



# EAGLE BANCORP, INC.

March 6, 2009

Mr. Neil M. Barofsky  
Special Investigator General-TARP  
1500 Pennsylvania Avenue, N.W., Suite 1064  
Washington, DC 20220

Dear Mr. Barofsky:

This letter is in response to your recent inquiry concerning our utilization of the \$38.2 million in funds received as a result of the investment by the U.S. Treasury Department in preferred stock of Eagle Bancorp, Inc. ("Eagle") pursuant to the Capital Purchase Program established under the Troubled Asset Relief Program ("TARP") and the Emergency Economic Stability Act of 2008 ("EESA"). I am pleased to report that these funds have allowed Eagle to bolster its capital levels, and maintain its capital ratios in excess of regulatory guidelines. This in turn has allowed our primary subsidiary, EagleBank, to continue to grow its loan portfolio and make loans in our primary market.

- 1) Prior to our application for participation in the TARP Capital Purchase Program, Eagle had made a strategic decision to raise additional capital during the fourth quarter of 2008 and first quarter of 2009, so that we could continue to make loans in our primary market and maintain more than sufficient capital levels to support that loan growth.

[REDACTED] When the TARP CPP was announced we decided to apply for participation and not pursue the open market capital raise due to the relative costs of the TARP program, and the difficulty of raising capital in the public and private markets during a period of significant economic volatility. We anticipated that the additional \$38.2 million of capital would allow us to increase our loan assets by approximately \$300 million over a 2 to 3 year period.

[REDACTED] the TARP funds were allocated as follows: \$18 million was used to reduce the line of credit, \$5 million was immediately down-streamed to EagleBank as additional capital, and \$15 million was retained by Eagle Bancorp, for future down-streaming to EagleBank as needed in the future to support additional loan growth.

Mr. Neil M. Barofsky  
March 6, 2009  
Page 2

It is important to note that Eagle and EagleBank have been successful in deploying its capital including capital provided by the Treasury. In the fourth quarter of 2008, when the TARP funds were received, EagleBank funded in excess of \$120 million in loans and grew its outstanding loans by \$100 million. Our increased loan production has continued into 2009, which has seen additional growth of \$17 million year-to-date in our total loans.

We note that despite this success in lending to our communities, which is evidenced in the financial statements included in the attached press release, we have been the subject of several erroneous media reports, which have implied that we have used TARP funds in a manner inconsistent with the purposes of the program. We found those reports to be disturbing and have responded with a series of items including press releases, ads in local newspapers and a letter to U.S. Senator Jon Tester, who referred to EagleBank during a hearing of the Senate Committee on Banking, Housing and Urban Affairs. Each of these public relations efforts have been well received by the greater Washington business community and by the banking regulators with whom we have spoken. Copies of those pieces are attached for your information.

- 2) In regards to executive compensation, we believe we were in compliance with all requirements under former Section 111 of EESA and interim Treasury regulations in place at that time. Prior to the receipt of the Treasury investment in December 2008, all of the contracts with members of executive management were modified to eliminate the possibility that any golden parachute payment under Section 280G(b)(2) of the Internal Revenue Code while the Treasury holds any Eagle security, and to provide for clawbacks of payments made based on materially inaccurate financial information or metrics. Please see Article 10 the attached form of employment agreement executed by most of our senior executives. While Eagle does not believe it currently has, or ever had, any incentive compensation policies which incentivize senior executive officers, or any employee, to take unnecessary or inappropriate risks that threaten the value of the institution, its compensation committee will meet this month with the senior risk officers to review the relationship between senior executive compensation and the institution's risk management policies. Eagle is prepared to include the necessary certifications in its Compensation Committee Report. Eagle's procedures in place are deemed adequate to insure that no deduction is taken for senior executive compensation in excess of \$500,000.

It is our intention to make any changes necessary to employment agreements, other compensation programs, policies and procedures to comply with any revised regulations promulgated under Section 111 as amended, once they are issued by the Department of the Treasury.

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Mr. Neil M. Barofsky

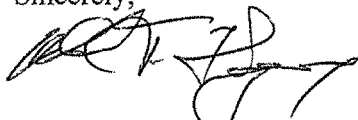
March 6, 2009

Page 3

I hereby certify the accuracy of all statements, representations, and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

If you have any questions or need further information, please contact us at once.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael T. Flynn", written over a horizontal line.

Michael T. Flynn  
Executive Vice President

Encl.



February 18, 2009

Ronald D. Paul  
Chairman of the Board

The Honorable Senator Jon Tester  
204 Russell Senate Office Building  
Washington, DC 20510

Dear Senator Tester:

I am writing to you in the hope of correcting any misinformation your office may have received regarding Eagle Bancorp, Inc. ("EagleBank") and its use of TARP funds. Specifically, we at EagleBank are concerned about a statement you made during a hearing of the Senate Committee on Banking, Housing and Urban Affairs on Tuesday, February 10, 2009. It has been reported that, during the hearing, you said, "Last week, EagleBank, which received \$38.2 million from the Treasury Department bought up one of its rivalries, Fidelity & Trust Bank." Your statement served as the basis for a number of questions posed to Treasury Secretary Timothy Geithner concerning the propriety of using TARP funds to accomplish bank consolidation. We are concerned because your statement implied that EagleBank had used the proceeds of the US Treasury investment to finance this acquisition. That is not correct.

