



First Quarter 2022



Photo by
Siti Alimah



Photo by
Yvonne McDonald



Photo by
Maria DeVecchio

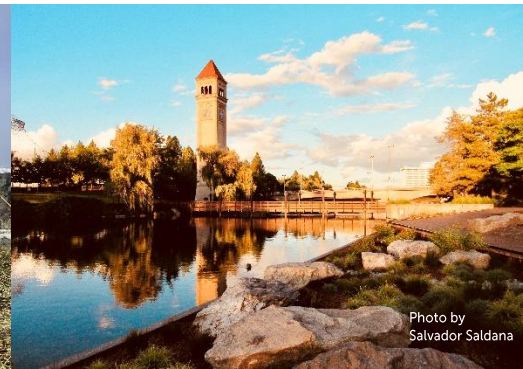


Photo by
Salvador Saldana

Disclosure Statement



Today's presentation deals with Banner's business outlook and will include forward-looking statements. Those statements include descriptions of management's plans, objectives or goals for future operations, products or services, forecast of financial or other performance measures and statements about Banner's general outlook for economic and other conditions. Additional forward-looking statements may be made in the question-and-answer period following the presentation. These forward-looking statements are subject to several risks and uncertainties and actual results may differ materially from those discussed today. Information on the risk factors that could cause actual results to differ are available from the earnings press release that was released April 20, 2022, as well as the Form 10-K for the year ended December 31, 2021. Forward-looking statements are effective only as of the date they are made, and Banner assumes no obligation to update information concerning its expectations.

