



BANNER CORPORATION

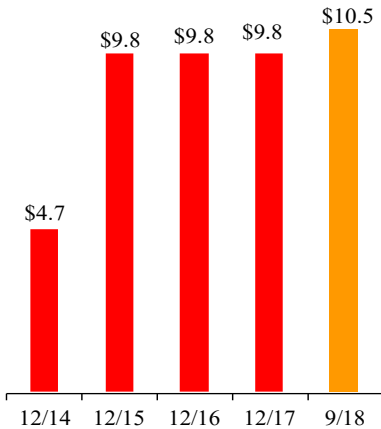
NASDAQ: BANR

\$57.62 – 10/26/2018

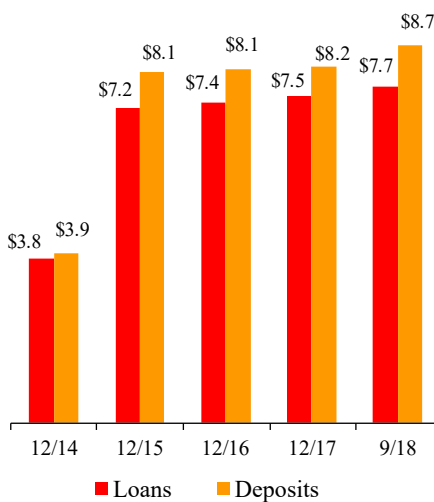
The IR Group

FACT SHEET

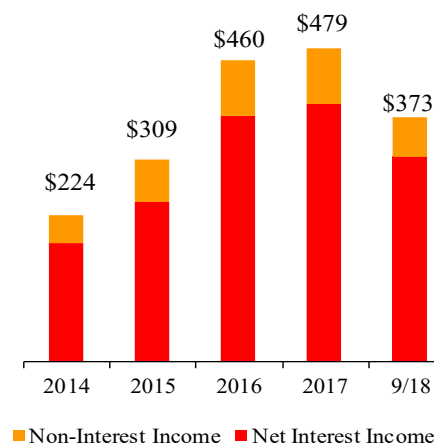
Total Assets (in billions)



Loans and Deposits (in billions)



Revenues* (in millions)