First, the acquisition of Fidelity & Trust Financial Corporation ("Fidelity") by EagleBank was agreed to and first announced on December 2, 2007, many months before the Capital Purchase Program was announced. Both companies pursued the normal rigorous application and review process, including filings with all appropriate regulatory agencies. During August 2008, the merger was approved by both the State of Maryland and the Federal Reserve, and the transaction was closed on August 31, 2008, more than six weeks before the Capital Purchase Program was announced.

Secondly, EagleBank's acquisition of Fidelity was a stock-for-stock exchange. No cash was issued to Fidelity stockholders other than cash in lieu of fractional shares.

Finally, EagleBank raised \$12.15 million of additional capital from its directors, in order to support sufficient capital levels for the combined company.

With respect to EagleBank's decision to participate in the TARP Capital Purchase Program, we feel it is important to point out that the program was announced by the Treasury on October 13, 2008, nearly two months after the Fidelity acquisition closed. EagleBank felt it was strategically important to continue our growth in commercial

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Bethesda, MD 20814  
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lending. Accordingly, we decided to take the additional capital by participating in the program. Our application was submitted to the regulatory authorities on October 23<sup>rd</sup> and was approved on November 19<sup>th</sup>. The closing and purchase of \$38.2 Million in Preferred Stock by the Treasury occurred on December 5, 2008 - more than a year after EagleBank agreed to acquire Fidelity and more than three months after it closed the transaction.

During this recent period of economic uncertainty, EagleBank continued its strategic goals of making loans within its target market which is small and medium sized businesses in the Washington, DC metropolitan area. I am pleased to report that in the 4<sup>th</sup> Quarter of 2008 - when we received the Treasury funding- we grew our loan portfolio by \$100 Million. We continue to be an active lender and have continued to increase the size of our loan portfolio in 2009.

Your interest in seeing community banks succeed is to be commended. We too would be disheartened to learn of community banks using TARP funds to simply advance strategies aimed at acquiring other community banks. But the facts simply do not support the suggestion that EagleBank has done so here.

Like many other community banks, EagleBank has fulfilled its mission by making high quality loans supported by the capital supplied by the Treasury investment in our Company. But community banks also need more than a strong capital base to lend; most of the funds that they lend do not originate from capital infusions; they come from core deposits that community banks attract from the communities they serve. These core deposits at reasonable, competitive rates have become difficult to attract in sufficient amounts to allow for robust lending.

There are ways in which the federal government could assist community banks to attract core deposits, such as increasing the FDIC insurance ceilings on all deposits and placing deposits of government funds at reasonable rates in community banks, and not granting bank holding company charters to non-traditional firms who will siphon deposits out of local communities with no intention of generating loans.

Unfortunately, our efforts in keeping credit flowing in our communities have been largely ignored by the media, which have repeatedly provided false or misleading reports about our bank and other community banks which have accepted TARP funds. These reports have caused us much additional burden in terms of customer, shareholder and public relations, as we respond to the false reports.

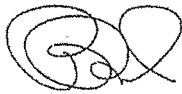
On behalf of EagleBank, its shareholders and the other community banks which are fulfilling their roles in providing credit to their communities, we want to thank you for your efforts on behalf of our nation's community banks and hope that this letter will help clear up any misunderstanding your office might have concerning our company. Please know that we at EagleBank stand ready to work with you and others in Congress to help community banks succeed. In the meantime, please do not hesitate to contact me should

Senator Jon Tester  
Page 3

you have any questions regarding this, or any other, matter affecting our nation's community banks.

In closing, please note that I have also copied this letter to Chairman Dodd and others in the hope that we might correct the record of the Banking Committee and remove the implication that EagleBank improperly used TARP funding.

Sincerely,

A handwritten signature in black ink, appearing to be "R. Paul", written in a cursive style.

Ronald D. Paul  
Chairman & Chief Executive Officer

cc: Treasury Secretary Timothy Geithner  
Chairman Christopher Dodd  
Members of Senate Banking Committee  
Linwood Gill, Federal Reserve Bank of Richmond  
Commissioner Sarah Raskin, State of Maryland  
Senator Barbara Mikulski  
Senator Ben Cardin



**PRESS RELEASE  
FOR IMMEDIATE RELEASE**

February 3, 2009

**EAGLE BANCORP, INC.  
CONTACT:  
Ronald D. Paul  
301.986.1800**

**EAGLE BANCORP, INC. DECLARES DIVIDEND ON US TREASURY PREFERRED STOCK**

**BETHESDA, MD.** Eagle Bancorp, Inc. (the "Company") (Nasdaq: EGBN), the parent company of EagleBank, today announced that it has declared a dividend on the Preferred Stock Issued to the US Treasury. The Treasury had purchased \$38.2 Million of Preferred Stock in December of 2008. as part of the TARP Capital Purchase Program. The dividend of \$371,279 will be payable on February 15, 2009. This is the first quarterly dividend payable on this preferred stock.

