



BANNER CORPORATION

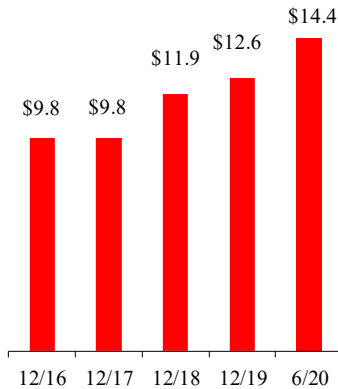
NASDAQ: BANR

\$35.90 – 8/05/2020

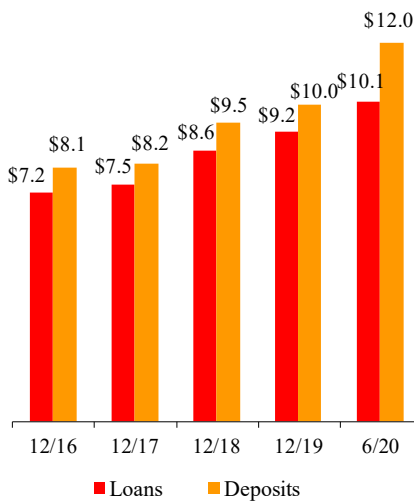
The IR Group

FACT SHEET

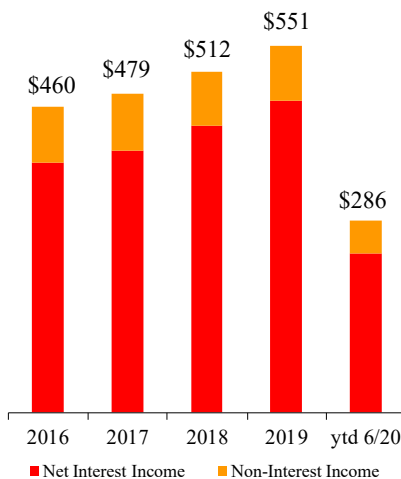
Total Assets (in billions)



Loans and Deposits (in billions)



Core Revenues* (in millions)



