



BANNER CORPORATION

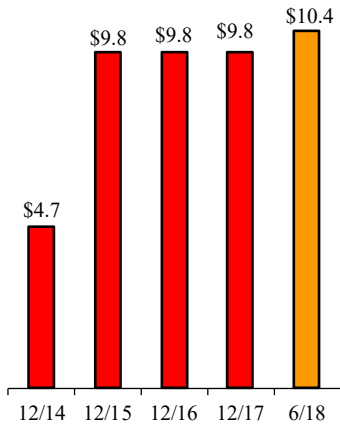
NASDAQ: BANR

\$66.92 – 8/21/2018

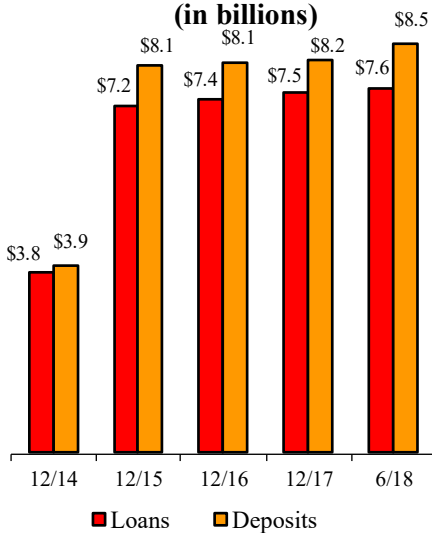
The IR Group

FACT SHEET

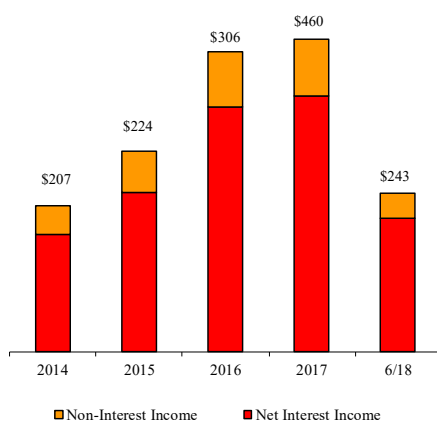
Total Assets (in billions)



Loans and Deposits (in billions)



Revenues* (in millions)



HIGHLIGHTS

- Skagit Bancorp, Inc. Announcement.** On July 25, 2018 BANR announced that it had entered into a definitive merger agreement pursuant to which Banner will acquire Skagit in an all-stock transaction, subject to the terms and conditions set forth therein. Under the merger agreement, Skagit will merge with and into Banner, and immediately thereafter Skagit Bank will merge with and into Banner Bank. The combined company will have approximately \$11.4 billion in assets. Skagit Bank is a 60 year old community bank based in the North Sound region of the Pacific Northwest focused on developing and serving long term consumer and business clients. At June 30, 2018, Skagit Bank had assets of \$922 million, a diverse and high-quality loan portfolio of \$599 million, and a low-cost deposit base of \$811 million with 12 banking locations along the I-5 corridor from Seattle to the Canadian border.
- Net Income.** Net income in 2Q18 increased 13% to \$32.4 million, or \$1.00 per diluted share, compared to \$28.8 million, or \$0.89 per diluted share, in the preceding quarter and increased 27% when compared to \$25.5 million, or \$0.77 per diluted share, in 2Q17 when federal income tax rates were substantially higher.
- Revenues/Margin.** Total revenues increased 5% to \$126.3 million in 2Q18, compared to \$120.7 million in the preceding quarter and \$120.1 million in 2Q17. 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 \$126.0 million in 2Q18, compared to \$117.4 million in the preceding quarter, and \$120.8 million in 2Q17. Banner's net interest margin was 4.39% for 2Q18, a four basis point improvement compared to 4.35% in the preceding quarter and a six basis point improvement compared to 4.33% in 2Q17. 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 \$7.59 billion at 6/30/18 compared to \$7.46 billion a year earlier. Deposits were \$8.53 billion at 6/30/18 compared to \$8.48 billion a year earlier. Non-certificate core deposits represented 87% of total deposits at 6/30/18, compared to 86% of total deposits a year earlier.
- Credit Quality.** At 6/30/18, NPAs were 0.16% of total assets, compared to 0.23% at 3/31/18 and 0.24% a year ago. Non-performing assets were \$16.5 million at 6/30/18, compared to \$23.5 million three months earlier and \$24.5 million a year ago. Net loan charge-offs totaled \$332,000 in 2Q18 compared to net loan recoveries of \$1.2 million in the preceding quarter and \$59,000 in 2Q17. 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 6/30/18 was \$93.9 million, or 1.22% of total loans.
- Capital.** Banner's tangible common equity was \$990.5 million or 9.79% of tangible assets at 6/30/18. 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 6/30/18, Banner's common equity Tier 1 capital ratio was 11.05%, its Tier 1 leverage capital to average assets ratio was 10.80% and its total capital to risk-weighted assets ratio was 13.73%. Common shareholders' tangible equity per share was \$30.57 at 6/30/18.
- Dividends/Repurchase.** Banner paid a quarterly cash dividend of \$0.35 per share, providing a current yield of 2.15% based on the 8/08/18 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.** 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. Under the terms of the purchase and assumption agreement, the sale included approximately \$255 million in loans and \$160 million in deposits.
- Acquisitions.** 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 June 30, 2018, the franchise includes 174 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 \$10.4 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 acquisition termination fee (2013) and bargain purchase gain (2014).