HIGHLIGHTS

- Skagit Bancorp, Inc. Announcement.** On November 1, 2018, BANR completed the acquisition of Skagit Bancorp, Inc. ("Skagit") and its wholly-owned subsidiary, Skagit Bank, a Washington state-chartered commercial bank. Skagit was merged into Banner and Skagit Bank was merged into Banner Bank. Pursuant to the previously announced terms of the acquisition, Skagit shareholders received 5.6664 shares of Banner common stock in exchange for each share of Skagit common stock, plus cash in lieu of any fractional shares. Skagit Bank is a 60-year-old community bank based in the North Sound region in Northwest Washington state focused on developing and serving long term consumer and business clients. At September 30, 2018, Skagit Bank had assets of \$919 million, a diverse and high-quality loan portfolio of \$604 million, and a deposit base of \$819 million with 11 retail branches along the I-5 corridor from Seattle to the Canadian border. Banner expects the transaction to be immediately accretive to earnings per share, excluding one-time transaction expenses. The combined company has approximately \$11.4 billion in assets.
- Net Income.** Net income in 3Q18 increased 16% to \$37.8 million, or \$1.17 per diluted share, compared to \$32.4 million, or \$1.00 per diluted share, in the preceding quarter and increased 51% when compared to \$25.1 million, or \$0.76 per diluted share, in 3Q17 when federal income tax rates were substantially higher.
- Revenues/Margin.** Total revenues increased 3% to \$129.5 million in 3Q18, compared to \$126.3 million in the preceding quarter and increased 9% compared to \$118.3 million in 3Q17. Revenues from core operations* (revenues excluding gains and losses on the sale of securities and the net change in valuation of financial instruments) increased to \$129.4 million in 3Q18, compared to \$126.0 million in the preceding quarter, and \$118.5 million in 3Q17. Banner's net interest margin was 4.48% for 3Q18, a nine basis point improvement compared to 4.39% in the preceding quarter and a 26 basis point improvement compared to 4.22% in 3Q17. Acquisition accounting adjustments added 12 basis points to the net interest margin in the current quarter compared to six basis points in the preceding quarter and ten basis points in the third quarter a year ago. Increased revenue generation driven by additional client acquisition and balance sheet growth, strong net interest income, deposit fees and service charges and solid mortgage banking revenues, coupled with maintaining a moderate risk profile, are producing sustainable and increasing profitability.
- Loan Portfolio/Deposits.** Net loans were \$7.73 billion at 9/30/18 compared to \$7.69 billion a year earlier. Deposits were \$8.69 billion at 9/30/18 compared to \$8.54 billion a year earlier. Both loans and deposits were impacted by the sale of seven branches in Utah, including approximately \$255 million in loans and \$160 million in deposits. Non-certificate core deposits represented 86% of total deposits at 9/30/18, compared to 87% of total deposits a year earlier.
- Credit Quality.** At 9/30/18, NPAs were 0.16% of total assets, compared to 0.16% at 6/30/18 and 0.30% a year ago. Non-performing assets were \$16.7 million at 9/30/18, compared to \$16.5 million three months earlier and \$31.7 million a year ago. Net loan charge-offs totaled \$612,000 in 3Q18 compared to \$332,000 in the preceding quarter and \$1.5 million in 3Q17. Primarily as a result of the origination of new loans and the renewal of acquired loans out of the discounted loan portfolio, Banner recorded a \$2.0 million provision for loan losses in the current quarter. The ALLL at 9/30/18 was \$95.3 million, or 1.22% of total loans.
- Capital.** Banner's tangible common equity was \$1.01 billion or 9.86% of tangible assets at 9/30/18. Banner and its subsidiaries, Banner Bank and Islanders Bank, each maintain capital ratios well in excess of the amount necessary to meet the "well-capitalized" standards under Basel III and Dodd Frank regulatory standards. At 9/30/18, Banner's common equity Tier 1 capital ratio was 11.13%, its Tier 1 leverage capital to average assets ratio was 11.04% and its total capital to risk-weighted assets ratio was 13.76%. Common shareholders' tangible equity per share was \$31.20 at 9/30/18.
- Dividends/Repurchase.** Banner paid a quarterly cash dividend of \$0.38 per share, an increase of 9% over the regular dividend of \$0.35 per share in the second quarter, providing a current yield of 2.77% based on the 10/23/18 closing price. In addition, Banner paid a special dividend of \$0.50 per share in 2Q18 and repurchased 269,711 shares in 1Q18.
- Utah Branch Sale/Acquisitions.** On October 6, 2017, Banner Bank completed the sale of its seven branches and related assets and liabilities in Utah to People's Intermountain Bank, a banking subsidiary of People's Utah Bancorp (NASDAQ: PUB), resulting in a gain on sale of \$12.2 million in 4Q17. On October 1, 2015 Banner Corporation completed the merger with AmericanWest Bank and now has \$10.4 billion in assets, \$7.6 billion in loans and \$8.5 billion in deposits, as well as the opportunity to deploy its super community bank business model across four western states. In addition, in March 2015 the Company completed the acquisition of Siuslaw Bank in western Oregon and in 2014 the Company completed the acquisition of six branches in southwest Oregon. In addition to the states of Washington, Oregon and Idaho, its expanded market area now also includes the state of California. As of September 30, 2018, the franchise includes 168 full service Banner Bank branches and three Islanders Bank branches. The combined bank benefits from a diversified geography with significant growth opportunities, including eight of the top twenty largest western MSAs by population.

SUMMARY

Banner Corporation is a \$10.51 billion bank holding company operating two commercial banks in four Western states through a network of branches offering a full range of deposit services and business, commercial real estate, construction, residential, agricultural and consumer loans. Visit Banner Bank on the Web at www.bannerbank.com.

*excluding gain on sale of securities, fair value adjustments, OTTI, and bargain purchase gain (2014).



Share Data as of 10/26/2018

Recent Price	\$57.62	Book Value	\$39.26
Shares Outstanding	32.3M	Price/Book	1.47x
Estimated Float	31.7M	Tangible Book Value	\$31.20
Insider Ownership	2%	Price/Tangible Book	1.85x
Institutional Ownership	94%	Net Interest Margin (MRQ)	4.48%
Avg. Daily Volume	126,400	MRQ = Most Recent Quarter	
Market Cap	1,867M		

Quarterly Financial Highlights*

(\$ in thousands)

