 31, 2013. This increase of $1.16 million, or 15.6%, was primarily the result of an increase in interest and dividend income of $1.15 million.

Interest and Dividend Income

Total interest and dividend income was $9.61 million for the six months ended December 31, 2014, compared to $8.46 million for the six months ended December 31, 2013, an increase of $1.15 million, or 13.6%. Interest and fees on loans increased to $7.56 million for the six months ended December 31, 2014 from $6.35 million for the same period ended December 31, 2013. This increase of $1.21 million, or 19.1%, was due to an increase in the average balance of loans partially offset by a decrease in the average yield of loans for the six months ended December 31, 2014. Average balances for loans receivable, net, including loans held for sale, for the six months ended December 31, 2014 were $315.32 million, compared to $249.58 million for the prior year period. This represents an increase of $65.74 million, or 26.3%. The average interest rate earned on loans receivable decreased by 18 basis points, from 4.98% to 4.80%. Interest and dividends on investment securities available-for-sale decreased by $76,000 for the six months ended December 31, 2014 from $2.10 million for the same period last year. Average balances on investments decreased to $181.67 million for the six months ended December 31, 2014, from $205.19 million for the six months ended December 31, 2013. The average interest rate earned on investments increased to 2.23% compared to 2.05% for the six months ended December 31, 2013.

Interest Expense

Total interest expense decreased slightly for the six months ended December 31, 2014 to $1.03 million from $1.04 million for the six months ended December 31, 2013, a decrease of $11,000, or 1.1%. The decrease was attributable to decreases in interest on borrowings partially offset by an increase in expense on deposits. The average rates on deposits, which include non-interest bearing deposits, changed only slightly from 30 basis points to 31 basis points. However, the average balance for deposits increased from $424.52 million to $438.75 million, an increase of $14.23 million. The growth was likely the result of the Bank's customers continuing to opt for the safety of federally insured deposits, notwithstanding historically low rates on such deposits, over the risks and uncertainty of the capital markets. All deposit categories average balances increased with the exception of certificates of deposits which decreased only slightly. Average balances in borrowings increased to $55.42 million for the six months ended December 31, 2014, compared to $36.89 million for the same period in the previous year. Although the average borrowing balance increased, the average rate paid decreased, resulting in a decrease in interest expense for borrowings to $353,000 for the six months ended December 31, 2014 versus $408,000 in the previous period. The average rate paid on borrowings decreased from 2.21% last year to 1.27% for the six months ended December 31, 2014

Provision for Loan Losses

The Bank recorded $515,000 in provision for loan losses for the six months ended December 31, 2014 and $312,000 for the six months ended December 31, 2013. The increase from 2013 is based on an analysis of a variety of factors including delinquencies within the loan portfolio. Total nonperforming loans, including restructured loans, net increased slightly from $992,000 at December 31, 2013 to $1.01 million at December 31, 2014. The Bank has $637,000 in other real estate owned and other repossessed assets at December 31, 2014.

Noninterest Income

Total noninterest income decreased to $5.09 million for six months ended December 31, 2014 compared to $5.57 million for the six months ended December 31, 2013, a decrease of $475,000 or 8.5%. The decrease was primarily due to a decrease in net gain on sale of available-for-sale securities of $501,000 and a net decrease of $435,000 in the value of the fair-value-hedge interest rate swap implemented in August 2010. These decreases were partially offset by an increase in net gain on sale of loans of $310,000.

Noninterest Expense

Noninterest expense increased by $513,000 or 4.5% to $11.98 million for six months ended December 31, 2014 from $11.47 million for six months ended December 31, 2013. This increase was primarily due to increases in legal, accounting and examination fees, consulting fees and data processing, partially offset by a decrease in salaries and employee benefits.

Income Tax

Eagle's income tax benefit was $465,000 for the six months ended December 31, 2014, compared to income tax expense of $66,000 for the six months ended December 31, 2013. The effective tax rate was negative 39.51% six months ended December 31, 2014 and 5.47% for the six months ended December 31, 2013. Tax free municipal bond income and Bank owned life insurance income contributed to the lower effective tax rates for the periods. The effective tax rate is further reduced by a tax credit investment entered into by the Company in 2013.

Liquidity and Capital Resources

Liquidity

The Bank is required to maintain minimum levels of liquid assets as defined by the Montana Division of Banking and FRB regulations. 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 policy minimums of 1.0%, and 8.0% for "basic surplus" and "basic surplus with FHLB" as internally defined. In general, the "basic surplus" is a calculation of the ratio of unencumbered short-term assets reduced by estimated percentages of CD maturities and other deposits that may leave the Bank in the next 90 days divided by total assets. "Basic surplus with FHLB" adds to "basic surplus" the additional borrowing capacity the Bank has with the FHLB of Des Moines. The Bank exceeded those minimum ratios as of December 31, 2015 and 2014.

The Bank's primary sources of funds are deposits, repayment of loans and mortgage-backed securities, maturities of investments, funds provided from operations, advances from the FHLB of Des Moines and other borrowings. 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 Eagle's commitments to make loans and management's assessment of Eagle's ability to generate funds.

Comparison of Cash Flow for Years Ended December 31, 2015 and 2014

Net cash provided by the Company's operating activities, which is primarily comprised of cash transactions affecting net income, was $4.88 million for the year ended December 31, 2015. Net cash provided by operating activities of $5.04 million for the year ended December 31, 2014 was only slightly higher than the current year.

Net cash used in the Company's investing activities, which is primarily comprised of cash transactions from investment securities and the loan portfolio, was $76.76 million for the year ended December 31, 2015 compared to $33.53 million for the year ended December 31, 2014. Net cash used in investing activities for the year ended December 31, 2015 is due in part to loan originations being higher than loan pay-off and principal payments during the year. Loan origination and principal collection, net was $90.48 million for the year ended December 31, 2015. In addition, there was $28.87 million in available-for-sale securities purchases during the year ended December 31, 2015. These uses of cash were partially offset by available-for-sale securities sales and maturities, principal payments and calls of $43.82 million. Net cash used in investing activities for the year ended December 31, 2014 is due in part to loan originations being higher than loan pay-off and principal payments during the year. Loan origination and principal collection, net was $71.15 million for the year ended December 31, 2014. In addition, there was $17.59 million in available-for-sale securities purchases during the year ended December 31, 2014. These uses of cash were partially offset by available-for-sale securities sales and maturities, principal payments and calls of $58.28 million.

Net cash provided by the Company's financing activities was $66.82 million for the year ended December 31, 2015 compared to $33.93 million for the year ended December 31, 2014. Net cash provided by financing activities for the year ended December 31, 2015 was primarily a result of a net increase in deposits of $41.78 million and net advances from FHLB and other borrowings of $17.72 million. In addition, there were net proceeds from the issuance of subordinated debentures of $9.79 million during the year ended December 31, 2015. Net cash provided by financing activities for the year ended December 31, 2014 was due to net advances from FHLB and other borrowings of $26.93 million and a net increase in deposits of $8.74 million.

Comparison of Cash Flow for Six Months Ended December 31, 2014 and 2013

Net cash provided by the Company's operating activities was $4.22 million for the six months ended December 31, 2014 compared to $8.77 million for the six months ended December 31, 2013. Net cash provided by operating activities was lower for the December 31, 2014 period primarily due to changes in loans held-for-sale.

Net cash used in the Company's investing activities was $14.84 million for the six months ended December 31, 2014 compared to $15.00 million for the six months ended December 31, 2013. Net cash used in investing activities for the six months ended December 31, 2014 is due in part to loan originations being higher than loan pay-off and principal payments during the year. Loan origination and principal collection, net was $43.67 million for the six months ended December 31, 2014. This was partially offset by available-for-sale securities sales proceeds of $26.94 million. Net cash used in investing activities for the six months ended December 31, 2013 is due in part to loan originations being higher than loan pay-off and principal payments during the year. Loan origination and principal collection, net was $33.68 million for the six months ended December 31, 2013. In addition, there was $29.41 million in available-for-sale securities purchases during the six months ended December 31, 2013. These uses of cash were partially offset by available-for-sale securities sales and maturities, principal payments and calls of $48.87 million.

