



# BANNER CORPORATION

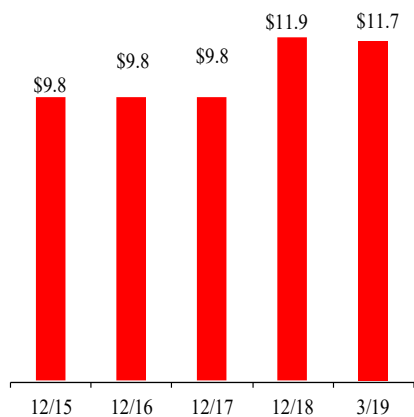
NASDAQ: BANR

\$51.78 – 4/25/2019

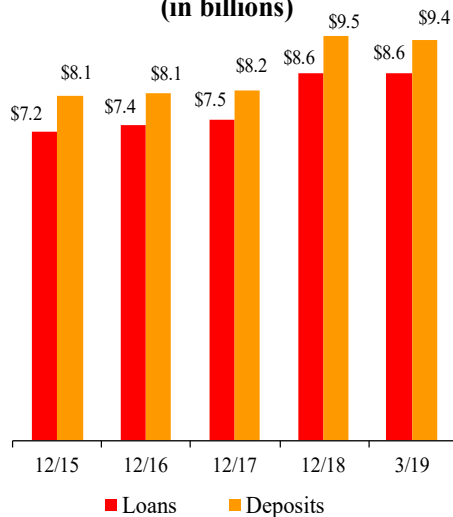
The IR Group

## FACT SHEET

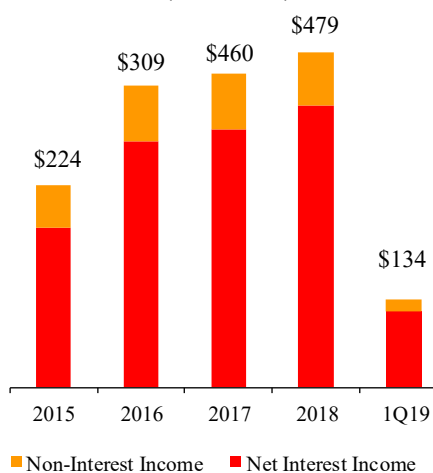
### Total Assets (in billions)



### Loans and Deposits (in billions)



### Revenues (in millions)



\*excluding gain on sale of securities and fair value adjustments.

### HIGHLIGHTS

- ◆ **Net Income.** Net income in 1Q19 was \$33.3 million, or \$0.95 per diluted share, compared to \$37.5 million, or \$1.09 per diluted share, in 4Q18 and \$28.8 million, or \$0.89 per diluted share, in 1Q18. 1Q19 results include a \$676,000 write-down on a former administration building as well as \$2.1 million of acquisition related expenses, compared to \$4.6 million of acquisition related expenses in 4Q18 and no acquisition related expenses in 1Q18. In addition, 4Q18 profits included a \$5.5 million benefit from the revaluation of the Company's deferred tax asset.
- ◆ **Revenues/Margin.** Total revenues declined 3% to \$134.2 million for 1Q19, compared to \$138.5 million in the preceding quarter and increased 11% compared to \$120.7 million in 1Q18. Revenues from core operations\* (revenues excluding gains and losses on the sale of securities and the net change in valuation of financial instruments) were \$134.2 million in 1Q19, compared to \$139.2 million in the preceding quarter and \$117.4 million in 1Q18. Banner's net interest margin was 4.37% for 1Q19, a ten basis-point decrease compared to 4.47% in 4Q18 and a two basis-point improvement compared to 4.35% in 1Q18. Acquisition accounting adjustments added seven basis points to the net interest margin in the current quarter, compared to 12 basis points in the preceding quarter and eight basis points in 1Q18. Increased year-over-year 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 modestly to \$8.60 billion at 3/31/19, compared to \$8.59 billion at 12/31/18 and increased 15% when compared to \$7.46 billion at 3/31/18. The year-over-year increase in net loans included \$631.7 million of portfolio loans acquired in the Skagit acquisition during the preceding quarter. Total deposits decreased slightly to \$9.38 billion at 3/31/19, compared to \$9.48 billion at 12/31/18 and increased 10% when compared to \$8.54 billion a year ago, as 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.
- ◆ **Credit Quality.** NPAs were \$22.0 million, or 0.19% of total assets, at 3/31/19, compared to \$18.9 million, or 0.16% of total assets, at 12/31/18, and \$23.5 million, or 0.23% of total assets, a year ago. In addition to non-performing assets, purchased credit-impaired loans decreased to \$13.3 million at 3/31/19, when compared to \$14.4 million at 12/31/18, and \$19.3 million at 3/31/18. Net loan charge-offs totaled \$1.2 million in 1Q19, compared to net loan charge-offs of \$1.3 million in 4Q18 and net loan recoveries of \$1.2 million in 1Q18. 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 3/31/19 was \$97.3 million, or 1.12% of total loans.
- ◆ **Capital.** Banner's tangible common equity was \$1.14 billion or 10.05% of tangible assets at 3/31/19. 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 \$32.47 at 3/31/19.
- ◆ **Dividends/Repurchase.** Banner paid a quarterly cash dividend of \$0.41 per share, providing a current yield of 3.17% based on the 4/25/19 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.
- ◆ **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.

