

EAGLE BANCORP INC
Form 10-Q
May 11, 2015
Table Of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 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 0-25923

Eagle Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of

52-2061461
(I.R.S. Employer

Edgar Filing: EAGLE BANCORP INC - Form 10-Q

incorporation or organization)

Identification No.)

7830 Old Georgetown Road, Third Floor, Bethesda, Maryland
Address of principal executive offices

20814
(Zip Code)

(301) 986-1800

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of April 23, 2015, the registrant had 33,359,716 shares of Common Stock outstanding.

Table Of Contents

EAGLE BANCORP, INC.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1.	<u>Financial Statements (Unaudited)</u>	3
	<u>Consolidated Balance Sheets</u>	3
	<u>Consolidated Statements of Operations</u>	4
	<u>Consolidated Statements of Comprehensive Income</u>	5
	<u>Consolidated Statements of Changes in Shareholders' Equity</u>	6
	<u>Consolidated Statements of Cash Flows</u>	7
	<u>Notes to Consolidated Financial Statements</u>	8

Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	39
---------	--	----

Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	66
---------	---	----

Item 4.	<u>Controls and Procedures</u>	66
---------	--------------------------------	----

PART II. OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	67
---------	--------------------------	----

Item 1A.	<u>Risk Factors</u>	67
----------	---------------------	----

Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	67
---------	--	----

Item 3.	<u>Defaults Upon Senior Securities</u>	67
---------	--	----

Item 4.	<u>Mine Safety Disclosures</u>	67
---------	--------------------------------	----

Item 5.	<u>Other Information</u>	67
---------	--------------------------	----

Item 6.	<u>Exhibits</u>	67
---------	-----------------	----

	<u>Signatures</u>	70
--	-------------------	----

Table Of Contents**Item 1 – Financial Statements (Unaudited)****EAGLE BANCORP, INC.****Consolidated Balance Sheets (Unaudited)**

(dollars in thousands, except per share data)

	March 31, 2015	December 31, 2014	March 31, 2014
Assets			
Cash and due from banks	\$9,997	\$9,097	\$8,982
Federal funds sold	2,700	3,516	8,468
Interest bearing deposits with banks and other short-term investments	402,964	243,412	213,501
Investment securities available for sale, at fair value	333,531	382,343	387,790
Federal Reserve and Federal Home Loan Bank stock	16,793	22,560	10,599
Loans held for sale	62,758	44,317	21,862
Loans	4,444,893	4,312,399	3,063,975
Less allowance for credit losses	(47,779)	(46,075)	(42,018)
Loans, net	4,397,114	4,266,324	3,021,957
Premises and equipment, net	18,185	19,099	17,181
Deferred income taxes	32,089	32,511	27,146
Bank owned life insurance	56,983	56,594	40,052
Intangible assets, net	109,617	109,908	3,482
Other real estate owned	12,338	13,224	8,809
Other assets	45,271	44,975	34,123
Total Assets	\$5,500,340	\$5,247,880	\$3,803,952
Liabilities and Shareholders' Equity			
Liabilities			
Deposits:			
Noninterest bearing demand	\$1,196,165	\$1,175,799	\$886,623
Interest bearing transaction	178,291	143,628	106,645
Savings and money market	2,405,435	2,302,600	1,861,355
Time, \$100,000 or more	412,691	393,132	196,238
Other time	391,783	295,609	222,828
Total deposits	4,584,365	4,310,768	3,273,689
Customer repurchase agreements	58,589	61,120	66,437
Other short-term borrowings	-	100,000	-
Long-term borrowings	79,300	119,300	39,300
Other liabilities	36,556	35,933	14,144
Total Liabilities	4,758,810	4,627,121	3,393,570

Shareholders' Equity

Preferred stock, par value \$.01 per share, shares authorized 1,000,000, Series B, \$1,000 per share liquidation preference, shares issued and outstanding 56,600 at March 31, 2015, December 31, 2014 and March 31, 2014; Series C, \$1,000 per share liquidation preference, shares issued and outstanding 15,300 at March 31, 2015, December 31, 2014 and -0- at March 31, 2014	71,900	71,900	56,600
Common stock, par value \$.01 per share; shares authorized 50,000,000, shares issued and outstanding 33,303,467, 30,139,396 and 25,975,186 respectively	329	296	255
Warrant	946	946	946
Additional paid in capital	495,784	394,933	244,332
Retained earnings	169,291	150,037	108,751
Accumulated other comprehensive income (loss)	3,280	2,647	(502)
Total Shareholders' Equity	741,530	620,759	410,382
Total Liabilities and Shareholders' Equity	\$5,500,340	\$5,247,880	\$3,803,952

See notes to consolidated financial statements.

