



# BANNER CORPORATION

NASDAQ: BANR

\$17.31 – 10/26/2011



The Cereghino Group

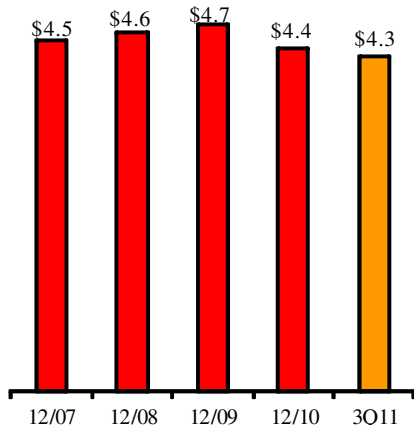
Corporate Investor Relations

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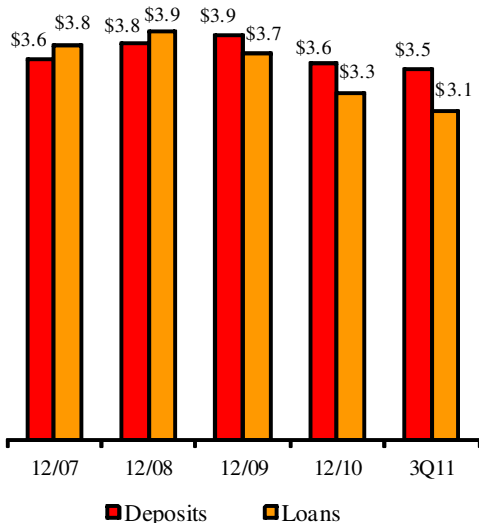
# FACT SHEET

## HIGHLIGHTS

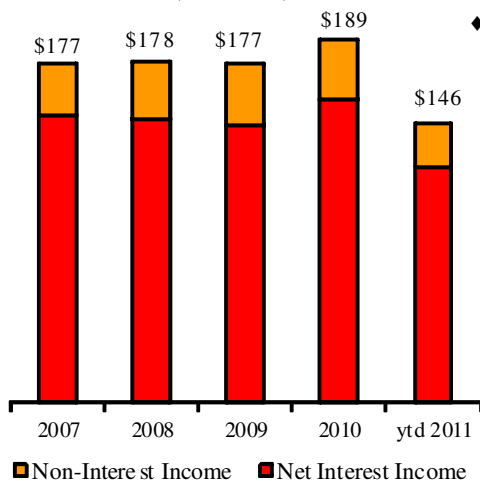
Total Assets  
(in billions)



Loans and Deposits  
(in billions)



Revenues\*  
(in millions)



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

- ◆ **Net Income.** BANR reported net income of \$6.0 million in 3Q11 compared to net income of \$2.2 million in 2Q11 and a net loss of \$42.7 million in 3Q10. Net income available to common shareholders was \$4.1 million, or \$0.24 per share, in 3Q11 compared to a net loss of \$44.7 million, or \$2.83 per share in 3Q10. In the first nine months of the year, Banner reported net income of \$387,000, compared to a net loss of \$49.2 million in the first nine months of 2010.
- ◆ **Revenues/Margin.** Revenues from core operations were \$50.1 million in 3Q11, compared to \$48.5 million in 2Q11 and \$49.2 million in 3Q10. Year-to-date, revenues from core operations increased nearly 4% to \$145.7 million, compared to \$140.4 million in the same period a year earlier. Net interest margin was 4.10% in 3Q11 compared to 4.09% in 2Q11 and 3.63% in 3Q10. For the first nine months of 2011, Banner's net interest margin was 4.04%, a 41 basis point improvement compared to 3.63% for the first nine months of 2010. 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 \$3.14 billion at 9/30/11 compared to \$3.40 billion a year earlier, reflecting a significant reduction in residential construction and land development loans. Deposits were \$3.54 billion at 9/30/11 compared to \$3.76 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 9/30/11, NPAs were \$151.6 million, or 3.53% of total assets, compared to \$188.4 million, or 4.48% of total assets at 9/30/10 and \$278.2 million, or 6.05% of total assets, a year ago. BANR added \$5.0 million to its provision for loan losses in 3Q11, compared to \$8.0 million in 2Q11 and \$20.0 million in 3Q10. Net charge-offs in 3Q11 totaled \$10.9 million, and the allowance for loan losses at quarter-end totaled \$86.1million, or 2.67% of total loans outstanding and 104% 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 9/30/11, Banner's Total Capital to risk-weighted assets ratio was 17.94%, its Tier 1 leverage capital ratio was 13.19% and its tangible common equity to tangible assets ratio was 9.20%.
- ◆ **TARP.** During 3Q11 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 \$425,000 for related discount accretion.
- ◆ **Maturing Franchise.** The Company has invested significantly in expanding the Bank's branch and distribution systems with a primary emphasis on the Puget Sound region of Washington and the Portland, Oregon and Boise, Idaho markets. The Company opened ten new offices in 2007, two new offices in 2008 and four new offices in 2009. On October 10, 2007, the Company completed the acquisition of NCW Community Bank of Wenatchee, Washington. On May 1, 2007, the Company completed the acquisitions of F&M Bank and Islanders Bank. Both F&M Bank and NCW Community Bank merged with and into Banner Bank. Islanders Bank continues operations as a subsidiary of Banner Corporation. Combined, the three closed acquisitions added approximately \$692 million of assets, \$598 million in loans and \$561 million in deposits. The new locations are maturing and the acquisitions have been fully integrated into the Banner system.