The Company also announced that it has effectively used the proceeds of the preferred stock offering. EagleBank has increased its lending to businesses and consumers in the Washington metropolitan area. The Bank accomplished a net increase in its loan portfolio of \$100 Million in the 4<sup>th</sup> Quarter of 2008, and has experienced continued loan growth in 2009

Ronald Paul, Chairman stated, "At EagleBank, we are delivering on our responsibility as a community bank to extend loans to worthy customers in our markets. We plan on meeting the needs of our customers and developing new relationships during this stressful time in the economic cycle."

The Company is the holding company for EagleBank which commenced operations in 1998. The Bank is headquartered in Bethesda, Maryland, and conducts full service commercial banking services through thirteen offices, located in Montgomery County, Maryland, Washington, D.C. and Fairfax County, Virginia. A new office in Potomac, Maryland is planned to open in the fourth quarter of 2009. The Company focuses on building relationships with businesses, professionals and individuals in its marketplace.

**Forward-looking Statements:** This press release contains forward-looking statements within the meaning of the Securities and Exchange Act of 1934, as amended, including statements of goals, intentions, and expectations as to future trends, plans, events or results of Company operations and policies and regarding general economic conditions. In some cases, forward-looking statements can be identified by use of words such as "may," "will," "anticipates," "believes," "expects," "plans," "estimates," "potential," "continue," "should," and similar words or phrases. These statements are based upon current and anticipated economic conditions, nationally and in the Company's market, interest rates and interest rate policy, competitive factors, the Company's ability to successfully integrate the operations of Fidelity & Trust and other conditions which by their nature, are not susceptible to accurate forecast and are subject to significant uncertainty.

Because of these uncertainties and the assumptions on which this discussion and the forward-looking statements are based, actual future operations and results in the future may differ materially from those indicated herein. Readers are cautioned against placing undue reliance on any such forward-looking statements. The Company's past results are not necessarily indicative of future performance.





Dear Shareholders, Customers and Community:

Since EagleBank's founding in 1997, we have been a valuable financial partner to Washington area businesses. We are also a profitable and growing bank. In 2008, we earned \$7.4 million in net income, grew our loans by 77% and our deposits by 75% and raised capital to maintain a strong balance sheet and capital position.

Among our 2008 accomplishments:

- On August 31, 2008 we completed our merger with Fidelity & Trust Financial Corporation – creating one of the strongest local community banks and greatly enhancing our lending capacity, array of products and branch locations without compromising our customer service and credit quality. The merger also combined two strong management teams and the best practices of both banks. We raised \$12.1 million of privately-funded sub-debt to complete the merger.
- On December 5, 2008 we responded to increased loan demand by accepting \$38.2 million under the U.S. Treasury's TARP program. That capital infusion helped us to initiate the single largest quarterly increase in loan volume in the bank's history – realizing over \$100 million in net loan growth.
- Our EagleBank Foundation's Fight Breast Cancer Golf Classic increased its four-year funding to local hospitals for breast cancer research and patient care to over \$500,000.
- In September 2008 we signed on as the title sponsor and official bank of the Inaugural EagleBank Bowl, the first-ever college bowl game in Washington, D.C. Our participation demonstrated our long-standing commitment to the community we serve and supported numerous charitable organizations such as the Wounded EOD Warrior Foundation and Positive Choices.

EagleBank will continue to grow organically this year. We will expand our reach in Maryland, Virginia and the District, build our deposits and increase our local business lending.

On behalf of 240 members of the EagleBank family, please know that our success is your success and our bank is your bank. Together, let's grow in 2009.

Sincerely,

Ronald D. Paul  
Chairman and CEO  
EagleBank

Robert P. Pincus  
Vice-Chairman  
EagleBank

Maryland Washington, DC Virginia | 301-986-1800 [www.eaglebankcorp.com](http://www.eaglebankcorp.com)





**PRESS RELEASE  
FOR IMMEDIATE RELEASE**

January 29, 2009

**EAGLE BANCORP, INC.  
CONTACT:  
Ronald D. Paul  
301.986.1800**

**EAGLE BANCORP, INC. ANNOUNCES  
\$7.4 MILLION OF NET INCOME FOR THE YEAR 2008 WITH ASSETS REACHING  
\$1.5 BILLION**

**BETHESDA, MD.** Eagle Bancorp, Inc. (the “Company”) (Nasdaq: EGBN), the parent company of EagleBank, today announced net income of \$7.4 million (\$0.63 per basic common share and \$0.62 per diluted common share) for the year ended December 31, 2008 compared to \$7.7 million (\$0.73 per basic common share and \$0.71 per diluted common share) for 2007, a 4% decline in net income.

For the three months ended December 31, 2008, the Company earned \$1.7 million (\$0.12 per basic common share and \$0.12 per diluted common share) compared to \$2.3 million (\$0.22 per basic common share and \$0.21 per diluted common share) for the three months ended December 31, 2007. This decrease was due primarily to a non-recurring \$1.0 million pre-tax amount recorded in the fourth quarter of 2007 from settlement of a subordinated financing transaction.

