



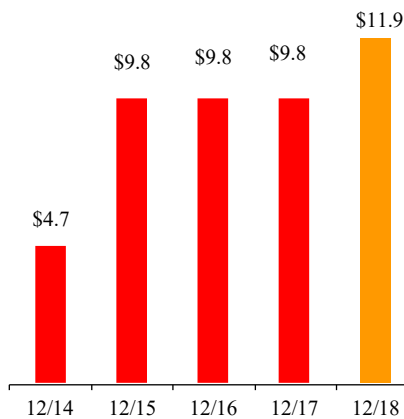
# BANNER CORPORATION

NASDAQ: BANR  
\$55.77 – 1/24/2019

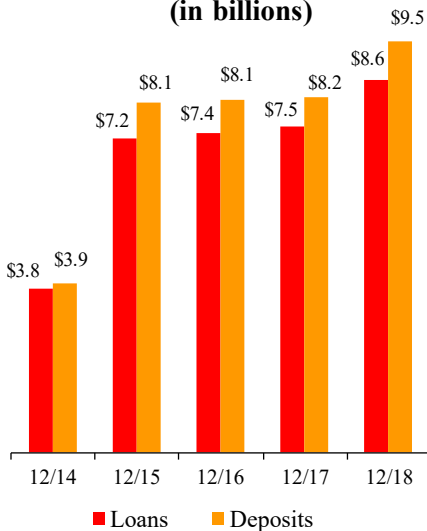
The IR Group

## FACT SHEET

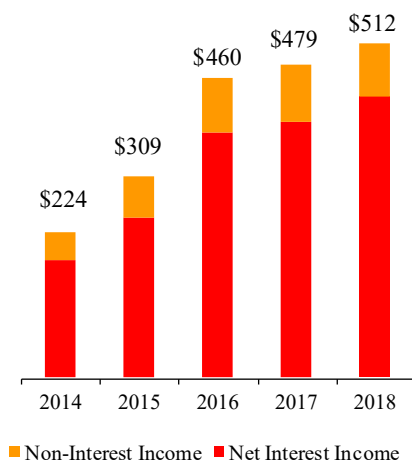
### Total Assets (in billions)