First quarter 2022 highlights

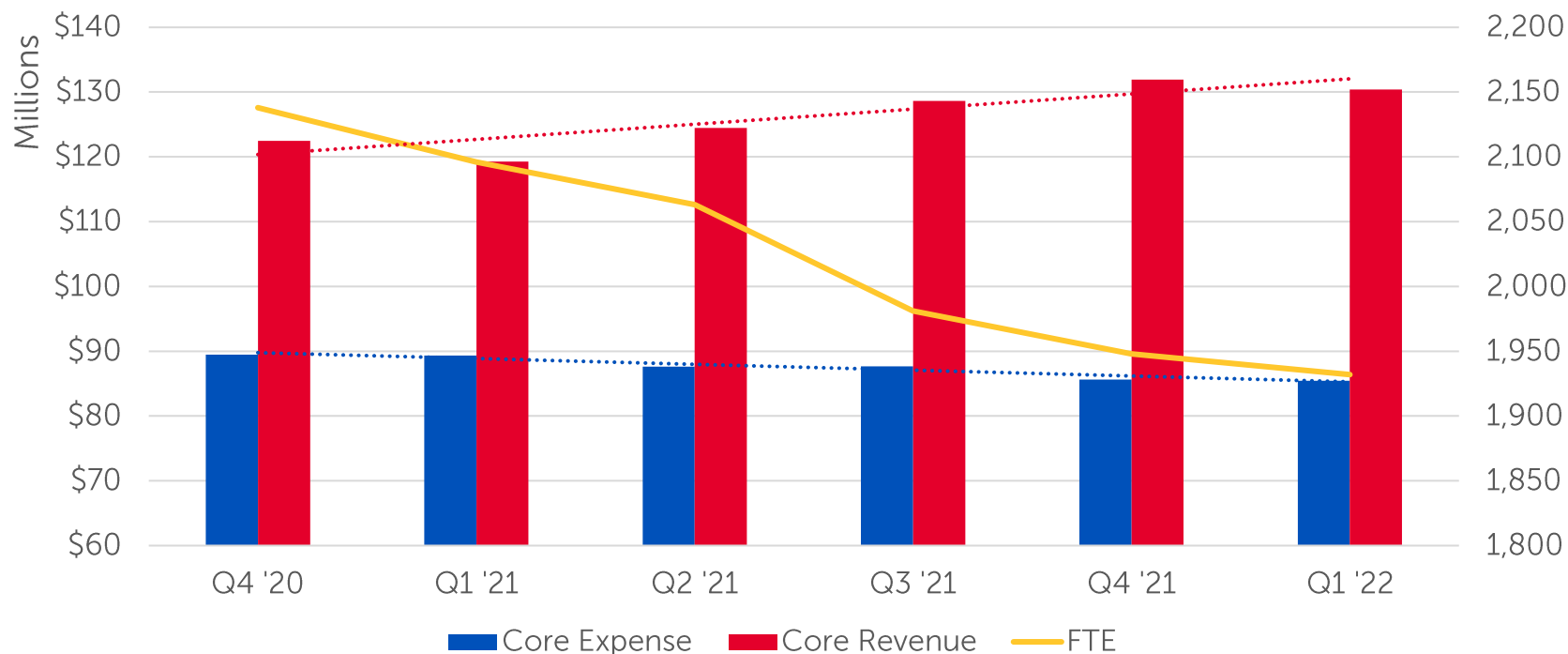


- Loan growth of 1.1% (4.6% annualized), not including PPP
 - Total loan originations (excluding HFS) were \$1.1 billion
 - Core deposits grew 1.7% (7.1% annualized), and represent 94% of total deposits
 - \$7.0 million recapture of the provision for credit losses; Allowance for credit losses – loans was 1.38% of total loans
 - Non-performing assets decreased to 0.11% of total assets
 - PPP loans now account for less than 1% of total loans
 - Banner Forward project is on track
 - 7 branches consolidated during the quarter, announced the sale of 4 additional
 - Announced dividend of \$0.44 per share to be paid in May 2022
-

Banner Forward progress update



Operating Leverage Trend ¹



¹ Core Expense reflects non-core expense adjustments including restructuring costs and legal settlements; Core Revenue excludes residential mortgage gain on sale and SBA PPP Loan interest income (see slide 24 for reconciliation)

² Banner Forward Initiative Implementation Status is measured as the overall percentage of targeted annualized pre-tax pre provision income program value recognized to date

Building value at Banner



Building value for stakeholders ...

by focusing on core banking competency ...

that is sustainable through change events ...

and scalable with acquisition growth

Banner Corporation

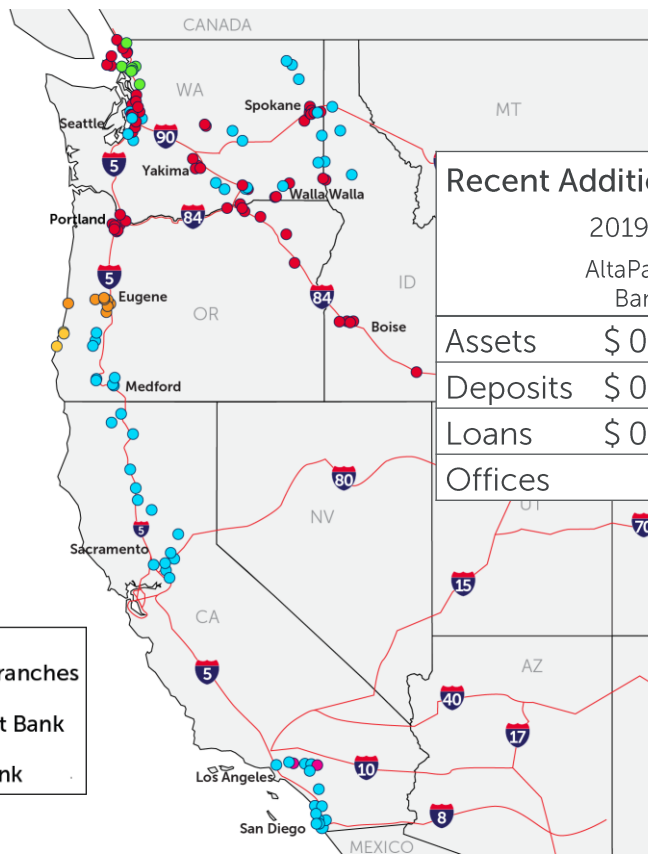
Assets \$16.8B

Deposits \$14.5B

Loans \$ 9.2B

Offices 141

Employees 1,950



Recent Additions

	2019 Q4	2018 Q4	2015 Q4	2015 Q1	2014 Q2
	AltaPacific Bank	Skagit Bank	AmericanWest Bank	Siuslaw Bank	SW Oregon Branches
Assets	\$ 0.4B	\$ 0.9B	\$ 4.5B	\$ 0.4B	\$ 0.2B
Deposits	\$ 0.3B	\$ 0.8B	\$ 3.6B	\$ 0.3B	\$ 0.2B
Loans	\$ 0.3B	\$ 0.6B	\$ 3.0B	\$ 0.2B	\$ 0.1B
Offices	6	11	98	10	6