Net cash provided by the Company's financing activities was $16.31 million for the six months ended December 31, 2014 compared to $7.13 million for the six months ended December 31, 2013. Net cash provided by financing activities for the six months ended December 31, 2014 was primarily a result of a net increase in deposits of $13.94 million and net advances from FHLB and other borrowings of $3.54 million. Net cash provided by financing activities for the six months ended December 31, 2013 was due to a net increase in deposits of $14.49 million, partially offset by net payments on FHLB advances and other borrowings of $6.79 million.

Capital Resources

At November 30, 2015 (the most recent report available), the Bank's internally determined measurement of sensitivity to interest rate movements as measured by a 200 basis point rise in interest rates scenario, decreased the economic

value of equity ("EVE") by 1.8% compared to a decrease of 11.6% at November 30, 2014 (the most recent report available for December 31, 2014). The change in the decrease in the EVE is partly due to the change in the average life assumptions of non-maturity deposits used in the calculation. The average lives were increased due to a recent non-maturity deposit analysis performed by the Company's consultant. The Bank is within the guidelines set forth by the Board of Directors for interest rate sensitivity.

The Bank's Tier I leverage ratio, as measured under State of Montana and FRB rules, increased from 8.62% as of December 31, 2014 to 9.36% as of December 31, 2015. The Bank's strong capital position helps to mitigate its interest rate risk exposure.

As of December 31, 2015, the Bank's regulatory capital was in excess of all applicable regulatory requirements and the Bank is deemed "well capitalized" pursuant to State of Montana and FRB rules. At December 31, 2015, the Bank's total capital, Tier 1 capital, common equity Tier 1 capital and Tier 1 leverage ratios amounted to 14.09%, 13.27%, 13.27% and 9.36%, respectively, compared to regulatory requirements of 8.0%, 6.0%, 4.5% and 4.0%, respectively.

Impact of Inflation and Changing Prices

Our consolidated financial statements and the accompanying notes, which are found in Item 8, 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.

Interest Rate Risk

Interest rate risk is the potential for loss of future earnings resulting from adverse changes in the level of interest rates. Interest rate risk results from several factors and could have a significant impact on the Company's net interest income, which is the Company primary source of net income. Net interest income is affected by changes in interest rates, the relationship between rates on interest bearing assets and liabilities, the impact of interest fluctuations on asset prepayments and the mix of interest bearing assets and liabilities.

Although interest rate risk is inherent in the banking industry, banks are expected to have sound risk management practices in place to measure, monitor and control interest rate exposures. The objective of interest rate risk management is to contain the risks associated with interest rate fluctuations. The process involves identification and management of the sensitivity of net interest income to changing interest rates.

The ongoing monitoring and management of this risk is an important component of the Company's asset/liability committee, which is governed by policies established by the Company's Board that are reviewed and approved annually. The Board delegates responsibility for carrying out the asset/liability management policies to the Bank's asset/liability committee. In this capacity, the asset/liability committee develops guidelines and strategies impacting the Company's asset/liability management related activities based upon estimated market risk sensitivity, policy limits and overall market interest rate levels and trends. The Company's goal of its asset and liability management practices is to maintain or increase the level of net interest income within an acceptable level of interest rate risk. Our asset and liability policy and strategies are expected to continue as described so long as competitive and regulatory conditions in the financial institution industry and market interest rates continue as they have in recent years.

The Bank has established acceptable levels of interest rate risk as follows: Projected net interest income over the next twelve months will not be reduced by more than 15.0% given a change in interest rates of up to 200 basis points (+ or -).

The following table includes the Banks's net interest income sensitivity analysis.

Changes in Market Interest Rates (Basis Points)	Rate Sensitivity As of November 30, 2015 Year 1	Year 2	Policy Limits
+200	-1.3%	-1.2%	-15.0%

-100	-1.4%	-6.2%	-15.0%

The following table discloses how the Bank's economic value of equity ("EVE") would react to interest rate changes. Given the current relatively low level of market interest rates, an EVE calculation for an interest rate decrease of greater than 100 basis points has not been prepared.

Changes in Market	EVE as a % Change from 0 Shock	
Interest Rates	As of November 30, 2015	Board Policy
(Basis Points)	Projected EVE	Limit
		Must be no greater than:
+300	-5.4%	-30.0%
+200	-1.8%	-20.0%
+100	0.8%	-10.0%
0	0.0%	0.0%
-100	-9.8%	-10.0%

Off-Balance Sheet Arrangements

As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit and unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. In addition, we use mandatory sell forward delivery commitments to sell whole loans to the secondary markets. These commitments are also used as a hedge against exposure to interest rate risks relating from rate locked loan origination commitments on certain mortgage loans held-for-sale.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

This item has been omitted based on Eagle's status as a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Eagle's audited consolidated financial statements, notes thereto, and auditor's reports are found immediately following Part III of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management including our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO") of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as amended, as of December 31, 2015, to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, including to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure. Based on that evaluation, our CEO and CFO concluded that as of December 31, 2015, our disclosure controls and procedures were effective.

Management Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our management conducted an assessment of the effectiveness of our internal control over financial reporting. This assessment was based upon the criteria for effective internal control over financial reporting established in the 2013 Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's internal control over financial reporting involves a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes the

controls themselves, as well as monitoring of the controls and internal auditing practices and actions to correct deficiencies identified. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. Based on this assessment, management concluded that, as of December 31, 2015, the Company's internal control over financial reporting was effective.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during the quarter ended December 31, 2015 that have materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

Except as provided below, the information required by Items 10, 11, 12, 13 and 14 is hereby incorporated by reference from our definitive proxy statement to be filed with the Securities and Exchange Commission within 120 days after the close of our year ended December 31, 2015.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information about our directors may be found under the caption "Proposal I – Election of Directors" in our Proxy Statement for the 2016 Annual Meeting of Stockholders (the "Proxy Statement"). The information in the Proxy Statement set forth under the captions of "Section 16 (a) Beneficial Ownership Reporting Compliance", "Board Meetings and Committees", "Structure of the Board of Directors", "The Board's Role in Risk Oversight", and "Code of Ethics" is incorporated herein by reference.

Executive Officers of the Registrant

The following is a list of the names and ages of our executive officers, all positions and offices held by each person and each person's principal occupations or employment during the past five years. There are no family relationships between any executive officers and directors.

Peter J. Johnson, President/Chief Executive Officer Age 58

Mr. Johnson has served as President and CEO of Eagle since December 2009. He has also served as President of the Bank since July 2007 and CEO since November 2007. Prior to being named President, he had served as the Company's Executive Vice President and Chief Financial Officer. He joined the Bank in 1981. He currently serves on the Montana Independent Bankers Association board of directors and served as a member of the Federal Reserve Board's Community Depository Institution Advisory Council from 2010-2012. He is a past chairman of both the Helena Area Chamber of Commerce and the Diocese of Helena Finance Council. He is also a member of the Rotary Club of Helena. He was recently appointed to the Independent Community Bankers of America's Political Action Committee.

Laura F. Clark, Senior Vice President/Chief Financial Officer Age 59

Ms. Clark has served as the Senior Vice President and Chief Financial Officer of the Bank and Eagle since March 2014. Prior to being named the Chief Financial Officer, she had served as the Senior Vice President and Chief Financial Officer of the Bank of Bozeman since 2005. Her experience spans over 30 years and includes a variety of executive positions with First National Bancorp, Bankers Resource Center, Security Bank, Bank of Montana System and Montana Bancsystem. Ms. Clark holds a Bachelor of Arts degree in Business Administration from Montana State University in Billings, Montana. She currently serves as a board member of ExplorationWorks, a local Science Center that provides programs for early childhood education, STEM (science, technology, engineering and math) and healthy living.

Michael C. Mundt, Executive Vice President/Chief Community Banking Officer Age 61

Mr. Mundt has served as the Chief Lending Officer of the Bank since April 1994 and was promoted to Executive Vice President/Chief Community Banking Officer in July 2014. Prior to being named the Chief Lending Officer, he served as Vice President of Consumer and Commercial Lending. He joined the bank in 1988. He recently served on the Montana Bankers Association's board of directors and as a Past-President of the Montana Business Assistance Connection, a local economic development non-profit organization.