Per share amounts and the number of outstanding shares have been adjusted to give effect to the 10% common stock dividend paid on October 1, 2008.

“At a time of substantial stress in our financial markets and instability in many banks, we are extremely pleased to report positive earnings and continued asset and capital growth for the fourth quarter and full year 2008,” noted Ronald D. Paul, Chairman and CEO of Eagle Bancorp, Inc. “In spite of a very difficult interest rate environment during 2008, wherein the Federal Reserve has lowered the targeted federal funds interest rate by 400 basis points to a record low level to combat a weakening economic situation, the Company maintained a net interest margin in excess of 4.00% for the twelve months ended December 31, 2008.”

A significant portion of the growth in the balance sheet in 2008 was the result of the consummation of the acquisition of Fidelity & Trust Financial Corporation (“Fidelity & Trust”) on August 31, 2008. The acquisition added approximately \$360 million in loans, \$100 million in investments, \$385 million in deposits, \$70 million in customer repurchase agreements and other borrowings, and \$13 million in equity capital, as of the date of consummation. The earnings of the Fidelity & Trust operations are included in the Company’s results in 2008 for the four months ended December 31, 2008, the period subsequent to consummation.

Growth in average loans, deposits and other funding sources were the major drivers of the increase in net interest income for the three months ended December 31, 2008 as compared to the same

three month period in 2007. Growth in these areas was primarily a result of the acquisition, but also reflects a \$100 million increase in loans during the fourth quarter.

For the three months ended December 31, 2008, the Company reported an annualized return on average assets (ROAA) of 0.46% as compared to 1.06% for the three months ended December 31, 2007; while the annualized return on average common equity (ROAE) for the most recent quarter was 5.21%, as compared to 11.33% for the three months ended December 31, 2007. The most significant factors affecting these ratios have been a decline in the net interest margin, higher provisioning for credit losses, and a decrease in noninterest income due primarily to a non-recurring \$1.0 million pre-tax amount recorded in the fourth quarter of 2007 from settlement of a subordinated financing transaction.

Both lending and deposit activities showed growth in the fourth quarter of 2008 as compared to the same period in 2007, as average loans increased 77% and average deposits increased by 75%. For the twelve months ended December 31, 2008, average loans increased 38% and average deposits increased 32%. A significant portion of these increases was due to inclusion of the balances acquired in the Fidelity & Trust acquisition as of August 31, 2008.

Net interest income increased 50% for the three months ended December 31, 2008 over 2007. The effect of favorable balance sheet growth was offset partially by a decline in the net interest margin of 56 basis points. For the three months ended December 31, 2008, the net interest margin was 3.74% as compared to 4.30% for the three months ended December 31, 2007. The Company's net interest margin remains favorable compared to peer banking companies. The Company's net interest margin for the fourth quarter of 2008 declined by 37 basis points (to 3.74%) from the net interest margin for the third quarter of 2008 of 4.11%, in part due to a lower net interest margin from the assets and liabilities acquired from Fidelity & Trust and in part due to the effect on the net interest margin of lower market interest rates over the past three months resulting from the reduction of the federal funds rate from 4.25% at December 31, 2007 to 2.00% at September 30, 2008 and .25% at December 31, 2008.

The net interest margin is also being compressed by the cost of the additional capital the Company raised in the third quarter. On August 28, 2008 the Company sold an aggregate of \$12.15 million of subordinated notes (the "Notes"). The Notes bear interest at a fixed rate of 10.0% per year. The Company recognized interest expense amounting to \$310 thousand for the fourth quarter and \$425 thousand for the year ended December 31, 2008.

The provision for credit losses was \$1.4 million for the fourth quarter of 2008 as compared to \$883 thousand for the fourth quarter of 2007. The higher provisioning in the fourth quarter of 2008 as compared to the fourth quarter of 2007 is primarily attributable to higher levels of loan growth in the fourth quarter of 2008 versus 2007, risk migration within the portfolio, and increases in specific reserves for problem loans. The provision for credit losses was \$4.0 million for the year ended December 31, 2008 as compared to \$1.6 million in 2007. The higher provisioning in the year ended December 31, 2008 as compared to 2007 is attributable to substantially higher levels of loan growth, risk migration within the portfolio and increases in reserve allocations on classified loans.

At December 31, 2008 the allowance for credit losses represented 1.45% of loans outstanding, as compared to 1.12% at December 31, 2007 and 1.46% at September 30, 2008. The higher allowance percentage at December 31, 2008 as compared to December 31, 2007 resulted primarily from the acquisition of the loan portfolio of Fidelity & Trust whose allowance for credit losses was approximately \$7.5 million or 2.10% of loans outstanding at August 31, 2008. At December 31, 2008, the allowance represented 76% of non-performing loans.