## SUMMARY

Banner Corporation is a \$4.29 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).



## Share Data as of 10/26/2011

Recent Price	\$17.31	Book Value	\$23.61
Shares Outstanding	17.0M	Price/Book	0.73x
Estimated Float	16.6M	Tangible Book Value	\$23.20
Insider Ownership	3%	Price/Tangible Book	0.75x
Avg. Daily Volume	170,000	Institutional Ownership	64%
Market Cap	295M	Net Interest Margin (MRQ)	4.10%

MRQ = Most Recent Quarter

## Quarterly Financial Highlights\*

(\$ in thousands)

### Income Statement

	Quarters Ended		
	Sep 30, 2011	Jun 30, 2011	Sep 30, 2010
Interest Income	\$ 49,561	\$ 49,888	\$ 54,250
Interest Expense	7,833	8,687	14,328
Net Interest Income			
before Provision for Loan Losses	41,728	41,201	39,922
Provision for Loan Losses	5,000	8,000	20,000
Net Interest Income			
after Provision for Loan Losses	36,728	33,201	19,922
Other Operating Income	8,372	7,314	9,286
Increase (decrease) in valuation of financial instruments carried at fair value (incl OTTI)	1,968	1,939	(1,634)
Total Other Operating Income	10,340	9,253	7,652
Total Other Operating Expense	41,038	40,255	46,328
Provision for (Benefit From) Income Taxes	-	-	23,988
Net Income (Loss)	\$ 6,030	\$ 2,199	\$ (42,742)
Preferred Stock Dividend	1,550	1,550	1,550
Preferred Stock Discount Accretion	425	425	398
Net Income (Loss) Available to Common Shareholders	\$ 4,055	\$ 224	\$ (44,690)
Diluted Earnings (Loss) per Common Share	\$ 0.24	\$ 0.01	\$ (2.83)
Dividends per Share	\$ 0.01	\$ 0.01	\$ 0.07
Diluted Weighted Avg. Shares O/S	16,837,324	16,535,082	15,787,838

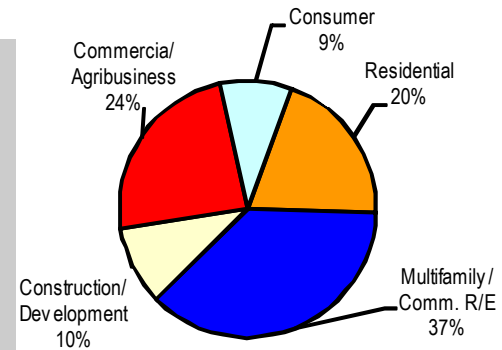
### Balance Sheet

	Sep 30, 2011	Jun 30, 2011	Sep 30, 2010
Total Assets	\$ 4,291,764	\$ 4,206,067	\$ 4,597,187
Total Stockholders' Equity	\$ 521,491	\$ 511,026	\$ 524,839
Tangible Common Stockholders' Equity	\$ 394,328	\$ 383,733	\$ 397,027
Book Value per Common Share,			
Excluding Preferred Stock (1)	\$ 23.61	\$ 23.52	\$ 25.57
Tangible Book Value per Share,			
Excluding Preferred Stock (1) (2)	\$ 23.20	\$ 23.07	\$ 24.99
Total Capital/Risk Weighted Assets	17.94%	17.29%	16.95%
Tier 1 Leverage Capital Ratio	13.19%	12.90%	12.12%
Tangible Common Stockholders' Equity to Tangible Assets	9.20%	9.14%	8.65%

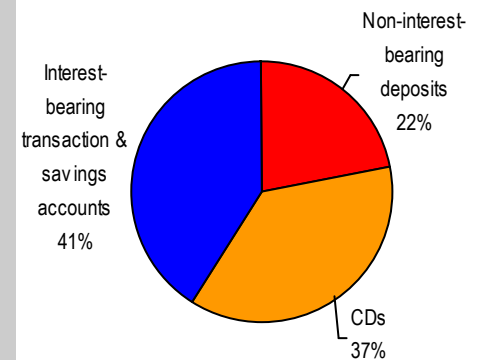
(1) Calculation is based on number of common shares outstanding at the end of the period rather than weighted average shares outstanding and excludes unallocated shares in the ESOP.

(2) Tangible book value excludes core deposit and other intangibles.

## Loan Portfolio



## Deposit Portfolio



## Analyst Coverage

### D.A. Davidson & Co.

Jeff Rulis - October 20, 2011

### FIG Partners

Tim Coffey - October 28, 2011

### Raymond James

Chris Stulpin - October 28, 2011

### Keefe, Bruyette & Woods

Matthew Clark - October 20, 2011

### Sandler O'Neill

Joseph Fenech - October 21, 2011

### McAdams Wright Ragen

Sara Hasan - October 20, 2011

### Standard & Poor's

## Corporate Information

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

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