Age 47

Rachel R. Amdahl, Senior Vice President/Chief Operations Officer

Mrs. Amdahl has served as Senior Vice President/Chief Operations Officer of the Bank since February 2006. Prior to being named the Senior Vice President/Chief Operations Officer, she served as Vice President/Operations since 2000. She joined the Bank in 1987. She is a past board member of the Lewis and Clark County United Way and the Women's Leadership Network in Helena.

Tracy A. Zepeda, Senior Vice President/Chief Retail Officer Age 36

Ms. Zepeda joined the Bank in December 2012 at the time of the acquisition of seven branches from Sterling Financial Corporation. She had served as Vice President/Territory Manager of Sterling Financial Corporation since January 1, 2011. Prior to that position Ms. Zepeda served as Assistant Vice President/Community Manager of Sterling Financial Corporation since July 2007. She is a board member of the Missoula chapter of Big Brothers Big Sisters.

Dale F. Field, Senior Vice President/Chief Credit Officer Age 44

Mr. Field joined Eagle in 2001 as VP/Commercial Lender and was promoted to Vice President/Chief Credit Administration Officer in 2011. He was promoted to Senior Vice President/Chief Credit Officer in July 2014. He serves on the Helena Exchange Club board of directors and is a school board trustee in Clancy, Montana.

Chantelle R. Nash, Senior Vice President/Chief Risk Officer Age 45

Ms. Nash joined Eagle as a Compliance Manager in 2006 and served as Vice President/Compliance Officer since 2010. She was promoted to Senior Vice President/Chief Risk Officer in July 2014. She serves on the board of the Helena YWCA.

Larry D. Williams, Senior Vice President/Senior Lending Officer Age 48

Mr. Williams joined Eagle in November 2014. He was formerly with Community Bank, Inc. and served as Vice President and Chief Credit Officer since January 2012. He was the Vice President/Senior Lender for Community Bank, Inc. from March 2005 through December 2011. He is currently a director of the Western Montana Chapter of Risk Management Associates.

George Ballew, Senior Vice President/Senior Mortgage Officer Age 56

Mr. Ballew joined Eagle in September 2015. He has served in management positions in the mortgage industry over the past 29 years. Prior to joining Eagle he was the Chief Executive Officer/Mortgage Division at First Mortgage from May 2014 through August 2015. He was the Senior Vice President/Mortgage Market Manager for BB&T Mortgage from April 2001 through April 2014. He serves as a board member of the state CASA chapter, a child advocacy group.

Code of Ethics

We have a code of ethics that applies to all of our employees, including our principal executive officer, principal financial officer, principal accounting officer and our Board. Our Code of Ethics and Conflict of Interest Policy is available on our website at www.opportunitybank.com. We will disclose on our website any amendments to or waivers from any provision of our Code of Ethics and Conflict of Interest Policy that applies to any of the directors or executive officers.

ITEM 11. EXECUTIVE COMPENSATION.

The information in the Proxy Statement set forth under the captions of "Directors' Compensation" and "Executive Compensation" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information in the Proxy Statement set forth under the captions of "Beneficial Ownership of Common Stock" is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information in the Proxy Statement set forth under the captions of "Transactions with Certain Related Persons" and "Board Independence" is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information in the Proxy Statement set forth under the captions of "Proposal IV – Ratification of Appointment of Independent Auditors" is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) (1) The following documents are filed as part of this report: The audited Consolidated Statements of Financial Condition of Eagle Bancorp Montana, Inc. and subsidiaries as of December 31, 2015, December 31, 2014 and June 30, 2014 and the related Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Shareholder Equity and Consolidated Statements of Cash Flows for the years then ended, together with the related notes and independent auditor’s reports.

(2) Schedules omitted as they are not applicable.

(3) Exhibits.

Exhibits 10.1 through 10.13 are management contracts or compensatory plans or arrangements.

**	3.1	Amended and Restated Certificate of Incorporation of Eagle Bancorp Montana, Inc.
	3.2	Bylaws of Eagle Bancorp Montana, Inc., amended as of August 20, 2015 (incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K filed on August 25, 2015).
*	4.1	Form of Common Stock Certificate of Eagle Bancorp Montana, Inc.
	4.2	Form of 6.75% Subordinated Note due 2025 (incorporated by reference to Exhibit 4.1 of our Current Report on Form 8-K filed on June 19, 2015).
***	10.1	Eagle Bancorp 2000 Stock Incentive Plan.
	10.2	Employment Contract, effective as of April 27, 2015, among Peter J. Johnson, Eagle Bancorp Montana, Inc. and Opportunity Bank of Montana (incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K filed on April 29, 2015).
	10.3	Form of Change in Control Agreement entered into between Eagle Bancorp Montana, Inc. and its executive officers (incorporated by reference to Exhibit 10.3 of our Current Report on Form 8-K filed on August 24, 2015).
*	10.4	Salary Continuation Agreement, dated April 18, 2002, between Larry A. Dreyer and American Federal Savings Bank.
*	10.5	First Amendment to Salary Continuation Agreement, dated December 31, 2006, between Larry A. Dreyer and American Federal Savings Bank.
	10.6	Amended Salary Continuation Agreement, dated April 27, 2015, between Peter J. Johnson and Opportunity Bank of Montana (incorporated by reference to Exhibit 10.7 of our Current Report on Form 8-K filed on August 24, 2015).
*	10.7	Salary Continuation Agreement, dated April 18, 2002, between Michael C. Mundt and American Federal Savings Bank.
*	10.8	First Amendment to Salary Continuation Agreement, dated December 31, 2006, between Michael C. Mundt and American Federal Savings Bank.
*	10.9	Salary Continuation Agreement, dated November 16, 2006, between Rachel R. Amdahl and American Federal Savings Bank.
*	10.10	American Federal Savings Bank Split-Dollar Plan, effective October 21, 2004.
*	10.11	Summary of American Federal Savings Bank Bonus Plan.
	10.12	2011 Stock Incentive Plan for Directors, Officers and Employees (incorporated by reference to Exhibit 10.1 of the Registration Statement on Form S-8 (File No. 333-182360) filed with the SEC on June 27, 2012).
	10.13	Amendment No. 1 to the Eagle Bancorp Montana, Inc. 2011 Stock Incentive Plan for Directors, Officers, and Employees.

10.14 Purchase and Assumption Agreement, dated June 29, 2012, by and among Sterling Savings Bank, Eagle Bancorp Montana, Inc. and American Federal Savings Bank (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on July 2, 2012).

10.15 Form of Subordinated Note Purchase Agreement (incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K filed on June 19, 2015).

21.1 Subsidiaries of Registrant.

23.1 Consent of Davis Kinard & Co, PC.

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

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

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

* Incorporated by reference to the identically numbered exhibit of the Registration Statement on Form S-1 (File No. 333-163790) filed with the SEC on December 17, 2009.

** Incorporated by reference to the identically numbered exhibit of the Current Report on Form 8-K filed with the SEC on February 23, 2010.

*** Incorporated by reference to the proxy statement for the 2000 Annual Meeting filed with the SEC on September 19, 2000.

(b) See item 15(a)(3) above.

(c) See Item 15(a)(1) and 15(a)(2) above.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EAGLE BANCORP MONTANA, INC.