For the fourth quarter of 2008, the Company recorded net charge-offs of \$166 thousand as compared to \$250 thousand of net charge-offs for the fourth quarter of 2007. For the year ended December 31, 2008 net charge-offs totaled \$1.1 million versus \$1 million for the twelve months ended December 31, 2007. Net charge-offs in the twelve months ended December 31, 2008 were attributable to charge-offs in commercial construction and land development loans (\$446 thousand), the un-guaranteed portion of SBA loans (\$337 thousand), non-real estate commercial business loans (\$100 thousand), consumer loans (\$210 thousand), and commercial real estate investment property loans (\$29 thousand).

The ratio of non-performing loans to total loans increased from 1.79% (\$21.0 million) at September 30, 2008 to 1.90% (\$24.2 million) at December 31, 2008, an increase of \$3.2 million. The ratio at December 31, 2008 was elevated as compared to December 31, 2007 of 0.74% (\$5.3 million). A portion of the increase occurred in the third quarter of 2008 following the acquisition of Fidelity & Trust's impaired loans which were recorded at estimated fair value at the acquisition date in accordance with generally accepted accounting principles. The increase in non-performing loans at December 31, 2008 as compared to September 30, 2008 relates primarily to two specific commercial real estate loan relationships which have experienced delays and/or cost overruns in the construction and development processes. Management believes that the Company is adequately reserved for the identified risk inherent in the loan portfolio at December 31, 2008.

Noninterest income for the fourth quarter of 2008 was \$1.3 million as compared to \$2.0 million for the three months ended December 31, 2007, a 36% decrease. This decrease was due primarily to a non-recurring \$1.0 million recorded in the fourth quarter of 2007 from settlement of a subordinated financing transaction. Excluding this non-recurring transaction, noninterest income increased 30% over the same period in 2007, in part due to the Fidelity & Trust acquisition. Other major contributors were higher service charges on deposit accounts and loan fees, offset by a lower volume of SBA and residential mortgage loan sales activity which is subject to significant quarterly variances.

Noninterest expenses were \$10.5 million for the fourth quarter of 2008, as compared to \$6.5 million for 2007, a 62% increase, in part due to the Fidelity & Trust acquisition consummated as of August 31, 2008. Other primary reasons for this increase were merit increases and related personnel costs, increased broker fees, higher internet and license agreement fees, increased legal, accounting and professional fees; including loan collection costs, and acquisition related expenses. In addition, higher costs were incurred in the fourth quarter for marketing, sponsorship, and professional services associated with the EagleBank Bowl, a new NCAA Bowl in 2008 played in Washington, D.C. on December 20<sup>th</sup>. The efficiency ratio, which measures the level of noninterest expense to total revenue, was 72.54% for the three months ended December 31, 2008, as compared to 59.87% for the three months ended December 31, 2007.

For the year ended December 31, 2008, the Company reported ROAA of 0.69% as compared to 0.96% for the same period in 2007, while the ROAE was 8.05%, as compared to 10.03% for the same period in 2007. Declines in these ratios were due primarily to lower net interest margins and higher loan loss provisions, factors which are being experienced throughout the banking industry.

For the year ended December 31, 2008, net interest income increased 26% over the year of 2007. As noted above, average loans increased 38% and average deposits increased by 32%, due in part to the Fidelity & Trust acquisition. The net interest margin for the year of 2008 was 4.05% as compared to 4.37% for 2007, as the effects of a steep decline in market interest rates impacted the Company. Additionally, a portion of the decline was due to lower margins on the assets and liabilities acquired from Fidelity & Trust. The Company believes it has managed the significant

decline in market interest rates well and currently has a favorable net interest margin as compared to peer banking companies.

Noninterest income for the full year of 2008 was \$4.4 million compared to \$5.2 million for the same period in 2007, a decrease of 16%. The decrease was attributed primarily to the \$1.0 million of nonrecurring income in the fourth quarter of 2007 from the settlement of a subordinated financing transaction. Excluding this transaction, recurring non-interest income increased 10%, which includes the impact of the Fidelity & Trust acquisition. Other factors were higher service charges on deposit accounts of \$919 thousand (\$2.4 million in 2008 versus \$1.5 million in 2007), and lower volume of SBA and residential mortgage loan sales activity (\$426 thousand in 2008 versus \$1.0 million in 2007)

Noninterest expenses were \$30.8 million for the full year of 2008, as compared to \$24.9 million for 2007, a 24% increase, which includes the larger organization subsequent to the Fidelity & Trust acquisition. The other primary reasons for this increase were merit increases, higher personnel costs, increased broker fees, higher internet and license agreement fees, increased legal, accounting and professional fees, including loan collection costs, and acquisition related expenses. In addition, higher costs were incurred for marketing, sponsorship, and professional services associated with the EagleBank Bowl. The efficiency ratio for the year of 2008 was 66.49% as compared to 64.67% for 2007.

By all regulatory measures, the Company and EagleBank were well capitalized at December 31, 2008. On December 5, 2008, the Company issued \$38.235 million of preferred stock issued to the U.S. Treasury under the Capital Purchase Plan (commonly referred to as TARP) established under the Emergency Economic Stabilization Act of 2008. The preferred shares carry a cumulative annual dividend at a rate of 5% for five years and 9% thereafter. Additionally, the Company issued warrants to the U.S. Treasury for the purchase of 770,867 shares of the Company's common stock with an exercise price of \$7.44 and a term of ten years. Considering the value ascribed to the warrants, the effective dividend rate on the preferred shares is 6.18%.