Share Data as of 8/21/2018

Recent Price	\$66.92	Book Value	\$38.67
Shares Outstanding	32.3M	Price/Book	1.73x
Estimated Float	31.7M	Tangible Book Value	\$30.57
Insider Ownership	2%	Price/Tangible Book	2.19x
Institutional Ownership	94%	Net Interest Margin (MRQ)	4.39%
Avg. Daily Volume	170,900	MRQ = Most Recent Quarter	
Market Cap	2,163M		

Quarterly Financial Highlights*

(\$ in thousands)

Income Statement

	Quarters Ended		
	Jun 30, 2018	Mar 31, 2018	Jun 30, 2017
Interest Income	\$ 112,423	\$ 104,820	\$ 104,436
Interest Expense	7,360	5,447	4,730
Net Interest Income			
before Provision for Loan Losses	105,063	99,373	99,706
Provision for Loan Losses	2,000	2,000	2,000
Net Interest Income			
after Provision for Loan Losses	103,063	97,373	97,706
Other Operating Income	20,949	18,050	21,100
Net gain (loss) on sale of securities	44	4	(54)
Net change in valuation of financial instruments carried at fair value	224	3,308	(650)
Total Other Operating Income	21,217	21,362	20,396
Total Other Operating Expense	82,637	81,706	79,857
Income before provision for income taxes	41,643	37,029	38,245
Provision for Income Taxes	9,219	8,239	12,791
Net Income (Loss)	\$ 32,424	\$ 28,790	\$ 25,454
Diluted Earnings per Share	\$ 1.00	\$ 0.89	\$ 0.77
Cumulative Dividends per Share	\$ 0.85	\$ 0.35	\$ 1.25
Diluted Weighted Avg. Shares O/S	32,331,609	32,516,456	33,051,527

Balance Sheet

	Jun 30, 2018	Mar 31, 2018	Jun 30, 2017
Total Assets	\$ 10,379,194	\$ 10,317,264	\$ 10,199,820
Total Stockholders' Equity	\$ 1,253,010	\$ 1,254,123	\$ 1,309,851
Tangible Common Stockholders' Equity	\$ 990,493	\$ 990,213	\$ 1,038,455
Common stockholders' equity per share (1)	\$ 38.67	\$ 38.68	\$ 39.36
Common stockholders' tangible equity per share (1) (2)	\$ 30.57	\$ 30.54	\$ 31.21
Common stockholders' tangible equity to tangible assets (2)	9.79%	9.85%	10.46%
Consolidated Tier 1 Leverage capital ratio	10.80%	11.06%	11.51%

Key Financial Ratios

Net interest margin	4.39%	4.35%	4.33%
Return on average assets	1.25%	1.16%	1.01%
Return on Average equity	10.25%	9.14%	7.60%
Efficiency ratio (3)	65.44%	67.67%	66.49%
Adjusted efficiency ratio (4)	64.09%	67.42%	64.83%

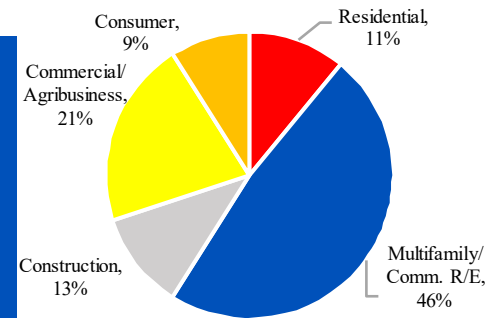
(1) Calculation is based on number of common shares outstanding at the end of the period rather than weighted average shares outstanding.

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

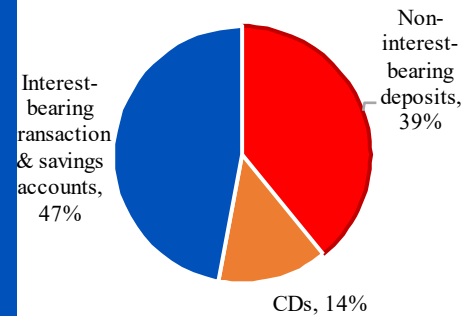
(3) Non-interest expense divided by the total of net interest income (before provision for loan losses) and non-interest income.

(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 - July 27, 2018

FIG Partners

Tim Coffey - July 26, 2018

Raymond James

Don Worthington - July 26, 2018

Keefe, Bruyette & Woods

Jacquelynn Chimera - July 27, 2018

Sandler O'Neill

Tim O'Brien - July 30, 2018

Piper Jaffray

Matthew Clark - July 31, 2018

Stephens Inc.

Tyler Stafford - July 27, 2018

Standard & Poor's

Corporate Information

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

10 South First Avenue
Walla Walla, WA 99362
(509) 527-3636

www.bannerbank.com