/s/ Peter J. Johnson
Peter J. Johnson
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Peter J. Johnson Peter J. Johnson	President and Chief Executive Officer Director (Principal Executive Officer)	3/15/2016
/s/ Laura F. Clark Laura F. Clark	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	3/15/2016
/s/ Larry A. Dreyer Larry A. Dreyer	Chairman	3/15/2016
/s/ James A. Maierle James A. Maierle	Vice Chairman	3/15/2016
/s/ Rick F. Hays Rick F. Hays	Director	3/15/2016
/s/ Lynn E. Dickey Lynn E. Dickey	Director	3/15/2016
/s/ Maureen J. Rude Maureen J. Rude	Director	3/15/2016
/s/ Thomas J. McCarvel Thomas J. McCarvel	Director	3/15/2016
/s/ Shavon R. Cape	Director	3/15/2016

Shavon R. Cape

/s/ Tanya J. Chemodurow Tanya J. Chemodurow	Director	3/15/2016

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

and

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

December 31, 2015, December 31, 2014 and June 30, 2014

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES

Contents

	Page
Report of Independent Registered Public Accounting Firm	1
Financial Statements	
Consolidated Statements of Financial Condition	2
Consolidated Statements of Income	3
Consolidated Statements of Comprehensive Income	4
Consolidated Statements of Changes in Shareholders' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Eagle Bancorp Montana, Inc. and Subsidiaries

We have audited the accompanying consolidated statements of financial condition of Eagle Bancorp Montana, Inc. and Subsidiaries (Eagle) as of December 31, 2015 and December 31, 2014 and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014. Eagle's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eagle Bancorp Montana, Inc. and Subsidiaries as of December 31, 2015 and December 31, 2014 and the results of their operations and their cash flows for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Abilene, Texas
February 26, 2016

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in Thousands, Except for Per Share Data)

	December 31, 2015	December 31, 2014
ASSETS:		
Cash and due from banks	$6,468	$11,889
Interest-bearing deposits in banks	970	613
Total cash and cash equivalents	7,438	12,502
Securities available-for-sale	145,738	161,787
Federal Home Loan Bank stock	3,397	1,968
Federal Reserve Bank stock	887	641
Investment in Eagle Bancorp Statutory Trust I	155	155
Mortgage loans held-for-sale	18,702	17,587
Loans receivable, net of deferred loan fees of $795 at December 31, 2015 and $486 at December 31, 2014 and allowance for loan losses of $3,550 at December 31, 2015 and $2,450 at December 31, 2014	403,734	316,270
Accrued interest and dividends receivable	2,278	2,318
Mortgage servicing rights, net	4,968	4,115
Premises and equipment, net	18,217	19,964
Cash surrender value of life insurance	12,514	11,735
Real estate and other repossessed assets acquired in settlement of loans, net	595	637
Goodwill	7,034	7,034
Core deposit intangible, net	514	663
Deferred tax asset, net	1,490	1,467
Other assets	2,686	1,364
Total assets	$630,347	$560,207
LIABILITIES:		
Deposit accounts:		
Noninterest bearing	$77,031	$60,924
Interest bearing	406,151	380,476
Total deposits	483,182	441,400
Accrued expenses and other liabilities	4,050	4,161
Federal Home Loan Bank advances and other borrowings	72,716	54,993
Subordinated debentures:		
Principal amount	15,155	5,155
Unamortized debt issuance costs	(206)	-
Total subordinated debentures less unamortized debt issuance costs	14,949	5,155
Total liabilities	574,897	505,709
SHAREHOLDERS' EQUITY:		
Preferred stock (no par value; 1,000,000 shares authorized; no shares		

issued or outstanding)	-	-
Common stock ($0.01 par value; 8,000,000 shares authorized; 4,083,127 shares issued; 3,779,464 and 3,878,781 shares outstanding at December 31, 2015 and 2014, respectively)	41	41
Additional paid-in capital	22,152	22,122
Unallocated common stock held by Employee Stock Ownership Plan	(975)	(1,141)
Treasury stock, at cost	(3,321)	(2,194)
Retained earnings	37,301	35,885
Net accumulated other comprehensive income (loss)	252	(215)
Total shareholders' equity	55,450	54,498
Total liabilities and shareholders' equity	$630,347	$560,207

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

-2-

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands, Except for Per Share Data)

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
INTEREST AND DIVIDEND INCOME:			
Interest and fees on loans	$17,332	$7,562	$12,985
Securities available-for-sale	3,058	2,026	4,285
Federal Home Loan Bank and Federal Reserve Bank dividends	67	19	-
Trust preferred securities	3	1	3
Interest on deposits in banks	1	-	4
Other interest income	5	1	4
Total interest and dividend income	20,466	9,609	17,281
INTEREST EXPENSE:			
Deposits	1,457	677	1,294
Federal Home Loan Bank advances and other borrowings	550	310	664
Subordinated debentures	448	43	87
Total interest expense	2,455	1,030	2,045
NET INTEREST INCOME	18,011	8,579	15,236
Loan loss provision	1,303	515	608
NET INTEREST INCOME AFTER LOAN LOSS PROVISION	16,708	8,064	14,628
NONINTEREST INCOME:			
Service charges on deposit accounts	1,009	538	1,022
Net gain on sale of loans (includes $1,907 for CY 2015, $461 for six months ended December 31, 2014 and $582 for FY 2014 related to accumulated other comprehensive earnings reclassification)	6,672	2,864	4,586
Mortgage loan service fees	1,718	767	1,372
Wealth management income	625	290	527
Interchange and ATM fees	580	287	556
Appreciation in cash surrender value of life insurance	426	208	405
Net gain on sale of available-for-sale securities (includes $234 for CY 2015, $335 for six months ended December 31, 2014 and $1,073 for FY 2014 related to accumulated other comprehensive earnings reclassification)	234	335	1,073
Net loss on fair value hedge	(93)	(364)	(63)
Net loss on sale of real estate owned and other repossessed property	(13)	(1)	(50)
Other noninterest income	603	168	613
Total noninterest income	11,761	5,092	10,041

NONINTEREST EXPENSE:			
Salaries and employee benefits	14,350	6,274	12,822
Occupancy and equipment expense	2,988	1,426	2,774
Data processing	2,259	1,082	1,870
Advertising	800	408	816
Amortization of mortgage servicing rights	799	328	630
Amortization of core deposit intangible and tax credits	432	208	427
Federal insurance premiums	332	174	271
Postage	181	95	175
Legal, accounting and examination fees	520	469	555
Consulting fees	576	351	537
Write-down on real estate owned and other repossessed property	-	-	10
Other noninterest expense	2,489	1,164	2,021
Total noninterest expenses	25,726	11,979	22,908
INCOME BEFORE INCOME TAXES	2,743	1,177	1,761
Income tax provision (benefit) (includes $321 for CY 2015, $1,405 for six months ended December 31, 2014 and $744 for FY 2014 related to income tax expense from reclassification items)	163	(465)	(350)
NET INCOME	$2,580	$1,642	$2,111
BASIC EARNINGS PER SHARE	$0.68	$0.42	$0.54
DILUTED EARNINGS PER SHARE	$0.67	$0.42	$0.53

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

-3-

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in Thousands, Except for Per Share Data)

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
NET INCOME	$2,580	$1,642	$2,111
OTHER ITEMS OF COMPREHENSIVE INCOME (LOSS):			
Change in fair value of investment securities available-for-sale, before income taxes	883	3,749	3,093
Reclassification for realized gains and losses on investment securities included in income, before income taxes	(234)	(335)	(1,073)
Change in fair value of derivatives designated as cash flow hedges, before income taxes	2,046	496	461
Reclassification for realized gains on derivatives designated as cash flow hedges, before income taxes	(1,907)	(461)	(582)
Total other items of comprehensive income	788	3,449	1,899
Income tax (expense) benefit related to:			
Investment securities	(264)	(1,391)	(823)
Derivatives designated as cash flow hedges	(57)	(14)	49
	(321)	(1,405)	(774)
COMPREHENSIVE INCOME	$3,047	$3,686	$3,236

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

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Dollars in Thousands, Except for Per Share Data)

	Preferred Stock	Common Stock	Paid-In Capital	Unallocated ESOP Shares	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance at July 1, 2013	$ -	$ 41	$ 22,109	$ (1,390)	$ (1,993)	$ 33,849	$ (3,384)	$ 49,232
Net income						2,111		2,111
Other comprehensive income							1,125	1,125
Dividends paid						(1,136)		(1,136)
Stock compensation expense			193					193
Treasury stock reissued for compensation (17,548 shares at $10.97 average cost per share)			(193)		193			-
Employee Stock Ownership Plan shares allocated or committed to be released for allocation (16,616 shares)			14	166				180
Balance at June 30, 2014	$ -	$ 41	$ 22,123	$ (1,224)	$ (1,800)	$ 34,824	$ (2,259)	$ 51,705
Net income						1,642		1,642
Other comprehensive income							2,044	2,044
Dividends paid						(581)		(581)
Stock compensation expense			186					186