### Loans and Deposits (in billions)



### Revenues\* (in millions)



### HIGHLIGHTS

- Skagit Bancorp, Inc. Acquisition.** On November 1, 2018, Banner completed its acquisition of Skagit and its wholly-owned subsidiary, Skagit Bank, of Burlington, Washington. As of the closing of the transaction, Skagit Bank had 11 retail branches along the I-5 corridor from Seattle to the Canadian border. 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 and cash to buyout Skagit stock options for a total consideration paid of \$171.8 million. The acquisition provided \$915.8 million of assets, \$632.4 million of loans, and \$810.2 million of deposits to Banner..
- Net Income.** Net income in 4Q18 was \$37.5 million, or \$1.09 per diluted share, compared to \$37.8 million, or \$1.17 per diluted share, in the preceding quarter. Fourth quarter results include \$4.6 million of acquisition-related expense, compared to \$1.0 million of acquisition-related expense in the preceding quarter. In addition, Banner recorded \$5.5 million of tax benefit adjustments in the fourth quarter that included the release of a valuation reserve previously recorded in the fourth quarter of 2017 related to the enactment of tax reforms. In 4Q17, following a revaluation of deferred tax assets due to tax reforms enacted in 2017, Banner recorded additional tax expense of \$42.6 million, or \$1.30 per diluted share. Consequently, the 4Q17 net loss was \$13.5 million, or \$0.41 per diluted share.
- Revenues/Margin.** Total revenues increased 7% to \$138.5 million for 4Q18, compared to \$129.5 million in the preceding quarter and increased 10% compared to \$125.9 million in 4Q17. Revenues from core operations\* (revenues excluding gains and losses on the sale of securities, the net change in valuation of financial instruments and, in 4Q17, the gain on sale of the Utah branches) increased to \$139.2 million in 4Q18, compared to \$129.4 million in the preceding quarter and \$117.1 million in 4Q17. Banner's net interest margin was 4.47% for 4Q18, a one basis-point decrease compared to 4.48% in the preceding quarter and a 29 basis-point improvement compared to 4.18% in 4Q17. Acquisition accounting adjustments added 12 basis points to the net interest margin in both the current quarter and preceding quarters compared to six basis points in 4Q17. 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 receivable increased 14% to \$8.59 billion at 12/31/18 compared to \$7.51 billion a year earlier. The \$860.9 million increase in net loans during the current quarter included \$631.7 million of portfolio loans acquired in the Skagit acquisition as well as \$230.4 million of organic loan growth. Deposits increased 16% to \$9.48 billion at 12/31/18 compared to \$8.18 billion a year earlier, as core deposit growth over the last year, coupled with the addition of both deposits from the Skagit acquisition and brokered certificates of deposit, was partially offset by declines in retail, or non-brokered, certificates of deposit. Both loans and deposits were impacted by the sale of seven branches in Utah during 4Q18, including approximately \$255 million in loans and \$160 million in deposits. Non-certificate core deposits represented 86% of total deposits at 12/31/18, compared to 88% of total deposits a year earlier.
- Credit Quality.** At 12/31/18, NPAs were 0.16% of total assets, compared to 0.16% at 9/30/18 and 0.28% a year ago. Non-performing assets were \$18.9 million at 12/31/18, compared to \$16.7 million three months earlier and \$27.5 million a year ago. Net loan charge-offs totaled \$1.3 million in 4Q18 compared to \$612,000 in the preceding quarter and \$2.1 million in 4Q17. 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 \$2.5 million provision for loan losses in the current quarter. The ALLL at 12/31/18 was \$96.5 million, or 1.11% of total loans.
- Capital.** Banner's tangible common equity was \$1.11 billion or 9.62% of tangible assets at 12/31/18. 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. Common shareholders' tangible equity per share was \$31.45 at 12/31/18.
- Dividends/Repurchase.** Banner paid a quarterly cash dividend of \$0.38 per share, providing a current yield of 2.68% based on the 1/24/19 closing price. In addition, Banner paid a special dividend of \$0.50 per share in 2Q18, repurchased 269,711 shares in 1Q18 and repurchased 325,000 shares in 4Q18.
- 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, providing 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 December 31, 2018, the franchise includes 179 full service Banner Bank branches and three Islanders Bank branches. The Company conducts business in the Pacific Northwest and coastal markets in the western states benefiting from a diverse geography and significant growth opportunities, including eight of the top twenty largest western MSAs by population.

### SUMMARY

Banner Corporation is a \$11.86 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](http://www.bannerbank.com).

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



## Share Data as of 1/24/2019

Recent Price	\$55.77	Book Value	\$41.79
Shares Outstanding	35.4M	Price/Book	1.33x
Estimated Float	34.4M	Tangible Book Value	\$31.45
Insider Ownership	2%	Price/Tangible Book	1.77x
Institutional Ownership	85%	Net Interest Margin (MRQ)	4.47%
Avg. Daily Volume	286,700	MRQ = Most Recent Quarter	
Market Cap	1.979M		

## Quarterly Financial Highlights\*

(\$ in thousands)

