



BANNER CORPORATION

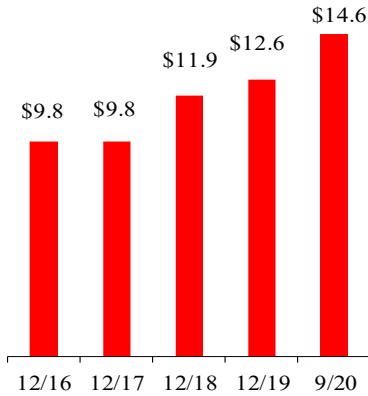
NASDAQ: BANR

\$39.12 – 10/26/2020

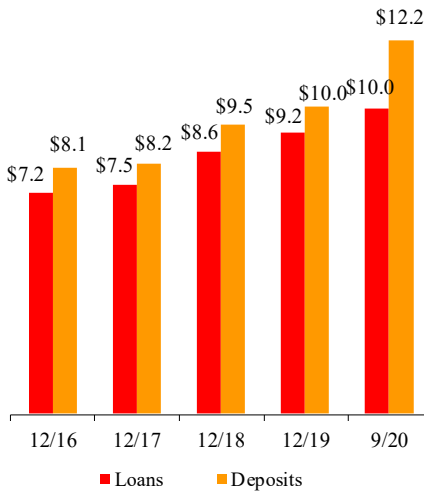
The IR Group

FACT SHEET

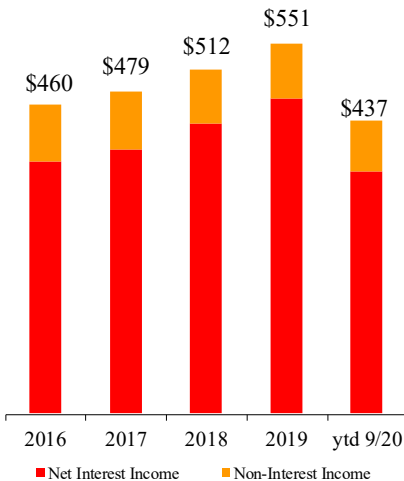
Total Assets (in billions)



Loans and Deposits (in billions)



Core Revenues (in millions)



Core revenues exclude gain on sale of securities and fair value adjustments.

HIGHLIGHTS

- Revenues increased to \$149.2 million, compared to \$147.3 million in the preceding quarter, and increased 9% when compared to \$137.5 million in the third quarter a year ago.
- Net interest income, before the provision for credit losses, increased to \$121.0 million in the third quarter of 2020, compared to \$119.6 million in the preceding quarter and \$116.6 million in the third quarter a year ago.
- Net interest margin was 3.65%, compared to 3.81% in the preceding quarter and 4.25% in the third quarter a year ago.
- Net interest margin on a tax equivalent basis was 3.72%, compared to 3.87% in the preceding quarter and 4.29% in the third quarter a year ago.
- Mortgage banking revenues increased 17% to \$16.6 million, compared to \$14.1 million in the preceding quarter, and increased 150% compared to \$6.6 million in the third quarter a year ago, reflecting strong refinance and purchase demand coupled with higher margins due to decreasing market interest rates.
- Return on average assets was 1.01%, compared to 0.68% in the preceding quarter and 1.31% in the third quarter a year ago.
- Net loans receivable decreased to \$10.00 billion at September 30, 2020, compared to \$10.13 billion at June 30, 2020, and increased 14% when compared to \$8.74 billion at September 30, 2019.
- Non-performing assets decreased to \$36.7 million, or 0.25% of total assets, at September 30, 2020, compared to \$39.9 million, or 0.28% of total assets in the preceding quarter, and increased from \$18.6 million, or 0.15% of total assets, at September 30, 2019.
- Provision for credit losses - loans was \$13.6 million, and the allowance for credit losses - loans was \$168.0 million, or 1.65% of total loans receivable, as of September 30, 2020, compared to \$156.4 million, or 1.52% of total loans receivable as of June 30, 2020 and \$97.8 million or 1.11% of total loans receivable as of September 30, 2019.
- A \$1.5 million provision for credit losses - unfunded loan commitments was recorded and the allowance for credit losses - unfunded loan commitments was \$12.1 million as of September 30, 2020, compared to \$10.6 million as of June 30, 2020.
- Core deposits increased 3% to \$11.30 billion at September 30, 2020, compared to \$10.97 billion at June 30, 2020, and increased 33% compared to \$8.51 billion a year ago. Core deposits (non-interest-bearing and interest-bearing transaction and savings accounts) represented 93% of total deposits at September 30, 2020.
- Dividends to shareholders were \$0.41 per share in the quarter ended September 30, 2020.
- Common shareholders' equity per share increased 1% to \$46.83 at September 30, 2020, compared to \$46.22 at the preceding quarter end, and increased 5% from \$44.80 a year ago.
- Tangible common shareholders' equity per share* increased 2% to \$35.56 at September 30, 2020, compared to \$34.89 at the preceding quarter end, and increased 4% from \$34.10 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 September 30, 2020, Banner had funded 9,103 applications totaling \$1.15 billion of loans in its service area through the PPP program. The deadline for PPP loan applications to the SBA was August 8, 2020. Banner is no longer accepting new applications for PPP loans and is preparing to process applications for PPP loan forgiveness beginning in the fourth quarter of 2020. Banner will continue to assist small businesses with other borrowing options as they become available.
- 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 may 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. Year to date, Banner has deferred payment or waived interest on 3,370 loans totaling \$1.09 billion. Through September 30, 2020 the deferral period had ended for approximately 78%, or \$849.7 million of these loans, leaving \$239.6 million still on deferral. Of the loans still on deferral, 107 loans totaling \$160.4 million have received a second deferral. 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 September 30, 2020 pursuant to applicable accounting and regulatory guidance.
- Allowance for Credit Losses - Loans.** Banner recorded a provision for credit losses of \$13.6 million for the third quarter of 2020, compared to a \$29.5 million provision in the preceding quarter and a \$2.0 million provision for loan losses in the third 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 September 30, 2020 and June 30, 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 its clients and 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 \$778,000 of related costs during the third quarter of 2020, compared to \$2.2 million of related costs in the second quarter of 2020.
- Capital Management.** At September 30, 2020, the tangible common shareholders' equity to tangible assets* ratio was 8.78% 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 5.00% 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. In response to the COVID-19 pandemic outbreak and to preserve capital, Banner has suspended repurchases of shares under its stock repurchase program until further notice and will closely monitor capital levels going forward.

