



# BANNER CORPORATION

NASDAQ: BANR

\$22.02 – 5/02/2012



The Cereghino Group

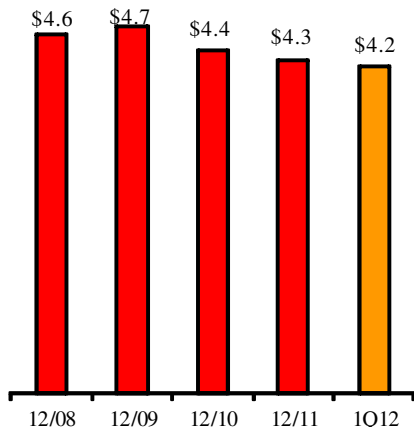
Corporate Investor Relations

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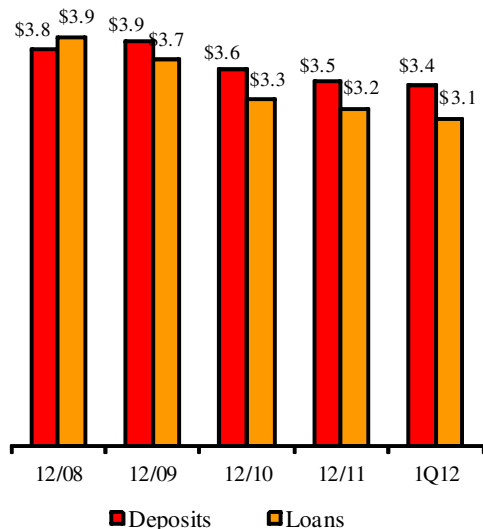
# FACT SHEET

## HIGHLIGHTS

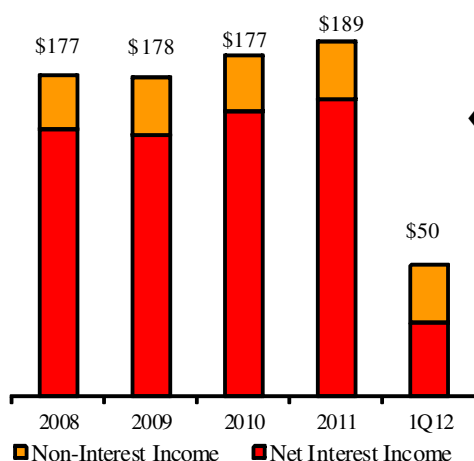
**Total Assets**  
(in billions)



**Loans and Deposits**  
(in billions)



**Revenues\***  
(in millions)



- ◆ **Net Income.** BANR reported net income of \$9.2 million in 1Q12 compared to net income of \$5.1 million in 4Q11 and a net loss of \$7.8 million in 1Q11. Net income available to common shareholders was \$7.2 million, or \$0.40 per share, in 1Q12 compared to a net loss of \$9.8 million, or \$0.60 per share in 1Q11.
- ◆ **Revenues/Margin.** Revenues from core operations were \$50.4 million in 1Q12, compared to \$50.5 million in 4Q11 and \$47.0 million in 1Q11. Net interest margin was 4.11% in 1Q12 compared to 4.07% in 4Q11 and 3.94% in 1Q11. Strong revenue and net interest margin improvement have been driven by solid core deposit growth and mix changes which, coupled with a reduced risk profile, have strengthened the foundation of the Company.
- ◆ **Loan Portfolio/Deposits.** Loans were \$3.15 billion at 3/31/12 compared to \$3.23 billion a year earlier, reflecting a significant reduction in residential construction and land development loans. Deposits were \$3.43 billion at 3/31/12 compared to \$3.54 billion a year earlier. Strong core deposit growth was offset by planned reductions of brokered deposits and other high cost certificates of deposit. Non-interest-bearing account balances increased by 24% compared to a year earlier.
- ◆ **Credit Quality.** At 3/31/12, NPAs were \$93.1 million, or 2.24% of total assets, compared to \$118.9 million, or 2.79% of total assets at 12/31/11 and \$228.6 million, or 5.32% of total assets, a year ago. BANR added \$5.0 million to its provision for loan losses in 1Q12, compared to \$5.0 million in 4Q11 and \$17.0 million in 1Q11. Net charge-offs in 1Q12 totaled \$6.4 million, and the allowance for loan losses at quarter-end totaled \$81.5 million, or 2.52% of total loans outstanding and 126% of nonperforming loans.
- ◆ **Capital.** Banner's subsidiaries, Banner Bank and Islanders Bank, each maintain capital ratios well in excess of the amount necessary to meet the "well-capitalized" standards in the FDIC's regulatory guidelines. At 3/31/12, Banner's Total Capital to risk-weighted assets ratio was 18.98%, its Tier 1 leverage capital ratio was 14.00% and its tangible common equity to tangible assets ratio was 10.15%.
- ◆ **TARP.** During 1Q12 Banner paid a \$1.6 million dividend on the \$124 million of senior preferred stock it issued to the U.S. Treasury in the fourth quarter of 2008 in connection with its participation in the Treasury's Capital Purchase Program. In addition, Banner accrued \$454,000 for related discount accretion. The Treasury sold the preferred stock through an auction process on March 29, 2012, which eliminates all TARP restrictions on Banner going forward.
- ◆ **Maturing Franchise.** The Company has invested significantly in expanding the Bank's branch and distribution systems through acquisitions and new branch openings, with a primary emphasis on the Puget Sound region of Washington and the Portland, Oregon, Boise, Idaho and Spokane, Washington markets. The new locations are maturing and the acquisitions have been fully integrated into the Banner system. The franchise includes 86 full service Banner Bank branches and three Islanders Bank branches.
- ◆ **Regulatory Actions.** On March 19, 2012, the Memorandum of Understanding (MOU) by and between Banner Bank and the FDIC and Washington State Department of Financial Institutions, Division of Bank's (originally effective March 29, 2010) was terminated. On April 10, 2012 a similar MOU by and between the Company and the Federal Reserve Bank of San Francisco (originally effective March 23, 2010) was also terminated.