### Income Statement

	Quarters Ended		
	Dec 31, 2018	Sep 30, 2018	Dec 31, 2017
Interest Income	\$ 128,741	\$ 117,648	\$ 103,475
Interest Expense	11,282	8,570	5,211
Net Interest Income			
before Provision for Loan Losses	117,459	109,078	98,264
Provision for Loan Losses	2,500	2,000	2,000
Net Interest Income			
after Provision for Loan Losses	114,959	107,078	96,264
Non-Interest Income	21,705	20,366	18,808
Net gain on sale of securities	(885)	-	(2,310)
Net change in valuation of financial instruments carried at fair value	198	45	(1,013)
Gain on sale of branches, including related loans and deposits	-	-	12,189
Total Non-Interest Income	21,018	20,411	27,674
Non-Interest Expense	90,794	80,627	82,501
Acquisition Related Expenses	4,602	1,005	-
Total Non-Interest Expense	95,396	81,632	82,501
Income before provision for income taxes	40,581	45,857	41,437
Provision for Income Taxes	3,053	8,084	54,985
Net Income (Loss)	\$ 37,528	\$ 37,773	\$ (13,548)
Diluted Earnings per Share	\$ 1.09	\$ 1.17	\$ (0.41)
Cumulative Dividends per Share	\$ 0.38	\$ 0.38	\$ 0.25
Diluted Weighted Avg. Shares O/S	34,342,641	32,376,623	32,766,335

### Balance Sheet

	Dec 31, 2018	Sep 30, 2018	Dec 31, 2017
Total Assets	\$ 11,863,037	\$ 10,514,303	\$ 9,763,209
Total Stockholders' Equity	\$ 1,470,315	\$ 1,272,198	\$ 1,272,626
Tangible Common Stockholders' Equity	\$ 1,106,517	\$ 1,011,040	\$ 1,007,312
Common stockholders' equity per share (1)	\$ 41.79	\$ 39.26	\$ 38.89
Common stockholders' tangible equity per share (1) (2)	\$ 31.45	\$ 31.20	\$ 30.78
Common stockholders' tangible equity to tangible assets (2)	9.62%	9.86%	10.61%
Consolidated Tier 1 Leverage capital ratio	10.98%	11.04%	11.33%

### Key Financial Ratios

Net interest margin	4.47%	4.48%	4.18%
Return on average assets	1.32%	1.43%	-0.53%
Return on Average equity	10.57%	11.78%	-4.05%
Efficiency ratio (3)	68.89%	63.04%	65.51%
Adjusted efficiency ratio (4)	63.06%	60.21%	69.40%

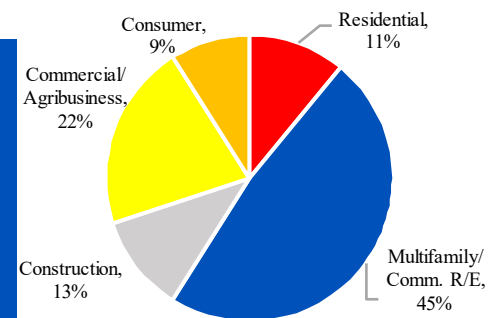
(1) Calculation is based on number of common shares outstanding at the end of the period rather than weighted average shares outstanding.

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

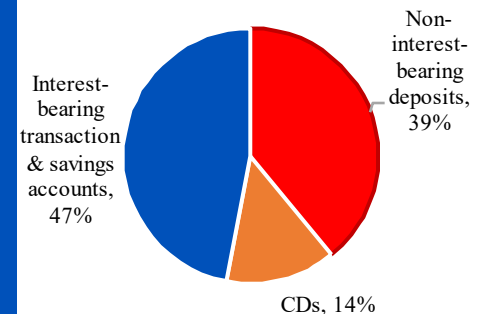
(3) Non-interest expense divided by the total of net interest income (before provision for loan losses) and non-interest income.

(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 - January 24 2019

### FIG Partners

Tim Coffey - January 24, 2019

### Raymond James

Don Worthington - January 23, 2019

### Keefe, Bruyette & Woods

Jacquelynn Chimera - January 24, 2019

### Sandler O'Neill

Tim O'Brien - July 30, 2018

### Piper Jaffray

Matthew Clark - January 24, 2019

### Stephens Inc.

Tyler Stafford - January 24, 2018

### Standard & Poor's

## Corporate Information

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

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