Social, Environmental, and Climate Credit Risk Management

It is Banner Bank's policy to meet the credit needs of individuals, businesses, and the public sector who live and do business in Washington, Oregon, Idaho and California with an emphasis on providing timely and professional customer service and appropriate loan products in all communities served at fair and reasonable rates. It is the bank's policy to comply with applicable laws and regulations including meeting the credit needs of low- and moderate-income neighborhoods as stated in the Community Reinvestment Act. Additionally, we recognize that potential opportunities and risks exist related to environmental conditions and climate change and we anticipate integrating those into our strategy over time. Our approach to risk management is broad based and not focused solely on transactional credit risk.

Social Responsibility in Lending Activities

We take social considerations into account when making our lending decisions, which promotes prosperity and stability both for the bank and our clients. This principle is not only ethical – it is good business. Being socially responsible means: we make loans only for legal purposes, and to businesses or individuals with legal sources of income; engage only in transactions that we are comfortable disclosing to relevant regulatory agencies; and comply with applicable laws and regulations when making credit decisions and administering existing loans.

As an institution we are fully committed to the principle that all credit decisions should be made without regard to race, color, national origin, religion, sex, age, marital status, sexual orientation, disability, medical or behavioral issues or conditions or any other basis prohibited by law. We take affirmative steps to ensure that this principle is applied consistently and continuously throughout all aspects of our credit operations, including product design, marketing and advertising, underwriting, training, compensation, and performance evaluation.

We have established governance around the client selection process and have identified certain types of lending relationships which are prohibited, meaning we do not knowingly engage with businesses directly involved in the following:

- Loans for any illegal purpose including loans that are detrimental to the interests of the United States because of the loan's purpose or sponsorship, or loans to individuals or companies that engage in predatory lending activities.
- Loans that finance any part of a cultivation ("grow"), marketing, dispensing or distribution operation involving marijuana (medical or otherwise).
- Loans to "payday" loan companies.
- Loans secured by or to operators of small/unsophisticated casino/gaming facilities with inadequate BSA/AML compliance process and procedures in place.
- Loans to "hard money" lenders.
- Loans to finance any form of hostile takeover activity.

During the client selection process, our first line of defense personnel conduct due diligence to identify and seek approval to onboard any higher risk clients. Senior leadership approval is required for all identified higher-risk clients. After the client selection process, high-risk clients continue to be subject to ongoing due diligence and periodic reviews that are coordinated by the first and second lines of defense as considered appropriate.

Environmental and Climate Risks in Lending Activities

Banner Bank currently has no direct exposure to oil and gas production. What we do have is a long tradition of supporting clients in a wide range of industries, including those pursuing environmentally responsible projects big and small, from home insulation for individual low-income families to flood resilience infrastructure for an entire city.

We incorporate environmental risk assessments into our credit underwriting process, and maintain policies and procedures to assess this risk, for the following loan types:

- Construction and permanent commercial real estate loans
- Land and land acquisition and development loans
- Agricultural real estate loans
- Commercial loans with real estate collateral
- Bank Real Estate Owned (REO)
- Commercial loans to borrowers in environmentally sensitive industries

To assist in this evaluation, we employ an environmental risk officer to address issues of potential environmental concern raised in the real estate lending process. Our current environmental risk officer has been in the environmental consulting and financial services industry for more than two decades, performing and managing environmental investigations, cleanups, and pollution liability insurance claims prior to joining the bank. Employing a team member in this role with a high level of environmental expertise is another way we demonstrate the importance of understanding environmental risk in our lending decisions.

Issues related to climate risk are overseen by our Board's Risk Committee, which is responsible for reviewing progress on ESG risk management initiatives and climate change mitigation and sustainability activities. The Risk Committee receives regular updates on climate-related matters such as emissions data, transition and physical risks related to certain climate scenarios, as well as a quarterly Enterprise Risk Management (ERM) Risk Assessment. The ERM Department also assesses, on a quarterly basis, Credit, Market/Price, Liquidity, Interest Rate, Financial Reporting, Operational, Technology, People, Compliance/Legal, Reputation, and Strategic risks relative to the Board's Risk Appetite Statement.

Separately, we have implemented processes to assist us in complying with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the proposed U.S. Securities and Exchange Commission (SEC) rules governing climate risk disclosures. We calculated our scope

1 and 2 emissions for 2021 and 2022 in accordance with the GHG Protocol. In 2022, to better inform the continuing development of our climate strategy, we conducted scenario analyses using industry-standard assumptions to help estimate physical and transition risks in our commercial real estate, commercial, and residential lending portfolios, as well as our own physical locations.