Table Of Contents**EAGLE BANCORP, INC.****Consolidated Statements of Operations (Unaudited)****(dollars in thousands, except per share data)**

	Three Months Ended March 31,	
	2015	2014
Interest Income		
Interest and fees on loans	\$57,179	\$40,363
Interest and dividends on investment securities	2,139	2,333
Interest on balances with other banks and short-term investments	138	138
Interest on federal funds sold	9	3
Total interest income	59,465	42,837
Interest Expense		
Interest on deposits	3,242	2,412
Interest on customer repurchase agreements	27	38
Interest on short-term borrowings	54	-
Interest on long-term borrowings	1,411	380
Total interest expense	4,734	2,830
Net Interest Income	54,731	40,007
Provision for Credit Losses	3,310	1,934
Net Interest Income After Provision For Credit Losses	51,421	38,073
Noninterest Income		
Service charges on deposits	1,333	1,192
Gain on sale of loans	3,587	1,843
Gain on sale of investment securities	2,164	8
Loss on early extinguishment of debt	(1,130)	-
Increase in the cash surrender value of bank owned life insurance	390	314
Other income	1,460	1,106
Total noninterest income	7,804	4,463
Noninterest Expense		
Salaries and employee benefits	15,706	13,608
Premises and equipment expenses	4,010	3,089
Marketing and advertising	685	462
Data processing	1,784	1,588
Legal, accounting and professional fees	982	974
FDIC insurance	771	544
Merger expenses	111	-
Other expenses	4,024	2,833
Total noninterest expense	28,073	23,098
Income Before Income Tax Expense	31,152	19,438
Income Tax Expense	11,734	6,939

Net Income	19,418	12,499
Preferred Stock Dividends	180	141
Net Income Available to Common Shareholders	\$19,238	\$12,358
Earnings Per Common Share		
Basic	\$0.62	\$0.48
Diluted	\$0.61	\$0.47

See notes to consolidated financial statements.

Table Of Contents**EAGLE BANCORP, INC.****Consolidated Statements of Comprehensive Income (Unaudited)**

(dollars in thousands)

	Three Months Ended March 31, 2015 2014	
Net Income	\$19,418	\$12,499
Other comprehensive income (loss), net of tax:		
Net unrealized gain (loss) on securities available for sale	1,931	2,822
Reclassification adjustment for net gains included in net income	(1,298)	(5)
Net change in unrealized (loss) gains on securities	633	2,817
Comprehensive Income	\$20,051	\$15,316

See notes to consolidated financial statements.

Table Of Contents**EAGLE BANCORP, INC.****Consolidated Statements of Changes in Shareholders' Equity (Unaudited)**

(dollars in thousands except share data)

	Preferred		Common		Warrant	Additional Paid in Capital	Accumulated Other Retained Earnings	Total Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Stock	Shares	Stock					
Balance January 1, 2015	71,900	\$71,900	30,139,396	\$296	\$946	\$394,933	\$150,037	\$2,647	\$620,759
Net Income	-	-	-	-	-	-	19,418	-	19,418
Net change in other comprehensive income, net of tax	-	-	-	-	-	-	-	633	633
Stock-based compensation	-	-	-	-	-	1,148	-	-	1,148
Issuance of common stock related to options exercised	-	-	279,373	3	-	3,435	-	-	3,438
Tax benefit on non-qualified options exercised	-	-	-	-	-	1,450	-	-	1,450
Issuance of common stock upon vesting of restricted stock awards, net of shares withheld for payroll taxes	-	-	(15,039)	2	-	(2)	-	-	-
Restricted stock awards granted	-	-	78,070	-	-	-	-	-	-
Shares issued in public offering, net of issuance costs of \$5,302	-	-	2,816,900	28	-	94,670	-	-	94,698
Issuance of common stock related to employee stock purchase plan	-	-	4,767	-	-	154	-	-	154