## SUMMARY

Banner Corporation is a \$4.16 billion bank holding company operating two commercial banks in Washington, Oregon and Idaho. Banner serves the Pacific Northwest region with a full range of deposit services as well as business, commercial real estate, construction, residential, agricultural and consumer loans. Visit Banner Bank online at [www.bannerbank.com](http://www.bannerbank.com).

\*excluding fair value adjustments, OTTI and goodwill impairment charges



## Share Data as of 5/02/2012

Recent Price	\$22.02	Book Value	\$23.77
Shares Outstanding	18.0M	Price/Book	0.93x
Estimated Float	17.4M	Tangible Book Value	\$23.45
Insider Ownership	3%	Price/Tangible Book	0.94x
Avg. Daily Volume	152,000	Institutional Ownership	73%
Market Cap	401M	Net Interest Margin (MRQ)	4.11%

MRQ = Most Recent Quarter

## Quarterly Financial Highlights\*

(\$ in thousands)

### Income Statement

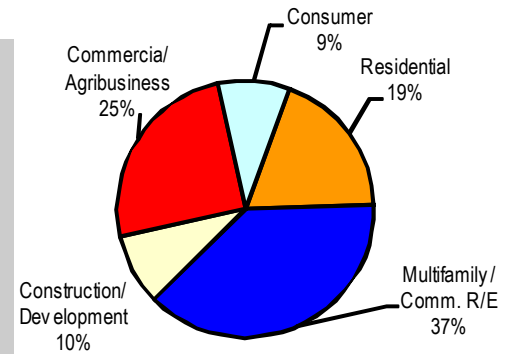
	Quarters Ended		
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2011
Interest Income	\$ 47,198	\$ 48,451	\$ 49,663
Interest Expense	6,072	6,865	9,607
Net Interest Income			
before Provision for Loan Losses	41,126	41,586	40,056
Provision for Loan Losses	5,000	5,000	17,000
Net Interest Income			
after Provision for Loan Losses	36,126	36,586	23,056
Other Operating Income	9,286	8,938	6,990
Increase (decrease) in valuation of financial instruments carried at fair value (incl OTTI)	1,685	(1,787)	256
Total Other Operating Income	10,971	7,151	7,246
Total Other Operating Expense	37,913	38,667	38,144
Net Income (Loss)	\$ 9,184	\$ 5,070	\$ (7,842)
Preferred Stock Dividend	1,550	1,550	1,550
Preferred Stock Discount Accretion	454	425	426
Net Income (Loss) Available to Common Shareholders	\$ 7,180	\$ 3,095	\$ (9,818)
Diluted Earnings (Loss) per Common Share	\$ 0.40	\$ 0.18	\$ (0.60)
Dividends per Share	\$ 0.01	\$ 0.01	\$ 0.07
Diluted Weighted Avg. Shares O/S	17,790,402	17,298,004	16,271,621

### Balance Sheet

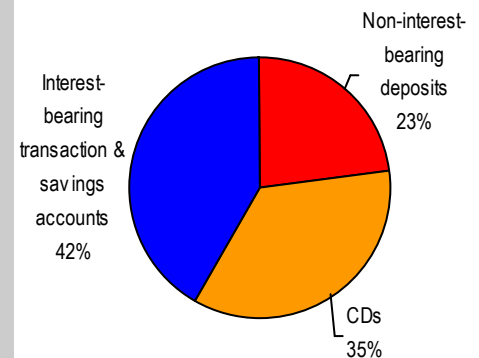
	Mar 31, 2012	Dec 31, 2011	Mar 31, 2011
Total Assets	\$ 4,160,764	\$ 4,257,312	\$ 4,299,703
Total Stockholders' Equity	\$ 548,790	\$ 532,450	\$ 504,744
Tangible Common Stockholders' Equity	\$ 421,857	\$ 405,417	\$ 377,307
Book Value per Common Share,			
Excluding Preferred Stock (1)	\$ 23.77	\$ 23.50	\$ 23.48
Tangible Book Value per Share,			
Excluding Preferred Stock (1) (2)	\$ 23.45	\$ 23.14	\$ 22.99
Total Capital/Risk Weighted Assets	18.98%	18.07%	17.14%
Tier 1 Leverage Capital Ratio	14.00%	13.44%	12.50%
Tangible Common Stockholders' Equity to Tangible Assets	10.15%	9.54%	8.79%

- (1) Calculation is based on number of common shares outstanding at the end of the period rather than weighted average shares outstanding and excludes unallocated shares in the ESOP.  
 (2) Tangible book value excludes core deposit and other intangibles.

## Loan Portfolio



## Deposit Portfolio



## Analyst Coverage

### D.A. Davidson & Co.

Jeff Rulis - April 24, 2012

### FIG Partners

Tim Coffey - April 24, 2012

### Raymond James

Don Worthington - February 3, 2012

### Keefe, Bruyette & Woods

Frederick Cannon - April 24, 2012

### Sandler O'Neill

Joseph Fenech - April 24, 2012

### McAdams Wright Ragen

Sara Hasan - April 26 2012

### Standard & Poor's

## Corporate Information

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

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