

# Community Bank Debt: Broad Distribution

## Recent Follow-On Transaction: Eagle Bancorp Montana, Inc. – \$15 Million Subordinated Notes



**\$15 Million**

**10 Year, Non-call 5 F2F  
Subordinated Notes**

**BBB+ rating from Egan-Jones**

**BREAN CAPITAL**

**Sole Placement Agent**

**June 3, 2020**



**\$10 Million**

**5 Year Senior Bullet**

**A- rating from Egan-Jones**

**BREAN CAPITAL**

**Sole Placement Agent**

**February 6, 2017**

### Issuance Rationale

- Both transactions primarily issued to replace callable, high-coupon debt placed with money managers.
- For mid-sized transactions, broad distribution is key to successful placement.
- Strong ratings and excellent operating performance generated strong interest across all investor groups.
- Transaction was equally distributed between community banks and insurance companies.

### Investment Rationale

- \$1.15 billion asset-sized bank with 23 strategic branch locations throughout Montana.
- Ample opportunity for continued organic and external growth.
- Strong deposit strategy - Cost of funds were 0.68% in Q1'20 with room for improvement going forward.
- Diversified loan portfolio with healthy yield of 5.67%.
- History of solid growth and improved diversification.
- Experienced management team and Board of Directors with proven track record and deep Montana ties.
- Attractive asset quality metrics and a disciplined underwriting culture.
- Strong debt service coverage ratio of 8.2x.



dollars in (000's)

	2016Y	2017Y	2018Y	2019Y	2019Q1	2020Q1
<b>Balance Sheet</b>						
Total Assets	\$668,242	\$701,960	\$843,686	\$1,039,105	\$970,330	\$1,148,328
Asset Growth Rate	6.9%	5.1%	20.2%	23.2%	60.0%	42.1%
Total Net Loans	\$479,621	\$516,353	\$617,652	\$796,247	\$728,995	\$837,971
Loan Growth Rate	13.7%	7.8%	19.6%	28.9%	71.7%	21.1%
Total Deposits	\$513,747	\$520,601	\$627,755	\$809,067	\$741,236	\$888,875
Deposit Growth Rate	6.3%	1.3%	20.6%	28.9%	72.3%	39.5%
Loans/Deposits	94.3%	100.3%	99.4%	99.5%	99.3%	95.3%
<b>Profitability</b>						
Net Income	\$5,910	\$6,238	\$7,297	\$13,705	\$2,091	\$4,432
ROAA	0.91%	0.91%	0.89%	1.38%	0.88%	1.65%
ROAE	8.8%	7.8%	7.2%	11.0%	7.3%	12.7%
Net Interest Margin	3.65%	3.98%	4.23%	4.48%	4.51%	4.44%
Yield/ Cost Spread	3.56%	3.88%	4.07%	4.22%	4.25%	4.18%
Efficiency Ratio (FTE)	70.2%	71.7%	74.6%	66.7%	69.6%	63.3%

### Brean Capital Team

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