At December 31, 2008, total assets were \$1.50 billion compared to \$846.4 million at December 31, 2007, a 77% increase. Total deposits amounted to \$1.13 billion at December 31, 2008, a 79% increase over deposits of \$630.9 million at December 31, 2007, while total loans increased to \$1.27 billion at December 31, 2008, from \$716.7 million at December 31, 2007, a 77% increase. Total borrowed funds, excluding customer repurchase agreements, increased to \$122.1 million at December 31, 2008 from \$52.0 million at December 31, 2007, a 135% increase. These increases in large part reflect the Fidelity & Trust acquisition. The increase in borrowed funds represents a heavier reliance on such funds to meet loan growth.

The Company paid a cash dividend of \$0.0545 per common share for each of the first and second quarters of 2008 and each quarter of 2007. In July 2008, the Company, in an action to conserve capital, discontinued the payment of its quarterly cash dividend. On October 1, 2008, the Company paid a 10% stock dividend on the common stock.

The Summary of Financial Information which follows provides more detail of the Company's performance for the year and three months ended December 31, 2008 as compared to 2007, as well as providing eight quarters of trend data. Persons wishing additional information should refer to the Company's Form 10-K as amended, for the year ended December 31, 2007 as filed with the Securities and Exchange Commission (the "SEC").

The Company is the holding company for EagleBank which commenced operations in 1998. The Bank is headquartered in Bethesda, Maryland, and conducts full service commercial banking

services through thirteen offices, located in Montgomery County, Maryland, Washington, D.C. and Fairfax County, Virginia. A new office in Potomac, Maryland is planned to open in the fourth quarter of 2009. The Company focuses on building relationships with businesses, professionals and individuals in its marketplace.

**Forward-looking Statements:** This press release contains forward-looking statements within the meaning of the Securities and Exchange Act of 1934, as amended, including statements of goals, intentions, and expectations as to future trends, plans, events or results of Company operations and policies and regarding general economic conditions. In some cases, forward-looking statements can be identified by use of words such as “may,” “will,” “anticipates,” “believes,” “expects,” “plans,” “estimates,” “potential,” “continue,” “should,” and similar words or phrases. These statements are based upon current and anticipated economic conditions, nationally and in the Company’s market, interest rates and interest rate policy, competitive factors, the Company’s ability to successfully integrate the operations of Fidelity & Trust and other conditions which by their nature, are not susceptible to accurate forecast and are subject to significant uncertainty. Because of these uncertainties and the assumptions on which this discussion and the forward-looking statements are based, actual future operations and results in the future may differ materially from those indicated herein. Readers are cautioned against placing undue reliance on any such forward-looking statements. The Company’s past results are not necessarily indicative of future performance.

## Eagle Bancorp, Inc.

Statements of Financial Condition  
(in thousands)

	December 31, 2008 (Unaudited)	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
<b>Assets</b>			
Cash and due from banks	\$ 27,157	\$ 27,452	\$ 15,408
Interest bearing deposits with banks and other short term investments	2,489	6,958	4,490
Federal funds sold	191	11,668	244
Investment securities available for sale, at fair value	169,079	213,915	87,117
Loans held for sale	2,718	2,844	2,177
Loans	1,271,026	1,170,583	716,677
Less: Allowance for credit losses	(18,403)	(17,119)	(8,037)
Premises and equipment, net	9,666	9,724	6,701
Accrued interest and other assets	32,532	31,520	21,623
<b>Total Assets</b>	<b>\$ 1,496,455</b>	<b>\$ 1,457,545</b>	<b>\$ 846,400</b>
<b>Liabilities and Stockholders' Equity</b>			
Noninterest bearing deposits	\$ 223,580	\$ 214,160	\$ 142,477
Interest bearing transaction	54,801	62,177	54,090
Savings and money market	271,791	281,215	177,081
Time, \$100,000 or more	249,516	275,296	173,586
Other time	329,692	304,519	83,702
Total deposits	1,129,379	1,137,367	630,936
Customer repurchase agreements and federal funds purchased	93,855	104,243	76,408
Other borrowings	122,097	91,150	52,000
Other liabilities	8,752	24,192	5,890
Total liabilities	1,354,084	1,356,952	765,234
Total stockholders' equity (1)	142,371	100,593	81,166
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,496,455</b>	<b>\$ 1,457,545</b>	<b>\$ 846,400</b>

(1) Includes, at December 31, 2008, \$38.235 million in preferred stock issued on December 5, 2008 pursuant to the Capital Purchase Program (commonly referred to as TARP)

# Eagle Bancorp, Inc.

Statements of Income and Highlights  
(in thousands, except per share data)