*Non GAAP

SUMMARY

Banner Corporation is a \$14.64 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.



Share Data as of 10/26/2020

Recent Price	\$39.12	Book Value	\$46.83
Shares Outstanding	35.2M	Price/Book	0.84x
Estimated Float	34.6M	Tangible Book Value	\$35.56
Insider Ownership	3%	Price/Tangible Book	1.10x
Institutional Ownership	86%	3Q20 Net Interest Margin*	3.72%
Avg. Daily Volume	161,000	*Tax Equivalent	

Quarterly Financial Highlights (\$ in thousands)

Income Statement

	Quarters Ended		
	Sep 30, 2020	Jun 30, 2020	Sep 30, 2019
Interest Income	\$ 129,581	\$ 128,747	\$ 131,436
Interest Expense	8,555	9,167	14,815
Net Interest Income			
before Provision for Loan Losses	121,026	119,580	116,621
Provision for Loan Losses	13,641	29,528	2,000
Net Interest Income			
after Provision for Loan Losses	107,385	90,052	114,621
Non-Interest Income	27,541	25,428	20,937
Net gain (loss) on sale of securities	644	93	(2)
Net change in valuation of financial instruments carried at fair value	37	2,199	(69)
Total Non-Interest Income	28,222	27,720	20,866
Non-Interest Expense	90,748	87,149	86,632
COVID-19 expenses	778	2,152	-
Acquisition Related Expenses	5	336	676
Total Non-Interest Expense	91,567	89,637	87,308
Income before provision for income taxes	44,040	28,135	48,179
Provision for Income Taxes	7,492	4,594	8,602
Net Income	\$ 36,548	\$ 23,541	\$ 39,577
Diluted Earnings per Share	\$ 1.03	\$ 0.67	\$ 1.15
Cumulative Dividends per Share	\$ 0.41	\$ -	\$ 0.41
Diluted Weighted Avg. Shares O/S	35,316,679	35,283,690	34,497,994

Balance Sheet

	Sep 30, 2020	Jun 30, 2020	Sep 30, 2019
Total Assets	\$ 14,642,570	\$ 14,405,607	\$ 12,097,842
Total Stockholders' Equity	\$ 1,646,529	\$ 1,625,103	\$ 1,530,935
Tangible Common Stockholders' Equity	\$ 1,250,117	\$ 1,226,827	\$ 1,165,171
Common stockholders' equity per share (1)	\$ 46.83	\$ 46.22	\$ 44.80
Common stockholders' tangible equity per share (1) (2)	\$ 35.56	\$ 34.89	\$ 34.10
Common stockholders' tangible equity to tangible assets (2)	8.78%	8.76%	9.93%
Consolidated Tier 1 Leverage capital ratio	9.56%	9.83%	10.70%

Key Financial Ratios

Net interest margin	3.65%	3.81%	4.25%
Return on average assets	1.01%	0.68%	1.31%
Return on average equity	8.92%	5.85%	10.21%
Efficiency ratio (3)	61.35%	60.85%	63.50%
Adjusted efficiency ratio (4)	59.05%	57.95%	60.71%

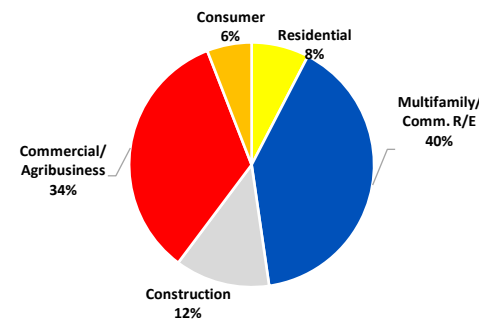
(1) Calculation is based on number of common shares outstanding at the end of the period rather than weighted average shares outstanding.

(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.

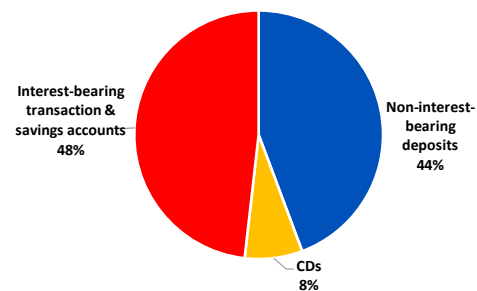
(3) Non-interest expense divided by the total of net interest income (before provision for loan losses) and non-interest income.

(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 - October 22, 2020

Janney

Tim Coffey - October 22, 2020

Raymond James

David Feaster - October 22, 2020

Keefe, Bruyette & Woods

Jacquelynn Chimera - October 25, 2020

Piper Sandler

Andrew Liesch - October 22, 2020

Stephens Inc.

Gordon McGuire - July 23, 2020

Standard & Poor's

Corporate Information

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

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