### SUMMARY

Banner Corporation is a \$11.7 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).



## Share Data as of 4/25/2019

Recent Price	\$51.78	Book Value	\$42.99
Shares Outstanding	35.1M	Price/Book	1.20x
Estimated Float	34.2M	Tangible Book Value	\$32.47
Insider Ownership	2%	Price/Tangible Book	1.59x
Institutional Ownership	84%	Net Interest Margin (MRQ)	4.37%
Avg. Daily Volume	315,817	MRQ = Most Recent Quarter	
Market Cap	1.820M		

## Quarterly Financial Highlights\*

(\$ in thousands)

### Income Statement

	Quarters Ended		
	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
Interest Income	\$ 129,996	\$ 128,741	\$ 104,820
Interest Expense	13,892	11,282	5,447
Net Interest Income			
before Provision for Loan Losses	116,104	117,459	99,373
Provision for Loan Losses	2,000	2,500	2,000
Net Interest Income			
after Provision for Loan Losses	114,104	114,959	97,373
Non-Interest Income	18,113	21,705	18,050
Net gain on sale of securities	1	(885)	4
Net change in valuation of financial instruments carried at fair value	11	198	3,308
Total Non-Interest Income	18,125	21,018	21,362
Non-Interest Expense	87,866	90,794	81,706
Acquisition Related Expenses	2,148	4,602	-
Total Non-Interest Expense	90,014	95,396	81,706
Income before provision for income taxes	42,215	40,581	37,029
Provision for Income Taxes	8,869	3,053	8,239
Net Income	\$ 33,346	\$ 37,528	\$ 28,790
Diluted Earnings per Share	\$ 0.95	\$ 1.09	\$ 0.89
Cumulative Dividends per Share	\$ 0.41	\$ 0.38	\$ 0.35
Diluted Weighted Avg. Shares O/S	35,172,056	34,342,641	32,516,456

### Balance Sheet

	Mar 31, 2019	Dec 31, 2018	Mar 31, 2018
Total Assets	\$ 11,729,643	\$ 11,871,317	\$ 10,317,264
Total Stockholders' Equity	\$ 1,511,191	\$ 1,478,595	\$ 1,254,123
Tangible Common Stockholders' Equity	\$ 1,141,390	\$ 1,106,517	\$ 990,213
Common stockholders' equity per share (1)	\$ 42.99	\$ 42.03	\$ 38.68
Common stockholders' tangible equity per share (1) (2)	\$ 32.47	\$ 31.45	\$ 30.54
Common stockholders' tangible equity to tangible assets (2)	10.05%	9.62%	9.85%
Consolidated Tier 1 Leverage capital ratio	10.73%	10.98%	11.09%

### Key Financial Ratios

Net interest margin	4.37%	4.47%	4.35%
Return on average assets	1.15%	1.32%	1.16%
Return on Average equity	9.01%	10.57%	9.14%
Efficiency ratio (3)	67.06%	68.89%	67.67%
Adjusted efficiency ratio (4)	63.32%	63.06%	67.42%

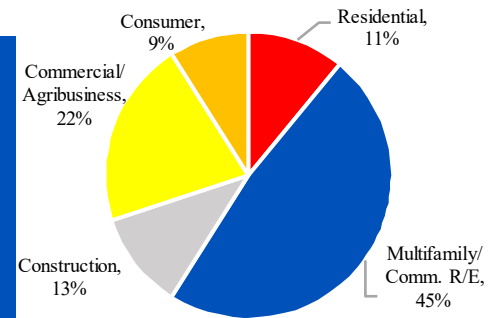
(1) Calculation is based on number of common shares outstanding at the end of the period rather than weighted average shares outstanding.

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

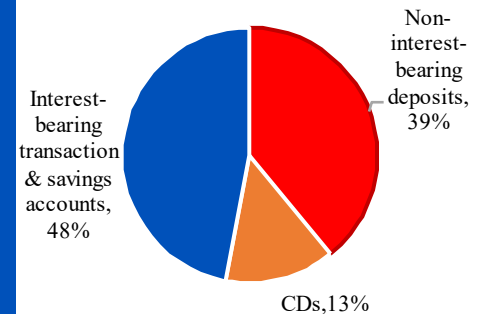
(3) Non-interest expense divided by the total of net interest income (before provision for loan losses) and non-interest income.

(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 - April 25, 2019

### FIG Partners

Tim Coffey - April 25, 2019

### Raymond James

Don Worthington - January 23, 2019

### Keefe, Bruyette & Woods

Jacquelynn Chimera - April 25, 2019

### Sandler O'Neill

Tim O'Brien - April 25, 2019

### Piper Jaffray

Matthew Clark - April 25, 2019

### Stephens Inc.

Tyler Stafford - April 29, 2019

### Standard & Poor's

## Corporate Information

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

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