	Twelve Months Ended		Three Months Ended	
	December 31,		December 31,	
	2008	2007	2008	2007
	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
<b>Income Statements</b>				
Total interest income	\$ 65,657	\$ 57,077	\$ 20,904	\$ 14,879
Total interest expense	23,676	23,729	7,680	6,036
Net interest income	41,981	33,348	13,224	8,843
Provision for credit losses	3,979	1,643	1,450	883
Net interest income after provision for credit losses	38,002	31,705	11,774	7,960
Noninterest income (before investment gains or losses)	4,364	5,180	1,314	1,961
Investment gains (losses)	2	6	(53)	(1)
Total noninterest income	4,366	5,186	1,261	1,960
Salaries and employee benefits	16,728	14,167	5,270	3,784
Premises and equipment expenses	5,424	4,829	1,861	1,180
Marketing and advertising	1,054	465	734	109
Other expenses	7,611	5,460	2,642	1,395
Total noninterest expense	30,817	24,921	10,507	6,468
Income before income tax expense	11,551	11,970	2,528	3,452
Income tax expense	4,123	4,269	867	1,166
Net income	\$ 7,428	\$ 7,701	\$ 1,661	\$ 2,286
<b>Per Share Data (1):</b>				
Earnings per weighted average common share, basic (2)	\$ 0.63	\$ 0.73	\$ 0.12	\$ 0.22
Earnings per weighted average common share, diluted (2)	\$ 0.62	\$ 0.71	\$ 0.12	\$ 0.21
Weighted average common shares outstanding, basic	11,556,569	10,531,236	12,703,425	10,658,364
Weighted average common shares outstanding, diluted	11,682,059	10,849,975	12,777,262	10,873,180
Actual shares outstanding	12,714,355	10,693,447	12,714,355	10,693,447
Book value per common share at period end	\$ 8.19	\$ 7.59	\$ 8.19	\$ 7.59
Dividend per common share	\$ 0.10	\$ 0.22	\$ -	\$ 0.05
<b>Performance Ratios (annualized):</b>				
Return on average assets	0.69%	0.96%	0.46%	1.06%
Return on average common equity	8.05%	10.03%	5.21%	11.33%
Net interest margin	4.05%	4.37%	3.74%	4.30%
Efficiency ratio (3)	66.49%	64.67%	72.54%	59.87%
<b>Other Ratios:</b>				
Allowance for credit losses to total loans	1.45%	1.12%	1.45%	1.12%
Non-performing loans to total loans	1.90%	0.74%	1.90%	0.74%
Net charge-offs (annualized) to average loans	0.12%	0.15%	0.05%	0.15%
Average common equity to average assets	8.37%	9.59%	7.00%	9.39%
Tier 1 leverage ratio	9.38%	9.46%	9.38%	9.46%
Tier 1 risk based capital ratio	9.97%	10.20%	9.97%	10.20%
Total risk based capital ratio	12.11%	11.21%	12.11%	11.21%
<b>Average Balances (in thousands):</b>				
Total assets	\$ 1,076,044	\$ 800,437	\$ 1,450,553	\$ 852,243
Total earning assets	\$ 1,037,732	\$ 762,628	\$ 1,406,422	\$ 816,187
Total loans (4)	\$ 911,329	\$ 659,204	\$ 1,218,067	\$ 687,030
Total deposits	\$ 839,568	\$ 634,332	\$ 1,152,378	\$ 659,355
Total borrowings	\$ 138,022	\$ 85,118	\$ 177,954	\$ 107,697
Total stockholders' equity	\$ 92,892	\$ 76,760	\$ 113,245	\$ 80,058

(1) Per share amounts and the number of outstanding shares have been adjusted to give effect to the 10% common stock dividend paid on October 1, 2008

(2) Earnings per weighted average common share, basic and diluted, for the three and twelve months ended December 31, 2008 was reduced by the accrued dividends of \$177,000 on the preferred stock issued on December 5, 2008 pursuant to the Capital Purchase Program

(3) Computed by dividing noninterest expense by the sum of net interest income and noninterest income

(4) Includes loans held for sale



# Eagle Bancorp, Inc.

Statements of Income and Highlights (Quarterly Trends)

(In thousands, except per share data) (Unaudited)

