



# BANNER CORPORATION

NASDAQ: BANR

\$55.69 – 5/01/2017



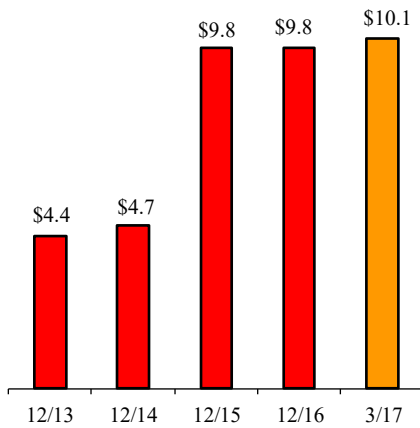
The Cereghino Group

Corporate Investor Relations

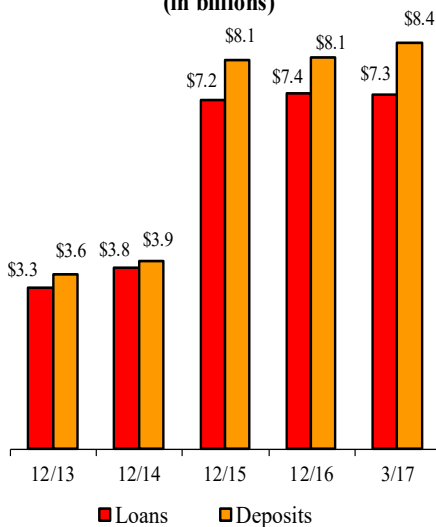
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## FACT SHEET

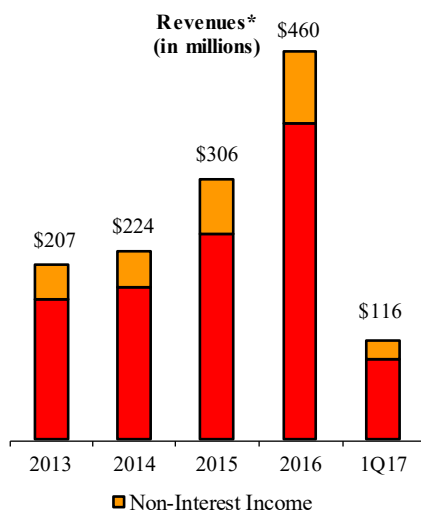
**Total Assets**  
(in billions)



**Loans and Deposits**  
(in billions)



**Revenues\***  
(in millions)



\*excluding gain on sale of securities, fair value adjustments, OTTI, and acquisition termination fee (2013) and bargain purchase gain (2014).

### HIGHLIGHTS

- ◆ **Net Income.** Banner reported net income of \$23.8 million, or \$0.72 per diluted share, in 1Q17 compared to \$22.8 million, or \$0.69 per diluted share, in 4Q16, and \$17.8 million, or \$0.52 per diluted share, in 1Q16.
- ◆ **Revenues/Margin.** Revenues from core operations were \$116.4 million in 1Q17, compared to \$117.5 million in the preceding quarter and increased 5% compared to \$111.0 million in 1Q16. Net interest margin was 4.25% in 1Q17, compared to 4.32% in 4Q16 and 4.13% in 1Q16. Strong revenue generation driven by balance sheet growth, client acquisition, solid net interest margin and mortgage banking revenues, coupled with a moderate risk profile, are producing sustainable and increasing profitability.
- ◆ **Loan Portfolio/Deposits.** Net loans were \$7.33 billion at 3/31/17 compared to \$7.11 billion a year earlier. Deposits were \$8.42 billion at 3/31/17 compared to \$8.03 billion a year earlier. Non-certificate core deposits represented 86% of total deposits at 3/31/17, compared to 84% of total deposits a year earlier.
- ◆ **Credit Quality.** At 3/31/17, NPAs were 0.21% of total assets, compared to 0.35% at 12/31/16 and 0.24% a year ago. Non-performing assets were \$21.3 million at 3/31/17, compared to \$33.8 million three months earlier and \$23.0 million a year ago. Banner had net charge-offs of \$1.5 million in the first quarter compared to net charge-offs of \$253,000 in 4Q16 and recoveries of \$189,000 in 1Q16. Primarily as a result of the addition 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.
- ◆ **Capital.** Banner's tangible common equity was \$1.05 billion or 10.72% of tangible assets at 3/31/17. 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 the newly implemented Basel III and Dodd Frank regulatory standards. At 3/31/17, Banner's common equity Tier 1 capital ratio was 11.46%, its Tier 1 leverage capital to average assets ratio was 11.79% and its total capital to risk-weighted assets ratio was 13.85%. Common shareholders' tangible equity per share increased to \$31.68 at 3/31/17 compared to \$30.38 at 3/31/16.
- ◆ **Dividends/Repurchase.** Banner paid a quarterly dividend to shareholders of \$0.25 per share, providing a current yield of 1.8% based on the 3/31/17 closing price.
- ◆ **Acquisitions.** On October 1, 2015 Banner Corporation completed the merger with AmericanWest Bank and now has \$10.1 billion in assets, \$7.3 billion in loans and \$8.4 billion in deposits, as well as the opportunity to deploy its super community bank business model across five 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 states of California and Utah. The franchise now includes 187 full service Banner Bank branches and three Islanders Bank branches. The combined bank benefits from a diversified geography with significant growth opportunities, including nine of the top twenty largest western MSAs by population.