HIGHLIGHTS

- Revenues increased to \$147.3 million, compared to \$138.4 million in the preceding quarter, and increased 6% when compared to \$139.4 million in the second quarter a year ago.
- Net interest income, before the provision for credit losses, was \$119.5 million in the second quarter of 2020, compared to \$119.3 million in the preceding quarter and \$116.7 million in the second quarter a year ago.
- Net interest margin on a tax equivalent basis was 3.90%, compared to 4.25% in the preceding quarter and 4.44% in the second quarter a year ago.
- Mortgage banking revenues increased 39% to \$14.1 million, compared to \$10.2 million in the preceding quarter, and increased 138% compared to \$5.9 million in the second quarter a year ago, reflecting strong refinance demand and higher margins due to decreasing market interest rates.
- Return on average assets was 0.68%, compared to 0.54% in the preceding quarter and 1.36% in the second quarter a year ago.
- Net loans receivable increased to \$10.13 billion at June 30, 2020, compared to \$9.16 billion at March 31, 2020, and increased 17% when compared to \$8.65 billion at June 30, 2019.
- Non-performing assets decreased to \$39.9 million, or 0.28% of total assets, at June 30, 2020, compared to \$46.1 million, or 0.36% of total assets in the preceding quarter, and increased from \$21.0 million, or 0.18% of total assets, at June 30, 2019.
- Provision for credit losses - loans was \$29.5 million, and the allowance for credit losses - loans was \$156.4 million, or 1.52% of total loans receivable, as of June 30, 2020, compared to \$130.5 million, or 1.41% of total loans receivable as of March 31, 2020 and \$98.3 million or 1.12% of total loans receivable as of June 30, 2019.
- A \$905,000 recapture of provision for credit losses - unfunded loan commitments was recorded and the allowance for credit losses - unfunded loan commitments was \$10.6 million as of June 30, 2020, compared to \$11.5 million as of March 31, 2020.
- Core deposits increased 18% to \$10.97 billion at June 30, 2020, compared to \$9.28 billion at March 31, 2020, and increased 34% compared to \$8.22 billion a year ago. Core deposits represented 91% of total deposits at June 30, 2020.
- Common shareholders' equity per share increased 1% to \$46.22 at June 30, 2020, compared to \$45.63 at the preceding quarter end, and increased 5% from \$43.99 a year ago.
- Tangible common shareholders' equity per share increased 2% to \$34.89 at June 30, 2020, compared to \$34.23 at the preceding quarter end, and increased 5% from \$33.36 a year ago.
- SBA Paycheck Protection Program.** The U.S. Small Business Administration (SBA) provides assistance to small businesses impacted by COVID-19 through the Paycheck Protection Program (PPP), which was designed to provide near-term relief to help small businesses sustain operations. As of June 30, 2020, Banner had funded 8,655 applications totaling \$1.12 billion of loans in its service area through the PPP program. The deadline for PPP loan applications to the SBA has been extended to August 8, 2020. Banner is continuing to accept new PPP applications based on this extended deadline and is assisting small businesses with other borrowing options as they become available, including the Main Street Lending Program and other government sponsored lending programs, as appropriate.
- Loan Accommodations.** Banner is continuing to offer payment and financial relief programs for borrowers impacted by COVID-19. These programs include initial loan payment deferrals or interest-only payments for up to 90 days, waived late fees, and, on a more limited basis, waived interest and temporarily suspended foreclosure proceedings. Deferred loans are re-evaluated at the end of the initial deferral period and will either return to the original loan terms or could be eligible for an additional deferral period for up to 90 days. In addition, Banner has entered into payment forbearance agreements with other customers for periods of up to six months. Banner had deferred payment or waived interest on 3,314 loans totaling \$1.1 billion through June 30, 2020. Since these loans were performing loans that were current on their payments prior to the COVID-19 pandemic, these modifications are not considered to be troubled debt restructurings through June 30, 2020 pursuant to applicable accounting and regulatory guidance. As of June 30, 2020, the deferral period had ended for approximately 62% of these loans.
- Allowance for Credit Losses - Loans.** Banner recorded a provision for credit losses of \$29.5 million for the second quarter of 2020, compared to a \$21.7 million provision in the preceding quarter and a \$2.0 million provision in the second quarter a year ago. The provisions for the current and preceding quarters reflect expected lifetime credit losses based upon the conditions and economic outlook that existed as of June 30, 2020 and March 31, 2020, respectively.
- Branch Operations, IT Changes and One-Time Expenses.** Banner has taken various steps to help protect customers and staff by limiting branch activities to appointment only and use of drive-up facilities, and by encouraging the use of digital and electronic banking channels. In select markets on a test basis, Banner has begun taking steps to resume more normal branch activities with specific guidelines in place to ensure the safety of our clients and our personnel. To further the well-being of staff and customers, Banner implemented measures to allow employees to work from home to the extent practicable. To facilitate this approach, Banner allocated additional computer equipment to staff and enhanced Banner's network capabilities with several upgrades. These expenses plus other expenses incurred in response to the COVID-19 pandemic resulted in \$2.2 million of related costs during the second quarter of 2020, compared to \$239,000 of related costs in the first quarter of 2020.
- Capital Management.** At June 30, 2020, the tangible common shareholders' equity to tangible assets* ratio was 8.76% and Banner's capital was well in excess of all regulatory requirements. On June 30, 2020, Banner issued and sold in an underwritten offering \$100.0 million aggregate principal amount of 5.000% Fixed-to-Floating Rate Subordinated Notes due 2030 (Notes) at a public offering price equal to 100% of the aggregate principal amount of the Notes, resulting in net proceeds, after underwriting discounts and estimated offering expenses, of approximately \$98.1 million. During the preceding quarter, prior to the COVID-19 pandemic outbreak, Banner repurchased 624,780 shares of its common stock. To preserve capital, Banner has discontinued any additional repurchase of shares under its stock repurchase program until further notice and will closely monitor capital levels going forward.

SUMMARY

Banner Corporation is a \$14.4 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 and fair value adjustments.