	Three Months Ended							
	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
<b>Income Statements</b>								
Total interest income	\$ 20,904	\$ 16,744	\$ 13,995	\$ 14,014	\$ 14,879	\$ 14,355	\$ 14,107	\$ 13,736
Total interest expense	7,680	5,829	4,753	5,414	6,036	6,017	5,909	5,767
Net interest income	13,224	10,915	9,242	8,600	8,843	8,338	8,198	7,969
Provision for credit losses	1,450	995	814	720	883	421	36	303
Net interest income after provision for credit losses	11,774	9,920	8,428	7,880	7,960	7,917	8,162	7,666
Noninterest income (before investment gains or losses)	1,314	1,150	970	930	1,961	1,032	1,196	991
Investment gains (losses)	(53)	45	-	10	(1)	-	-	7
Total noninterest income	1,261	1,195	970	940	1,960	1,032	1,196	998
Salaries and employee benefits	5,270	4,172	3,646	3,640	3,784	3,577	3,454	3,352
Premises and equipment expenses	1,861	1,380	1,103	1,080	1,180	1,186	1,255	1,208
Marketing and advertising	734	125	114	81	109	134	131	91
Other expenses	2,642	1,893	1,669	1,407	1,395	1,276	1,391	1,398
Total noninterest expense	10,507	7,570	6,532	6,208	6,468	6,173	6,231	6,049
Income before income tax expense	2,528	3,545	2,866	2,612	3,452	2,776	3,127	2,615
Income tax expense	867	1,284	1,011	961	1,166	1,021	1,149	933
Net income	\$ 1,661	\$ 2,261	\$ 1,855	\$ 1,651	\$ 2,286	\$ 1,755	\$ 1,978	\$ 1,682
<b>Per Share Data (1):</b>								
Earnings per weighted average common share, basic (2)	\$ 0.12	\$ 0.20	\$ 0.17	\$ 0.15	\$ 0.22	\$ 0.16	\$ 0.19	\$ 0.16
Earnings per weighted average common share, diluted (2)	\$ 0.12	\$ 0.19	\$ 0.17	\$ 0.15	\$ 0.21	\$ 0.16	\$ 0.18	\$ 0.15
Weighted average common shares outstanding, basic	12,703,425	11,482,401	10,816,857	10,759,361	10,658,364	10,538,869	10,486,041	10,437,424
Weighted average common shares outstanding, diluted	12,777,262	11,576,095	10,896,766	10,927,392	10,873,180	10,822,376	10,794,891	10,798,382
Actual shares outstanding	12,714,355	12,686,128	10,826,828	10,769,277	10,693,447	10,542,432	10,519,479	10,460,584
Book value per common share at period end	\$ 8.19	\$ 7.93	\$ 7.78	\$ 7.76	\$ 7.59	\$ 7.40	\$ 7.23	\$ 7.12
Dividend per common share	\$ -	\$ -	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
<b>Performance Ratios (annualized):</b>								
Return on average assets	0.46%	0.82%	0.84%	0.77%	1.06%	0.88%	1.02%	0.88%
Return on average common equity	5.21%	9.97%	8.81%	7.98%	11.33%	9.09%	10.50%	9.23%
Net interest margin	3.74%	4.11%	4.34%	4.19%	4.30%	4.34%	4.45%	4.41%
Efficiency ratio (3)	72.54%	62.51%	63.96%	65.07%	59.87%	65.88%	66.33%	67.44%
<b>Other Ratios:</b>								
Allowance for credit losses to total loans	1.45%	1.46%	1.15%	1.15%	1.12%	1.09%	1.11%	1.14%
Non-performing loans to total loans	1.90%	1.79%	1.45%	1.54%	0.74%	0.82%	0.22%	0.25%
Net charge-offs (annualized) to average loans	0.05%	0.27%	0.20%	0.01%	0.15%	0.18%	0.01%	0.26%
Average equity to average assets	7.00%	8.21%	9.51%	9.67%	9.39%	9.69%	9.70%	9.59%
Tier 1 leverage ratio	9.38%	8.79%	9.43%	9.55%	9.46%	9.78%	9.85%	9.70%
Tier 1 risk based capital ratio	9.97%	7.55%	9.74%	9.90%	10.20%	10.87%	10.84%	11.00%
Total risk based capital ratio	12.11%	9.75%	10.80%	10.95%	11.21%	11.90%	11.87%	12.00%
<b>Average Balances (in thousands):</b>								
Total assets	\$ 1,450,553	\$ 1,098,285	\$ 891,012	\$ 860,030	\$ 852,243	\$ 799,242	\$ 778,454	\$ 770,880
Total earning assets	\$ 1,406,422	\$ 1,057,542	\$ 857,232	\$ 825,463	\$ 816,187	\$ 761,378	\$ 738,501	\$ 732,529
Total loans (4)	\$ 1,218,067	\$ 922,224	\$ 770,034	\$ 731,501	\$ 687,030	\$ 665,222	\$ 647,714	\$ 636,225
Total deposits	\$ 1,152,378	\$ 863,931	\$ 683,151	\$ 655,105	\$ 659,355	\$ 636,573	\$ 624,413	\$ 616,492
Total borrowings	\$ 177,954	\$ 138,374	\$ 118,634	\$ 116,684	\$ 107,697	\$ 80,951	\$ 74,948	\$ 76,577
Total stockholders' equity	\$ 113,245	\$ 90,223	\$ 84,708	\$ 83,200	\$ 80,058	\$ 71,469	\$ 75,549	\$ 73,890

(1) Per share amounts and the number of outstanding shares have been adjusted to give effect to the 10% common stock dividend paid on October 1, 2008

(2) Earnings per weighted average common share, basic and diluted, for the three months ended December 31, 2008 was reduced by the accrued dividends of \$177,000 on the preferred stock issued on December 5, 2008 pursuant to the Capital Purchase Program

(3) Computed by dividing noninterest expense by the sum of net interest income and noninterest income

(4) Includes loans held for sale

**EAGLE BANCORP, INC.**  
**CAPITAL PLAN**  
**August, 2008**

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