Edgar Filing: EAGLE BANCORP INC - Form 10-Q

Cash paid in lieu of fractional shares upon merger with Virginia Heritage	-	-	-	-	-	(4)	-	-	(4)
Preferred stock dividends	-	-	-	-	-	-	(164)	-	(164)
Balance March 31, 2015	71,900	\$71,900	33,303,467	\$329	\$ 946	\$495,784	\$ 169,291	\$ 3,280	\$ 741,530
Balance January 1, 2014	56,600	\$56,600	25,885,863	\$253	\$ 946	\$242,990	\$96,393	\$ (3,319)	\$ 393,863
Net Income	-	-	-	-	-	-	12,499	-	12,499
Net change in other comprehensive income, net of tax	-	-	-	-	-	-	-	2,817	2,817
Stock-based compensation	-	-	-	-	-	892	-	-	892
Issuance of common stock related to options exercised	-	-	19,027	-	-	250	-	-	250
Tax benefit on non-qualified options exercised	-	-	-	-	-	75	-	-	75
Issuance of common stock upon vesting of restricted stock awards, net of shares withheld for payroll taxes	-	-	(13,110)	2	-	(2)	-	-	-
Restricted stock awards granted	-	-	78,947	-	-	-	-	-	-
Issuance of common stock related to employee stock purchase plan	-	-	4,459	-	-	127	-	-	127
Preferred stock dividends	-	-	-	-	-	-	(141)	-	(141)
Balance March 31, 2014	56,600	\$56,600	25,975,186	\$255	\$ 946	\$244,332	\$ 108,751	\$ (502)	\$ 410,382

See notes to consolidated financial statements.

Table Of Contents**EAGLE BANCORP, INC.****Consolidated Statements of Cash Flows (Unaudited)****(dollars in thousands)**

	Three Months Ended March 31,	
	2015	2014
Cash Flows From Operating Activities:		
Net Income	\$ 19,418	\$ 12,499
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	3,310	1,934
Depreciation and amortization	2,931	1,119
Gains on sale of loans	(3,587)	(1,843)
Securities premium amortization (discount accretion), net	683	861
Origination of loans held for sale	(279,612)	(98,321)
Proceeds from sale of loans held for sale	264,758	120,332
Net increase in cash surrender value of BOLI	(390)	(314)
Decrease in deferred income taxes	422	1,803
Decrease in fair value of other real estate owned	750	453
Net loss on sale of other real estate owned	17	100
Net gain on sale of investment securities	(2,164)	(8)
Loss on early extinguishment of debt	1,130	-
Stock-based compensation expense	1,148	892
Excess tax benefits from stock-based compensation	(1,450)	(75)
Increase in other assets	(296)	(3,411)
Increase (decrease) in other liabilities	623	(18,311)
Net cash provided by operating activities	7,691	17,710
Cash Flows From Investing Activities:		
Decrease (increase) in interest bearing deposits with other banks and short-term investments	295	(5)
Purchases of available for sale investment securities	(26,885)	(18,564)
Proceeds from maturities of available for sale securities	12,110	4,384
Proceeds from sale/call of available for sale securities	65,701	6,487
Purchases of Federal Reserve and Federal Home Loan Bank stock	(2,322)	(26)
Proceeds from redemption of Federal Reserve and Federal Home Loan Bank stock	8,100	699
Net increase in loans	(134,100)	(119,871)
Proceeds from sale of other real estate owned	153	108
Purchases of BOLI	(389)	-

Edgar Filing: EAGLE BANCORP INC - Form 10-Q

Purchases of annuities	(992)	-	
Bank premises and equipment acquired	(348)	(1,483)
Net cash used in investing activities	(78,677)	(128,271)
Cash Flows From Financing Activities:				
Increase in deposits	273,597		48,275	
Decrease in customer repurchase agreements	(2,531)	(14,034)
Issuance of common stock	94,698		-	