Treasury stock purchased (55,000 shares at $10.66 average cost per share)					(587)			(587)
Treasury stock reissued for compensation (17,548 shares at $10.97 average cost per share)			(193)		193			-
Employee Stock Ownership Plan shares allocated or committed to be released for allocation (8,308 shares)			6	83				89
Balance at December 31, 2014	$ -	$ 41	$ 22,122	$ (1,141)	$ (2,194)	$ 35,885	$ (215)	$ 54,498
Net income						2,580		2,580
Other comprehensive income							467	467
Dividends paid						(1,164)		(1,164)
Stock compensation expense			204					204
Treasury stock purchased (116,865 shares at $11.30 average cost per share)					(1,320)			(1,320)
Treasury stock reissued for compensation (17,548 shares at $10.97 average cost per share)			(193)		193			-
Employee Stock Ownership Plan shares allocated or			19	166				185

committed to be released for allocation (16,616 shares)								
Balance at December 31, 2015	$ -	$ 41	$ 22,152	$ (975)	$ (3,321)	$ 37,301	$ 252	$ 55,450

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

-5-

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(Dollars in Thousands, Except for Per Share Data)

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$2,580	$1,642	$2,111
Adjustments to reconcile net income to net cash provided by operating activities:			
Loan loss provision	1,303	515	608
Write-down on real estate owned and other repossessed assets	-	-	10
Depreciation	1,231	585	1,146
Net amortization of investment securities premium and discounts	1,988	1,025	2,839
Amortization of mortgage servicing rights	799	328	630
Amortization of core deposit intangible and tax credits	432	208	427
Deferred income tax benefit	(344)	(665)	(153)
Net gain on sale of loans	(6,672)	(2,864)	(4,586)
Net gain on sale of available-for-sale securities	(234)	(335)	(1,073)
Net loss on sale of real estate owned and other repossessed assets	13	1	50
Net loss on fair value hedge	93	364	63
Net gain on sale/disposal of premises and equipment	(305)	-	(15)
Net appreciation in cash surrender value of life insurance	(329)	(158)	(322)
Net change in:			
Accrued interest and dividends receivable	40	111	(42)
Loans held-for-sale	5,696	2,557	8,027
Other assets	(1,603)	167	(649)
Accrued expenses and other liabilities	196	738	526
Net cash provided by operating activities	4,884	4,219	9,597
CASH FLOWS FROM INVESTING ACTIVITIES:			
Activity in available-for-sale securities:			
Sales	31,301	26,939	52,058
Maturities, principal payments and calls	12,515	5,811	22,344
Purchases	(28,872)	(2,260)	(44,738)
Federal Home Loan Bank stock (purchased) redeemed	(1,429)	(90)	53
Federal Reserve Bank stock purchased	(246)	(641)	-
Final valuation adjustments related to acquisition of Sterling Bank branches	-	-	(144)
Loan origination and principal collection, net	(90,477)	(43,665)	(61,166)
Proceeds from Bank owned life insurance	-	-	109
Purchases of Bank owned life insurance	(450)	(495)	-
Proceeds from sale of real estate and other repossessed assets acquired in settlement of loans	87	4	83
Insurance proceeds related to premises and equipment	-	-	31

Proceeds from sale of premises and equipment	1,438	-	-
Additions to premises and equipment	(630)	(448)	(2,320)
Net cash used in investing activities	(76,763)	(14,845)	(33,690)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	41,782	13,938	9,294
Net short-term (payments) advances from Federal Home Loan Bank and other borrowings	(1,723)	3,639	20,793
Long-term advances from Federal Home Loan Bank and other borrowings	33,000	2,000	5,000
Payments on long-term Federal Home Loan Bank and other borrowings	(13,554)	(2,100)	(9,200)
Proceeds from issuance of subordinated debentures	10,000	-	-
Payments for debt issuance costs	(206)	-	-
Purchase of treasury stock, at cost	(1,320)	(587)	-
Dividends paid	(1,164)	(581)	(1,136)
Net cash provided by financing activities	66,815	16,309	24,751
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,064)	5,683	658
CASH AND CASH EQUIVALENTS, beginning of period	12,502	6,819	6,161
CASH AND CASH EQUIVALENTS, end of period	$7,438	$12,502	$6,819

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

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: Organization and Operations

On April 5, 2010, Eagle Bancorp completed its second-step conversion from a partially-public mutual holding company structure to a fully publicly-owned stock holding company structure. As part of that transaction it also completed a related stock offering. As a result of the conversion and offering, Eagle Bancorp Montana, Inc. ("the Company", or "Eagle") became the stock holding company for American Federal Savings Bank ("AFSB"), and Eagle Financial MHC and Eagle Bancorp ceased to exist. The Company sold a total of 2,464,274 shares of common stock at a purchase price of $10.00 per share in the offering for gross proceeds of $24,643,000. Concurrent with the completion of the offering, shares of Eagle Bancorp common stock owned by the public were exchanged. Shareholders of Eagle Bancorp received 3.80 shares of the Company's common stock for each share of Eagle Bancorp common stock that they owned immediately prior to completion of the transaction.

The Company's Employee Stock Ownership Plan ("ESOP"), which purchased shares in the offering, was authorized to purchase up to 8.00% of the shares sold in the offering, or 197,142 shares. The ESOP completed its purchase of all such authorized shares in the offering, at a total cost of $1,971,000.

In 2014, the Board of Directors (the "Board") determined that it was in the Company's best interests to adopt a Montana community bank charter and the Company applied to the State of Montana to form an interim bank for the purpose of facilitating the conversion of AFSB from a federally chartered savings bank to a Montana-chartered commercial bank. Upon receiving required approvals of the Montana Division of Banking and Financial Institutions and the federal banking agencies for the conversion the conversion became effective on October 14, 2014. Concurrent with the conversion, the Bank applied, and was approved, for membership in the Federal Reserve System of the Board of Governors. In connection with the conversion, AFSB changed its name to Opportunity Bank of Montana ("the Bank"). As a result of the conversion, the Bank is now regulated by the Montana Division of Banking and Financial Institutions. As a Federal Reserve Board ("FRB") member bank, its primary federal regulator is the FRB, and the Company is a registered bank holding company regulated by the FRB. The Bank is a member of the Federal Home Loan Bank System and its deposit accounts are insured to the applicable limits by the Federal Deposit Insurance Corporation ("FDIC").

The Bank is headquartered in Helena, Montana, and operates additional branches in Butte, Bozeman, Billings, Big Timber, Livingston, Missoula, Hamilton and Townsend, Montana. It also operates two separate mortgage loan origination locations in Bozeman and Missoula, Montana. The Bank opened a Loan Production Office in Great Falls, Montana in January 2015. The Bank's market area is concentrated in southern Montana, to which it primarily offers commercial, residential and consumer loans. The Bank's principal business is accepting deposits and, together with funds generated from operations and borrowings, investing in various types of loans and securities. Collectively, Eagle Bancorp Montana Inc. and its subsidiaries are referred to herein as "the Company."

In August 2014, the Board of Directors (the "Board") approved a change in the Company's fiscal year end from June 30 to December 31 of each year. The year-end change was effective January 1, 2015. As a result of this change, the consolidated financial statements include presentation of calendar year ("CY") 2015 for the period from January 1, 2015 through December 31, 2015, the six month transition period from July 1, 2014 through December 31, 2014 and fiscal year ("FY") 2014 for the period from July 1, 2013 through June 30, 2014.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Eagle Bancorp Montana Inc., the Bank, Eagle Bancorp Statutory Trust I and AFSB NMTC Investment Fund, LLC. All significant intercompany transactions and balances have been eliminated in consolidation.

Consolidated Financial Statement Presentation and Use of Estimates

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In preparing consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statement of financial condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, mortgage servicing rights, the valuation of financial instruments, deferred tax assets and liabilities, and the valuation of foreclosed assets. In connection with the determination of the estimated losses on loans, foreclosed assets, valuation of mortgage servicing rights and valuation of the interest rate swap, management obtains independent appraisals and valuations.