Share Data as of 8/05/2020

Recent Price	\$35.90	Book Value	\$46.22
Shares Outstanding	35.2M	Price/Book	0.78x
Estimated Float	34.6M	Tangible Book Value	\$34.89
Insider Ownership	3%	Price/Tangible Book	1.03x
Institutional Ownership	85%	2Q20 Net Interest Margin*	3.90%
Avg. Daily Volume	234,000	*Tax Equivalent	

Quarterly Financial Highlights (\$ in thousands)

Income Statement

	Quarters Ended		
	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019
Interest Income	\$ 128,624	\$ 131,665	\$ 130,838
Interest Expense	9,167	12,407	14,143
Net Interest Income			
before Provision for Loan Losses	119,457	119,258	116,695
Provision for Loan Losses	29,528	21,748	2,000
Net Interest Income			
after Provision for Loan Losses	89,929	97,510	114,695
Non-Interest Income	25,551	23,683	22,818
Net gain (loss) on sale of securities	93	78	(28)
Net change in valuation of financial instruments carried at fair value	2,199	(4,596)	(114)
Total Non-Interest Income	27,843	19,165	22,676
Non-Interest Expense	87,149	93,804	86,415
COVID-19 expenses	2,152	239	-
Acquisition Related Expenses	336	1,142	301
Total Non-Interest Expense	89,637	95,185	86,716
Income before provision for income taxes	28,135	21,490	50,655
Provision for Income Taxes	4,594	4,608	10,955
Net Income	\$ 23,541	\$ 16,882	\$ 39,700
Diluted Earnings per Share	\$ 0.67	\$ 0.47	\$ 1.14
Cumulative Dividends per Share	\$ -	\$ 0.41	\$ 0.41
Diluted Weighted Avg. Shares O/S	35,283,690	35,640,463	34,882,359

Balance Sheet

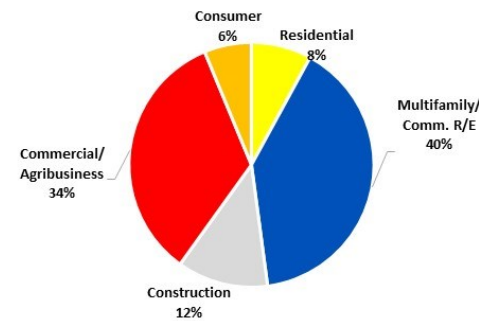
	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019
Total Assets	\$ 14,405,607	\$ 12,780,950	\$ 11,847,374
Total Stockholders' Equity	\$ 1,625,103	\$ 1,601,700	\$ 1,521,055
Tangible Common Stockholders' Equity	\$ 1,226,827	\$ 1,201,422	\$ 1,153,306
Common stockholders' equity per share (1)	\$ 46.22	\$ 45.63	\$ 43.99
Common stockholders' tangible equity per share (1) (2)	\$ 34.89	\$ 34.23	\$ 33.36
Common stockholders' tangible equity to tangible assets (2)	8.76%	9.70%	10.05%
Consolidated Tier 1 Leverage capital ratio	9.83%	10.45%	10.83%

Key Financial Ratios

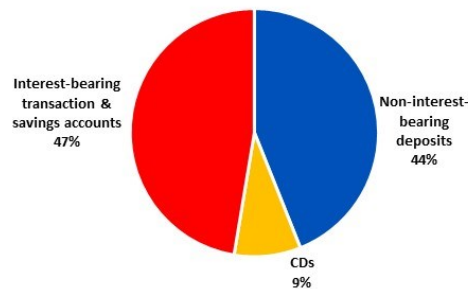
Net interest margin	3.84%	4.19%	4.38%
Return on average assets	0.68%	0.54%	1.36%
Return on average equity	5.85%	4.23%	10.47%
Efficiency ratio (3)	60.85%	68.76%	62.22%
Adjusted efficiency ratio (4)	57.95%	63.47%	59.56%

- (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 goodwill and other intangibles. Tangible assets exclude goodwill and 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 acquisition related expenses, COVID-19 expenses, amortization of core deposit intangibles, REO gain (loss), FHLB prepayment penalties and state/municipal business and use taxes. These represent non-GAAP financial measures.

Loan Portfolio



Deposit Portfolio



Analyst Coverage

D.A. Davidson & Co.
Jeff Rulis - July 23, 2020

Janney
Tim Coffey - July 23, 2020

Raymond James
David Feaster - July 24, 2020

Keefe, Bruyette & Woods
Jacquelynn Chimera - July 26, 2020

Piper Sandler
Andrew Liesch - July 23, 2020

Stephens Inc.
Gordon McGuire - July 23, 2020

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