



BANNER CORPORATION

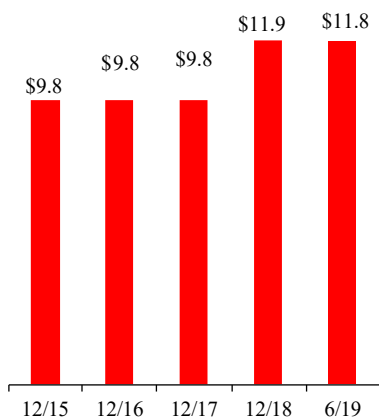
NASDAQ: BANR

\$58.15 – 7/29/2019

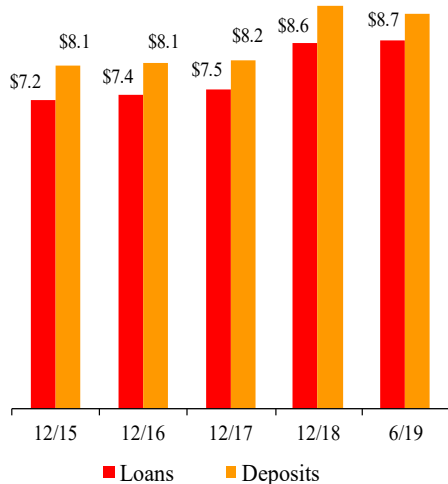
The IR Group

FACT SHEET

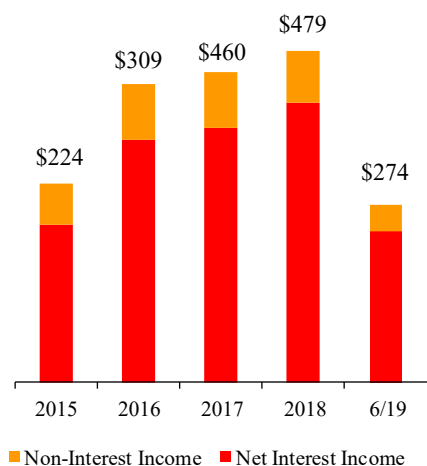
Total Assets (in billions)



Loans and Deposits (in billions)



Revenues (in millions)



HIGHLIGHTS

- AltaPacific Bancorp Announcement.** On July 24, 2019 Banner Corporation together with AltaPacific Bancorp (OTCBB: ABNK), the holding company for AltaPacific Bank, announced they had entered into a definitive agreement for AltaPacific Bank to merge with, and into, Banner Bank to expand the Bank's presence in California. The transaction will be accomplished through Banner Corporation's acquisition of AltaPacific Bancorp in an all-stock transaction, subject to the terms and conditions set forth therein. AltaPacific Bank has six locations: Santa Rosa in Northern California, and Ontario, Temecula, Glendora, Riverside and San Bernardino in Southern California. The combined company will have approximately \$12.2 billion in assets.
- Net Income.** Net income in 2Q19 was \$39.7 million, or \$1.14 per diluted share, compared to \$33.3 million, or \$0.95 per diluted share, in 1Q19 and \$32.4 million, or \$1.00 per diluted share, in 2Q18. 2Q19 results include \$301,000 of acquisition-related expenses. 1Q19 results included a \$676,000 write-down on a former administration building as well as \$2.1 million of acquisition-related expenses. In 2Q18 there were no acquisition-related expenses.
- Revenues/Margin.** Total revenues increased 4% to \$139.4 million for 2Q19, compared to \$134.2 million in the preceding quarter and increased 10% compared to \$126.3 million in 2Q18. Revenues from core operations* (revenues excluding the net gain and loss on the sale of securities and the net change in valuation of financial instruments) were \$139.5 million in 2Q19, compared to \$134.2 million in the preceding quarter and \$126.0 million in 2Q18. Banner's net interest margin was 4.38% for 2Q19, a one basis-point increase compared to 4.37% in the preceding quarter and a one basis-point decrease compared to 4.39% in 2Q18. Acquisition accounting adjustments added seven basis points to the net interest margin in both the current quarter and the preceding quarter compared to six basis points in 2Q18. 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 \$8.65 billion at 6/30/19, compared to \$8.60 billion at 3/31/19 and increased 14% when compared to \$7.59 billion at 6/30/18. The year-over-year increase in net loans included \$631.7 million of portfolio loans acquired in the Skagit acquisition during 4Q18. Total deposits decreased slightly to \$9.29 billion at 6/30/19, compared to \$9.38 billion at 3/31/19 and increased 9% when compared to \$8.53 billion a year ago, as the addition of deposits from the Skagit acquisition was partially offset by a \$101.0 million decline in the use of brokered certificates of deposit from 3/31/19 and a \$141.7 million decline from a year ago.
- Credit Quality.** NPAs were \$21.0 million, or 0.18% of total assets, at 6/30/19, compared to \$22.0 million, or 0.19% of total assets, at 3/31/19, and \$16.5 million, or 0.16% of total assets, a year ago. In addition to non-performing assets, there were \$12.9 million purchased credit-impaired loans at 6/30/19, compared to \$13.3 million at 3/31/19, and \$18.1 million at 6/30/18. Net loan charge-offs totaled \$1.1 million in 2Q19, compared to net loan charge-offs of \$1.2 million in 1Q19 and net loan charge-offs of \$332,000 in 2Q18. Primarily as a result of the origination of new loans, the renewal of acquired loans out of the discounted acquired loan portfolio and net charge-offs, Banner recorded a \$2.0 million provision for loan losses in the current quarter. The ALLL at 6/30/19 was \$98.3 million, or 1.12% of total loans.
- Capital.** Banner's tangible common equity was \$1.15 billion or 10.05% of tangible assets at 6/30/19. 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 \$33.36 at 6/30/19.
- Dividends/Repurchase.** Banner paid a quarterly cash dividend of \$0.41 per share, providing a current yield of 2.82% based on the 7/29/19 closing price. In addition, Banner repurchased 600,000 shares in 2Q19 and paid a special dividend of \$0.50 per share in 2Q18.
- 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 an \$11.8 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 and fair value adjustments.