Certain prior period amounts have been reclassified to conform to the presentation for CY 2015. These reclassifications had no impact on net income or total shareholders' equity. Certain loan amounts were reclassified for December 31, 2014 to be consistent with loan category classification for December 31, 2015. In addition, to be more consistent with regulatory reporting requirements, advances by borrowers for taxes and interest are included in noninterest bearing deposits at December 31, 2015 on the Consolidated Statement of Financial Condition. The escrow balance of $417,000 at December 31, 2014 was reclassed from accrued expenses and other liabilities to be consistent with the December 31, 2015 presentation. ATM servicing fees and appreciation in cash surrender value of life insurance have previously been included in other noninterest income on the Consolidated Statements of Income. These amounts were presented on their own lines for CY 2015 and prior year amounts were reclassed to be consistent with the current year presentation.

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

Significant Group Concentrations of Credit Risk

Most of the Company's business activity is with customers located within Montana. Note 4: Investment Securities discusses the types of securities that the Company invests in. Note 5: Loans discusses the types of lending that the Company engages in. The Company does not have any significant concentrations to any one industry or customer.

The Company carries certain assets with other financial institutions which are subject to credit risk by the amount such assets exceed federal deposit insurance limits. At December 31, 2015 and 2014, no account balances were held with correspondent banks that were in excess of FDIC insured levels, except for federal funds sold or deposit balances held at Federal Home Loan Bank ("FHLB") of Des Moines (formerly FHLB of Seattle) and Zions Bank. FHLB of Des Moines completed a merger with FHLB of Seattle in June 2015. Also, from time to time, the

Company is due amounts in excess of FDIC insurance limits for checks and transit items.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Significant Group Concentrations of Credit Risk – continued

Management monitors the financial stability of correspondent banks and considers amounts advanced in excess of FDIC insurance limits to present no significant additional risk to the Company.

Cash and Cash Equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet captions “cash and due from banks” and “interest-bearing deposits in banks” all of which mature within ninety days.

The Bank is required to maintain a reserve balance with the FRB. The Bank properly maintained amounts in excess of required reserves of $0 as of December 31, 2015 and 2014.

Investment Securities

The Company can designate debt and equity securities as held-to-maturity, available-for-sale or trading. At December 31, 2015 and 2014 all securities were designated as available-for-sale.

Held-to-maturity – Debt investment securities that management has the positive intent and ability to hold until maturity are classified as held-to-maturity and are carried at their remaining unpaid principal balance, net of unamortized premiums or unaccreted discounts. Premiums are amortized and discounts are accreted using the interest method over the period remaining until maturity.

Available-for-sale – Investment securities that will be held for indefinite periods of time, including securities that may be sold in response to changes in market interest or prepayment rates, need for liquidity and changes in the availability of and the yield of alternative investments, are classified as available-for-sale. These assets are carried at fair value. Unrealized gains and losses, net of tax, are reported as other comprehensive income. Gains and losses on the sale of available-for-sale securities are recorded on the trade date and determined using the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary are recognized by write-downs of the individual securities to their fair value. Such write-downs would be included in earnings as realized losses.

Trading – Investments that are purchased with the intent of selling them within a short period of time.

Federal Home Loan Bank Stock

The Company’s investment in FHLB stock is a restricted investment carried at cost ($100 per share par value), which approximates its fair value. As a member of the FHLB system, the Company is required to maintain a minimum level of investment in FHLB stock based on total assets and a specific percentage of its outstanding FHLB advances. The Company had 33,969 FHLB shares at December 31, 2015 and 19,682 shares at December 31, 2014. Dividends are paid quarterly and are subject to FHLB board approval.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Federal Reserve Bank Stock

The Company's investment in FRB stock is a restricted investment carried at cost, which approximates its fair value. Although the par value of the stock is $100 per share, banks pay only $50 per share at the time of purchase, with the understanding that the other half of the subscription amount is subject to call at any time. As a member of the Federal Reserve System, the Company is required to maintain a minimum level of investment in FRB stock based on a specific percentage of its capital and surplus. The Company had 17,415 FRB shares at December 31, 2015 and 12,600 shares at December 31, 2014. Dividends are received semi-annually at a fixed rate of 6.00% on the total number of shares.

Mortgage Loans Held-for-Sale

Mortgage loans originated and intended for sale in the secondary market are carried at fair value, determined in aggregate, plus the fair value of associated derivative financial instruments. Net unrealized losses, if any, are recognized in a valuation allowance by a charge to income.

Loans

The Bank grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans in Montana. The ability of the Bank's debtors to honor their contracts is dependent upon the general economic conditions in this area.

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances net of any unearned income, allowance for loan losses, and unamortized deferred fees or costs on originated loans and unamortized premiums or unaccreted discounts on purchased loans. Loan origination fees, net of certain direct origination costs are deferred and amortized over the contractual life of the loan, and recorded as an adjustment to the yield, using the interest method.

Loan Origination/Risk Management. The Bank selectively extends credit for the purpose of establishing long-term relationships with its customers. The Bank mitigates the risks inherent in lending by focusing on businesses and individuals with demonstrated payment history, historically favorable profitability trends and stable cash flows. In addition to these primary sources of repayment, the Bank considers tangible collateral and personal guarantees as secondary sources of repayment. Lending officers are provided with detailed underwriting policies covering all lending activities in which the Bank is engaged and require all lenders to obtain appropriate approvals for the extension of credit. The Bank also maintains documentation requirements and extensive credit quality assurance practices in order to identify credit portfolio weaknesses as early as possible so any exposures that are discovered may be reduced.

A reporting system supplements the loan review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and nonperforming and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

The Bank regularly contracts for independent loan reviews that validate the credit risk program. Results of these reviews are presented to management. The loan review process compliments and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as, the Company's policies and procedures.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Loans – continued

Residential Mortgages (1-4 Family). The Bank originates 1-4 family residential mortgage loans collateralized by owner-occupied and non-owner-occupied real estate. Repayment of these loans may be subject to adverse conditions in the real estate market or the economy to a greater extent than other types of loans. Loans collateralized by 1-4 family residential real estate generally have been originated in amounts up to 80.00% of appraised values before requiring private mortgage insurance. The underwriting analysis includes credit verification, appraisals and a review of the financial condition of the borrower. The Company will either hold these loans in its portfolio or sell them on the secondary market, depending upon market conditions and the type and term of the loan originations. Generally, all 30-year fixed rate loans are sold in the secondary market.

Commercial Real Estate Mortgages and Land Loans. The Bank makes commercial real estate loans and land loans collateralized by owner-occupied and non-owner-occupied real estate. Payments on loans secured by such properties are often dependent on the successful operation or management of the properties. Accordingly, repayment of these loans may be subject to adverse conditions in the real estate market or the economy to a greater extent than other types of loans. When underwriting these loans, the Bank seeks to minimize these risks in a variety of ways, including giving careful consideration to the property's operating history, future operating projections, current and projected occupancy, location and physical condition. The underwriting analysis also includes credit verification, analysis of global cash flow, appraisals and a review of the financial condition of the borrower.

Real Estate Construction. The Bank makes loans to finance the construction of residential and non-residential properties. The majority of the Bank's residential construction loans are made to both individual homeowners for the construction of their primary residence and, to a lesser extent, to local builders for the construction of pre-sold houses or houses that are being built for sale in the future. The Company also originates loans to finance the construction of commercial properties such as multi-family, office, industrial, warehouse and retail centers. Construction loans involve additional risks attributable to the fact that loan funds are advanced upon the security of a project under construction, and the project is of uncertain value prior to its completion. Because of uncertainties inherent in estimating construction costs, the market value of the completed project and the effects of governmental regulation on real property, it can be difficult to accurately evaluate the total funds required to complete a project and the related loan to value ratio. As a result of these uncertainties, construction lending often involves the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan. If the Company is forced to foreclose on a project prior to completion, there is no assurance that the Company will be able to recover the entire unpaid portion of the loan. In addition, the Company
may be required to fund additional amounts to complete a project and may have to hold the property for an indeterminable period of time. While the Bank has underwriting procedures designed to identify what it believes to be acceptable levels of risks in construction lending, no assurance can be given that these procedures will prevent losses from the risks described above.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Loans – continued

Home Equity Loans. The Bank originates home equity loans that are secured by the borrowers' primary residence. These loans are typically subject to a prior lien, which may or may not be held by the Bank. Although these loans are secured by real estate, they carry a greater risk than first lien 1-4 family residential mortgages because of the existence of a prior lien on the property as well as the flexibility the borrower has with respect to the proceeds. The Bank attempts to minimize this risk by maintaining conservative underwriting policies on these types of loans. Generally, home equity loans are made for up to 85.00% of the appraised value of the underlying real estate collateral, less the amount of any existing prior liens on the property securing the loan.