Income Statement

	Quarters Ended		
	Sep 30, 2018	Jun 30, 2018	Sep 30, 2017
Interest Income	\$ 117,648	\$ 112,423	\$ 105,278
Interest Expense	8,570	7,360	5,068
Net Interest Income			
before Provision for Loan Losses	109,078	105,063	100,210
Provision for Loan Losses	2,000	2,000	2,000
Net Interest Income			
after Provision for Loan Losses	107,078	103,063	98,210
Other Operating Income	20,366	20,949	18,304
Net gain on sale of securities	-	44	270
Net change in valuation of financial instruments carried at fair value	45	224	(493)
Total Other Operating Income	20,411	21,217	18,081
Total Other Operating Expense	81,632	82,637	80,331
Income before provision for income taxes	45,857	41,643	35,960
Provision for Income Taxes	8,084	9,219	10,883
Net Income (Loss)	\$ 37,773	\$ 32,424	\$ 25,077
Diluted Earnings per Share	\$ 1.17	\$ 1.00	\$ 0.76
Cumulative Dividends per Share	\$ 0.38	\$ 0.85	\$ 0.25
Diluted Weighted Avg. Shares O/S	32,376,623	32,331,609	33,079,099

Balance Sheet

	Sep 30, 2018	Jun 30, 2018	Sep 30, 2017
Total Assets	\$ 10,514,303	\$ 10,379,194	\$ 10,443,086
Total Stockholders' Equity	\$ 1,272,198	\$ 1,253,010	\$ 1,327,011
Tangible Common Stockholders' Equity	\$ 1,011,040	\$ 990,493	\$ 1,057,209
Common stockholders' equity per share (1)	\$ 39.26	\$ 38.67	\$ 39.90
Common stockholders' tangible equity per share (1) (2)	\$ 31.20	\$ 30.57	\$ 31.79
Common stockholders' tangible equity to tangible assets (2)	9.86%	9.79%	10.39%
Consolidated Tier 1 Leverage capital ratio	11.04%	10.80%	11.49%

Key Financial Ratios

Net interest margin	4.48%	4.39%	4.22%
Return on average assets	1.43%	1.25%	0.97%
Return on Average equity	11.78%	10.25%	7.49%
Efficiency ratio (3)	63.04%	65.44%	67.91%
Adjusted efficiency ratio (4)	60.21%	64.09%	65.62%

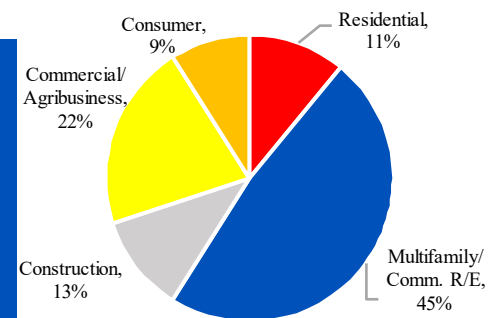
(1) Calculation is based on number of common shares outstanding at the end of the period rather than weighted average shares outstanding.

(2) Common stockholders' tangible equity excludes other intangibles. Tangible assets exclude other intangible assets. These ratios represent non-GAAP financial measures.

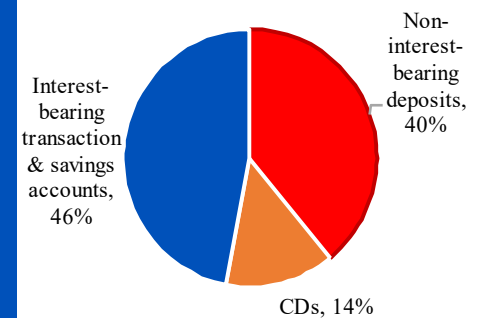
(3) Non-interest expense divided by the total of net interest income (before provision for loan losses) and non-interest income.

(4) Adjusted non-interest expense divided by adjusted revenue. Adjusted revenue excludes net gain (loss) on sale of securities and fair value adjustments. Adjusted non-interest expense excludes amortization of core deposit intangibles, REO gain (loss), and Washington B&O taxes. These represent non-GAAP financial measures.

Loan Portfolio



Deposit Portfolio



Analyst Coverage

D.A. Davidson & Co.

Jeff Rulis - October 25, 2018

FIG Partners

Tim Coffey - October 26, 2018

Raymond James

Don Worthington - July 26, 2018

Keefe, Bruyette & Woods

Jacquelynn Chimera - October 26, 2018

Sandler O'Neill

Tim O'Brien - July 30, 2018

Piper Jaffray

Matthew Clark - October 31, 2018

Stephens Inc.

Tyler Stafford - October 29, 2018

Standard & Poor's

Corporate Information

Mark J. Grescovich, President & CEO
Peter J. Conner, EVP & CFO

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