Share Data as of 7/29/2019

Recent Price	\$58.15	Book Value	\$43.99
Shares Outstanding	35.1M	Price/Book	1.32x
Estimated Float	34.2M	Tangible Book Value	\$33.36
Insider Ownership	2%	Price/Tangible Book	1.74x
Institutional Ownership	88%	Net Interest Margin (MRQ)	4.38%
Avg. Daily Volume	159,201	MRQ = Most Recent Quarter	
Market Cap	2.045M		

Quarterly Financial Highlights*

(\$ in thousands)

Income Statement

	Quarters Ended		
	Jun 30, 2019	Mar 31, 2019	Jun 30, 2018
Interest Income	\$ 130,838	\$ 129,996	\$ 112,423
Interest Expense	14,143	13,892	7,360
Net Interest Income			
before Provision for Loan Losses	116,695	116,104	105,063
Provision for Loan Losses	2,000	2,000	2,000
Net Interest Income			
after Provision for Loan Losses	114,695	114,104	103,063
Non-Interest Income	22,818	18,113	20,949
Net gain on sale of securities	(28)	1	44
Net change in valuation of financial instruments carried at fair value	(114)	11	224
Total Non-Interest Income	22,676	18,125	21,217
Non-Interest Expense	86,415	87,866	82,637
Acquisition Related Expenses	301	2,148	-
Total Non-Interest Expense	86,716	90,014	82,637
Income before provision for income taxes	50,655	42,215	41,643
Provision for Income Taxes	10,955	8,869	9,219
Net Income	\$ 39,700	\$ 33,346	\$ 32,424
Diluted Earnings per Share	\$ 1.14	\$ 0.95	\$ 1.00
Cumulative Dividends per Share	\$ 0.41	\$ 0.41	\$ 0.85
Diluted Weighted Avg. Shares O/S	34,882,359	35,172,056	32,331,609

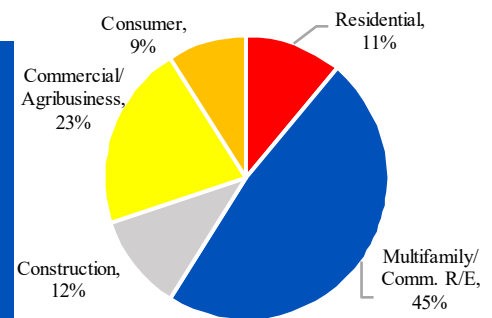
Balance Sheet

	Jun 30, 2019	Mar 31, 2019	Jun 30, 2018
Total Assets	\$ 11,847,374	\$ 11,740,285	\$ 10,379,194
Total Stockholders' Equity	\$ 1,521,055	\$ 1,511,191	\$ 1,253,010
Tangible Common Stockholders' Equity	\$ 1,153,306	\$ 1,141,390	\$ 990,493
Common stockholders' equity per share (1)	\$ 43.99	\$ 42.99	\$ 38.67
Common stockholders' tangible equity per share (1) (2)	\$ 33.36	\$ 32.47	\$ 30.57
Common stockholders' tangible equity to tangible assets (2)	10.05%	10.04%	9.79%
Consolidated Tier 1 Leverage capital ratio	10.83%	10.73%	10.80%

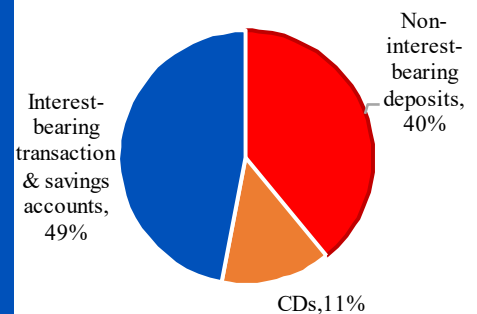
Key Financial Ratios

Net interest margin	4.38%	4.37%	4.39%
Return on average assets	1.36%	1.15%	1.25%
Return on average equity	10.47%	9.01%	10.25%
Efficiency ratio (3)	62.22%	67.06%	65.44%
Adjusted efficiency ratio (4)	59.56%	63.32%	64.09%

Loan Portfolio



Deposit Portfolio



Analyst Coverage

D.A. Davidson & Co.

Jeff Rulis - July 25, 2019

FIG Partners

Tim Coffey - July 25, 2019

Raymond James

Don Worthington - August 1, 2019

Keefe, Bruyette & Woods

Jacquelynn Chimera - July 28, 2019

Sandler O'Neill

Tim O'Brien - July 25, 2019

Piper Jaffray

Matthew Clark - July 29, 2019

Stephens Inc.

Tyler Stafford - July 29, 2019

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