Consumer Loans. Consumer loans made by the Bank include automobile loans, recreational vehicle loans, boat loans, personal loans, credit lines, loans secured by deposit accounts and other personal loans. Risk is minimized due to relatively small loan amounts that are spread across many individual borrowers.

Commercial and Industrial Loans. A broad array of commercial lending products are made available to businesses for working capital (including inventory and accounts receivable), purchases of equipment and machinery and business. Bank's commercial loans are underwritten on the basis of the borrower's ability to service such debt as reflected by cash flow projections. Commercial loans are generally collateralized by business assets, accounts receivable and inventory, certificates of deposit, securities, guarantees or other collateral. The Bank also generally obtains personal guarantees from the principals of the business. Working capital loans are primarily collateralized by short-term assets, whereas term loans are primarily collateralized by long-term assets. As a result, commercial loans involve additional complexities, variables and risks and require more thorough underwriting and servicing than other types of loans.

Non-Accrual and Past Due Loans. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, the Bank considers the borrower's debt service capacity through the analysis of current financial information, if available, and/or current information with regards to the Bank's collateral position. Regulatory provisions would typically require the placement of a loan on non-accrual status if (i) principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or (ii) full payment of principal and interest is not expected. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

The allowance consists of specific, general and unallocated components. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses.

The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and the borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment.

Troubled Debt Restructured Loans

A troubled debt restructured loan is a loan in which the Bank grants a concession to the borrower that it would not otherwise consider, for reasons related to a borrower's financial difficulties. The loan terms which have been modified or restructured due to a borrower's financial difficulty, include but are not limited to a reduction in the stated interest rate; an extension of the maturity at an interest rate below current market rates; a reduction in the face amount of the debt; a reduction in the accrued interest; or re-aging, extensions, deferrals, renewals and rewrites or a combination of these modification methods. A troubled debt restructured loan would generally be considered impaired in the year of modification and will be assessed periodically for continued impairment.

-13-

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Mortgage Servicing Rights

Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Generally, purchased servicing rights are capitalized at the cost to acquire the rights. For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on relative fair value. Fair value is based on a market price valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that the fair value is less than the capitalized amount for the tranches. If the Company later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income. Capitalized servicing rights are reported as assets and are amortized into noninterest expense in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Cash Surrender Value of Life Insurance

Life insurance policies are initially recorded at cost at the date of purchase. Subsequent to purchase, the policies are periodically adjusted for fair value. The adjustment to fair value increases or decreases the carrying value of the policies and is recorded as an income or expense on the consolidated statement of income. For CY 2015, the six months ended December 31, 2014 and FY 2014, there were no adjustments to fair value that were outside the normal appreciation in cash surrender value.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. All write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, property held-for-sale is carried at fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

-14-

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Premises and Equipment

Land is carried at cost. Property and equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the expected useful lives of the assets, ranging from 3 to 40 years. The costs of maintenance and repairs are expensed as incurred, while major expenditures for renewals and betterments are capitalized.

Income Taxes

The Company adopted authoritative guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The Company's income tax expense consists of the following components: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes interest accrued on penalties related to unrecognized tax benefits in tax expense. During CY 2015, the six months ended December 31, 2014 and FY 2014 the Company recognized no interest and penalties. Based on management's analysis, the Company did not have any uncertain tax positions as of December 31, 2015 or 2014. The Company files tax returns in the U.S. federal jurisdiction and the State of Montana. There are currently no income tax examinations underway for these jurisdictions. The Company's income tax returns are subject to examination by relevant taxing authorities as follows: U.S. Federal income tax returns for tax years 2012 and forward; Montana income tax returns for tax years 2012 and forward.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Treasury Stock

Treasury stock is accounted for on the cost method and consists of 303,663 shares at December 31, 2015 and 204,346 shares at December 31, 2014.

On July 23, 2015, the Board of Directors authorized the repurchase of up to 100,000 shares of its common stock. Under the plan, shares may be purchased by the Company on the open market or in privately negotiated transactions. The extent to which the company repurchases its shares and the timing of such repurchase will depend upon market conditions and other corporate considerations. During the three months ended December 31, 2015, 15,000 shares were purchased at an average price of $11.75 per share. During the three months ended September 30, 2015, 46,065 shares were purchased at an average price of $11.47 per share. 38,935 shares remain for purchase under this plan. The plan expires on July 23, 2016.

On July 1, 2014, the Company announced that its Board authorized the repurchase of up to 200,000 shares of its common stock. Under this plan, shares could be purchased on the open market or in privately negotiated transactions. Under this plan, 55,800 shares were purchased at an average price of $11.03 per share during the six months ended June 30, 2015. 55,000 shares were purchased at an average price of $10.66 per share during the six month transition period ended December 31, 2014. The plan expired on June 30, 2015.

On July 1, 2013, the Company announced that its Board authorized a common stock repurchase plan for 150,000 shares of common stock, effective July 1, 2013. The Company did not purchase any shares of our common stock during FY 2014. This plan expired on June 30, 2014.

Advertising Costs

The Company expenses advertising costs as they are incurred. Advertising costs were approximately $800,000 for CY 2015, $408,000 for the six months ended December 31, 2014 and $816,000 for FY 2014.

Employee Stock Ownership Plan

Compensation expense recognized for the Company's ESOP equals the fair value of shares that have been allocated or committed to be released for allocation to participants. Any difference between the fair value of the shares at the time and the ESOP's original acquisition cost is charged or credited to shareholders' equity (capital surplus). The cost of ESOP shares that have not yet been allocated or committed to be released is deducted from shareholders' equity.

Earnings Per Share

Earnings per common share is computed using the two-class method prescribed under ASC Topic 260, "Earnings Per Share." ASC Topic 260 provides that unvested share based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The Company has determined that its outstanding non-vested stock awards are participating securities. Under the two-class method, basic earnings per common share is computed by dividing net earnings allocated to common stock by the weighted-average number of common shares outstanding during the applicable period, excluding outstanding participating securities. Diluted

earnings per common share is computed using the weighted-average number of shares determined for the basic earnings per common share computation plus the dilutive effect of stock compensation using the treasury stock method. A reconciliation of the weighted-average shares used in calculating basic earnings per common share and the weighted average common shares used in calculating diluted earnings per common share for the reported periods is provided in Note 3: Earnings Per Share.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Derivatives

Derivatives are recognized as assets and liabilities on the consolidated statement of financial condition and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For non-exchange traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Interest Rate Swap Agreements

For asset/liability management purposes, the Company uses interest rate swap agreements to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Interest rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged. These swap agreements are derivative instruments and generally convert a portion of the Company’s variable-rate debt to a fixed rate (cash flow hedge), and convert a portion of its fixed-rate loans to a variable rate (fair value hedge).

The gain or loss on a derivative designated and qualifying as a fair value hedging instrument, as well as the offsetting gain or loss on the hedged item attributable to the risk being hedged, is recognized currently in earnings in the same accounting period. The effective portion of the gain or loss on a derivative designated and qualifying as a cash flow hedging instrument is initially reported as a component of other comprehensive income and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized currently in earnings.

For cash flow hedges, the net settlement (upon close-out or termination) that offsets changes in the value of the hedged debt is deferred and amortized into net interest income over the life of the hedged debt. For fair value hedges, the net settlement (upon close-out or termination) that offsets changes in the value of the loans adjusts the basis of the loans and is deferred and amortized to loan interest income over the life of the loans.