### SUMMARY

Banner Corporation is a \$10.1 billion bank holding company operating two commercial banks in five 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).

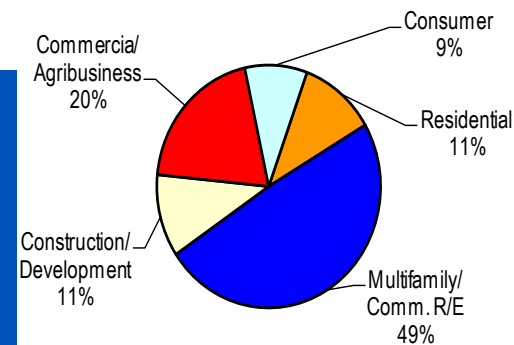


## Share Data as of 5/01/2017

Recent Price	\$55.69	Book Value	\$39.92
Shares Outstanding	33.2M	Price/Book	1.40x
Estimated Float	32.6M	Tangible Book Value	\$31.68
Insider Ownership	2%	Price/Tangible Book	1.76x
Avg. Daily Volume	219,000	Institutional Ownership	91%
Market Cap	1,846M	Net Interest Margin (MRQ)	4.25%

MRQ = Most Recent Quarter

## Loan Portfolio



## Quarterly Financial Highlights\*

(\$ in thousands)

### Income Statement

	Quarters Ended		
	Mar 31, 2017	Dec 31, 2016	Mar 31, 2016
Interest Income	\$ 99,096	\$ 101,007	\$ 95,301
Interest Expense	4,242	3,836	4,258
Net Interest Income			
before Provision for Loan Losses	94,854	97,171	91,043
Provision for Loan Losses	2,000	2,030	-
Net Interest Income			
after Provision for Loan Losses	92,854	95,141	91,043
Other Operating Income	21,520	20,300	19,909
Net gain on sale of securities	13	311	21
Net change in valuation of financial instruments carried at fair value	(688)	(1,148)	29
Total Other Operating Income	20,845	19,463	19,959
Other Operating Expense	78,078	79,069	77,221
Acquisition related expenses	-	788	6,813
Total Other Operating Expense	78,078	79,857	84,034
Income before provision for income taxes	35,621	34,747	26,968
Provision for Income Taxes	11,828	11,943	9,194
Net Income	\$ 23,793	\$ 22,804	\$ 17,774
Diluted Earnings per Share	\$ 0.72	\$ 0.69	\$ 0.52
Dividends per Share	\$ 0.25	\$ 0.23	\$ 0.21
Diluted Weighted Avg. Shares O/S	33,051,459	33,201,333	34,103,727

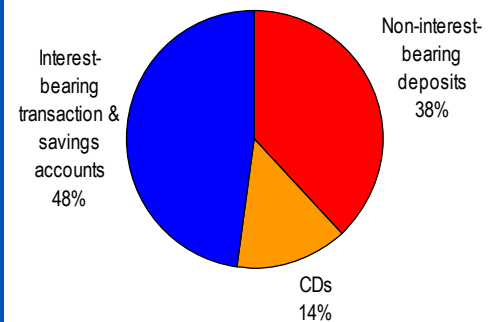
### Balance Sheet

	Mar 31, 2017	Dec 31, 2016	Mar 31, 2016
Total Assets	\$ 10,068,378	\$ 9,793,668	\$ 9,745,594
Total Stockholders' Equity	\$ 1,323,404	\$ 1,305,710	\$ 1,320,155
Tangible Common Stockholders' Equity	\$ 1,050,333	\$ 1,030,965	\$ 1,039,746
Common stockholders' equity per share (1)	\$ 39.92	\$ 39.34	\$ 38.58
Common stockholders' tangible equity per share (1) (2)	\$ 31.68	\$ 31.06	\$ 30.38
Common stockholders' tangible equity to tangible assets (2)	10.72%	10.83%	10.98%
Consolidated Tier 1 Leverage capital ratio	11.79%	11.83%	11.28%

(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.

## Deposit Portfolio



## Analyst Coverage

### D.A. Davidson & Co.

Jeff Rulis - April 25, 2017

### FIG Partners

Tim Coffey - January 26, 2017

### Raymond James

Don Worthington - August 4, 2016

### Keefe, Bruyette & Woods

Jacquelynn Chimera - April 26, 2017

### Sandler O'Neill

Tim O'Brien - April 26, 2017

### Piper Jaffray

Matthew Clark - April 25, 2017

### Standard & Poor's

## Corporate Information

Mark J. Grescovich, President & CEO  
Lloyd W. Baker, EVP & CFO

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