The portion, if any, of the net settlement amount that did not offset changes in the value of the hedged asset or liability is recognized immediately in noninterest income.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Interest Rate Swap Agreements – continued

Interest rate derivative financial instruments receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Company to risk. Those derivative financial instruments that do not meet specified hedging criteria would be recorded at fair value with changes in fair value recorded in income. If periodic assessment indicates derivatives no longer provide an effective hedge, the derivative contracts would be closed out and settled, or classified as a trading activity.

Cash flows resulting from the derivative financial instruments that are accounted for as hedges of assets and liabilities are classified in the cash flow statement in the same category as the cash flows of the items being hedged.

Derivative Loan Commitments

Mortgage loan commitments that relate to the origination of a mortgage that will be held-for-sale upon funding are considered derivative instruments. Loan commitments that are derivatives are recognized at fair value on the consolidated balance sheet in other assets and other liabilities with changes in their fair values recorded in noninterest income.

The Company adopted ASC Subtopic 815-10-S99-1, "Written Loan Commitments Recorded at Fair Value Through Earnings" and began including the value associated with servicing of loans in the measurement of all written loan commitments issued after that date. ASC Subtopic 815-10-S99-1 requires that the expected net future cash flows related to servicing of a loan be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. In estimating fair value, the Company assigns a probability to a loan commitment based on an expectation that it will be exercised and the loan will be funded. The adoption of ASC Subtopic 815-10-S99-1 generally has resulted in higher fair values being recorded upon initial recognition of derivative loan commitments.

Forward Loan Sale Commitments

The Company carefully evaluates all loan sales agreements to determine whether they meet the definition of a derivative as facts and circumstances may differ significantly. If agreements qualify, to protect against the price risk inherent in derivative loan commitments, the Company uses both "mandatory delivery" and "best efforts" forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments. Mandatory delivery contracts are accounted for as derivative instruments. Gains and losses on the items hedged are deferred and recognized in accumulated other comprehensive income until the commitments are completed. At the point of completion of the commitments the gains and losses are recognized in the Company's income statement.

The Company estimates the fair value of its forward loan sales commitments using a methodology similar to that used for derivative loan commitments.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Business Combinations, Goodwill and Other Intangible Assets

Authoritative guidance requires that all business combinations initiated after December 31, 2001, be accounted for under the purchase method and addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. The guidance also addresses the initial recognition and measurement of intangible assets acquired in a business combination and the accounting for goodwill and other intangible assets subsequent to their acquisition. The guidance provides that intangible assets with finite useful lives be amortized and that goodwill and intangible assets with indefinite lives not be amortized, but rather be tested at least annually for impairment.

The goodwill recorded for the acquisition of the branches of Sterling Financial Corporation ("Sterling") in the second quarter of FY 2013 was $6,890,000 and is not subject to amortization in accordance with accounting guidance. Final valuation adjustments were recorded in the second quarter of FY 2014 for $144,000 and impacted goodwill. The final goodwill recorded related to the acquisition was $7,034,000. The Company performs a goodwill impairment test annually as of June 30. There have been no reductions of recorded goodwill resulting from the impairment tests. Other identifiable intangible assets recorded by the Company represent the future benefit associated with the acquisition of the core deposits of the Sterling branches and are being amortized over 7 years utilizing a method that approximates the expected attrition of the deposits. This amortization expense is included in the noninterest expense section of the consolidated statements of income.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-9, Revenue from Contracts with Customers (Topic 606). This guidance is a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. On July 9, 2015, the FASB agreed to delay the effective date of the standard by one year. Therefore, the new standard will be effective in the first quarter of 2018 and is not expected to have a significant impact to the Company's financial statements.

-19-

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: Summary of Significant Accounting Policies – continued

Recent Accounting Pronouncements – continued

In 2015, the FASB amended its authoritative guidance related to debt issuance costs. The amendment requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability. However, the recognition and measurement guidance related to debt issuance costs is not affected by this amendment. The amendment is effective for annual and interim reporting periods beginning after December 15, 2015 and is to be applied on a retrospective basis. Early adoption is permitted. The Company adopted this standard during the quarter ended June 30, 2015 and has included the required disclosures in this report on Form 10-K.

In September 2015, the FASB issued ASU No. 2015-16, "Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments." The amendments in ASU 2015-16 require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The amendment is effective for annual and interim reporting periods beginning after December 15, 2015 and is not expected to have a significant impact to the Company's financial statements.

In January 2016, the FASB issued ASU No. 2016-01 "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." The amendment has a number of provisions including the requirements that public business entities use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, a separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e. securities or loans receivables), and eliminating the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. The amendment is effective for annual and interim reporting periods beginning after December 15, 2017. The Company is evaluating the potential impact of the amendment on the financial statements.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3: Earnings Per Share

The computations of basic and diluted earnings per share were as follows:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
	(Dollars in Thousands)		
Weighted average shares outstanding during the period in which basic earnings per share is calculated	3,813,090	3,882,376	3,910,320
Dilutive effect of stock compensation	46,535	49,176	63,996
Average outstanding shares on which diluted earnings per share is calculated	3,859,625	3,931,552	3,974,316
Net income applicable to common stockholders	$2,580	$1,642	$2,111
Basic earnings per share	$0.68	$0.42	$0.54
Diluted earnings per share	$0.67	$0.42	$0.53

NOTE 4: Investment Securities

The Company's investment policy requires that the Company purchase only high-grade investment securities. Most municipal obligations are categorized as "A" or better by a nationally recognized statistical rating organization. These ratings are achieved because the securities are backed by the full faith and credit of the municipality and also supported by third-party credit insurance policies.

Mortgage-backed securities ("MBSs") and collateralized mortgage obligations ("CMOs") are issued by government sponsored corporations, including Federal Home Loan Mortgage Corporation, Fannie Mae and the Guaranteed National Mortgage Association.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: Investment Securities – continued

The amortized cost and fair values of securities, together with unrealized gains and losses, were as follows:

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available-for-sale:				
U.S. government and agency	$ 10,684	$ 26	$ (95)	$ 10,615
Municipal obligations	66,606	1,041	(578)	67,069
Corporate obligations	9,615	-	(165)	9,450
MBSs - government-backed	32,810	111	(186)	32,735
CMOs - government-backed	26,233	40	(404)	25,869
Total	$ 145,948	$ 1,218	$ (1,428)	$ 145,738

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available-for-sale:				
U.S. government and agency	$ 33,472	$ 42	$ (333)	$ 33,181
Municipal obligations	71,844	1,243	(1,202)	71,885
Corporate obligations	5,990	27	(12)	6,005
MBSs - government-backed	22,097	56	(189)	21,964
CMOs - government-backed	29,243	26	(517)	28,752
Total	$ 162,646	$ 1,394	$ (2,253)	$ 161,787

The Company has not entered into any interest rate swaps, options or futures contracts relating to investment securities.

Net proceeds from sales of securities available-for-sale were $31,301,000 for CY 2015, $26,939,000 for the six months ended December 31, 2014 and $52,058,000 for FY 2014. Gross realized gains on securities available-for-sale were $534,000 for CY 2015, $641,000 for the six months ended December 31, 2014 and $1,286,000 for FY 2014. Gross realized losses on securities available-for-sale were $300,000 for CY 2015, $306,000 for the six months ended December 31, 2014 and $213,000 for FY 2014.

EAGLE BANCORP MONTANA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: Investment Securities – continued

The amortized cost and fair value of securities at December 31, 2015 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.

	Amortized Cost	Fair Value
	(In Thousands)	
Due in one year or less	$ -	$ -
Due from one to five years	6,976	6,894
Due from five to ten years	14,741	14,679
Due after ten years	65,188	65,561
	86,905	87,134
MBSs - government-backed	32,810	32,735
CMOs - government-backed	26,233	25,869
Total	$ 145,948	$ 145,738

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

At December 31, 2015 and 2014, securities with a fair value of $11,389,000 and $10,299,000, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

The Company's investment securities that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position for 12 or more months were as follows:

December 31, 2015			
Less than 12 Months		12 Months or Longer	
	Gross		Gross
Fair	Unrealized	Fair	Unrealized