Environmental, Social & Governance



Program highlights and overview

With Board of Directors' oversight, Banner's Executive Management and its ESG Working Group are committed to providing transparency in our efforts and achievements in ESG matters.

Environmental



Provided and participated in construction loans for clients developing green and zero-energy building projects.



Provided commercial loans for clients providing environmentally responsible products and services, such as renewable energy solutions, compost processing, nature conservancy, forest reclamation, and for clients leveraging alternative approaches to reduce the use of chemicals and the production of harmful greenhouse gasses.



Environmental Risk Officer reviews various environmental due diligence reports prepared for relevant lending projects as part of the underwriting process to assess conformance with our risk tolerance guidelines.



Developed a Mortgage Loan Program targeted toward consumers whose home will generate and store all its required energy using renewable resources.

Social



Received an Outstanding Rating on our most recent Community Reinvestment Act Performance Evaluation by the FDIC, recognizing achievements towards meeting the needs of our communities.



Made a \$1 million equity investment in Broadway Federal Bank (now City First Bank), the largest Black-led Minority Depository Institution in the U.S.



Created the Banner Small Business Opportunity Fund with initial \$1.5 million investment to support minority owned small businesses and businesses located in economically disadvantaged communities (selected three Community Development Financial Institutions to facilitate).



Awarded the Mortgage Bankers Association 2020 "Residential and Inclusion Leadership Award", recognizing innovative mortgage programs designed to increase outreach to low to moderate income households and increase organizational diversity.

Governance



The Board has assembled a strong team of individuals with diverse backgrounds and experiences. Since 2018, the Board has consistently included at least three female directors; currently, two of our Board Committee Chairs are women. The Board also includes four individuals who identify as racial or ethnic minorities, one of whom is a Committee Chair.



Adopted a Code of Ethics that incorporates corporate governance best practices, and is applicable to directors, officers and employees. All employees are required to complete ethics training on an annual basis, and all directors are required to certify annually that they have read and understand the Code of Ethics and agree to abide by its terms.



Use a third party website and hotline complaint service to facilitate whistleblower complaints, which may be made anonymously.

Building value at Banner



Core banking competency

Growing revenue

Protecting net interest margin

Spending carefully

Maintaining a moderate risk profile

Employing capital wisely

Growing revenue

Take advantage of ideal geography

Offer super community bank value proposition

Guard and improve reputation

Grow market share

Growing revenue ... in a good place since 1890

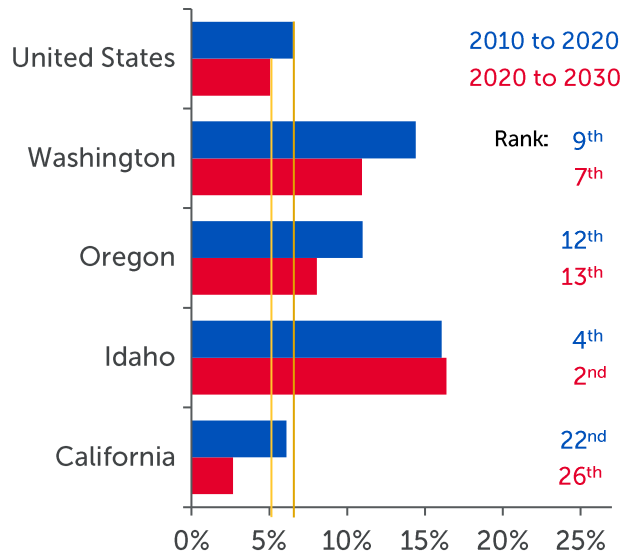


Population Estimate (millions)
2020 2030 Growth

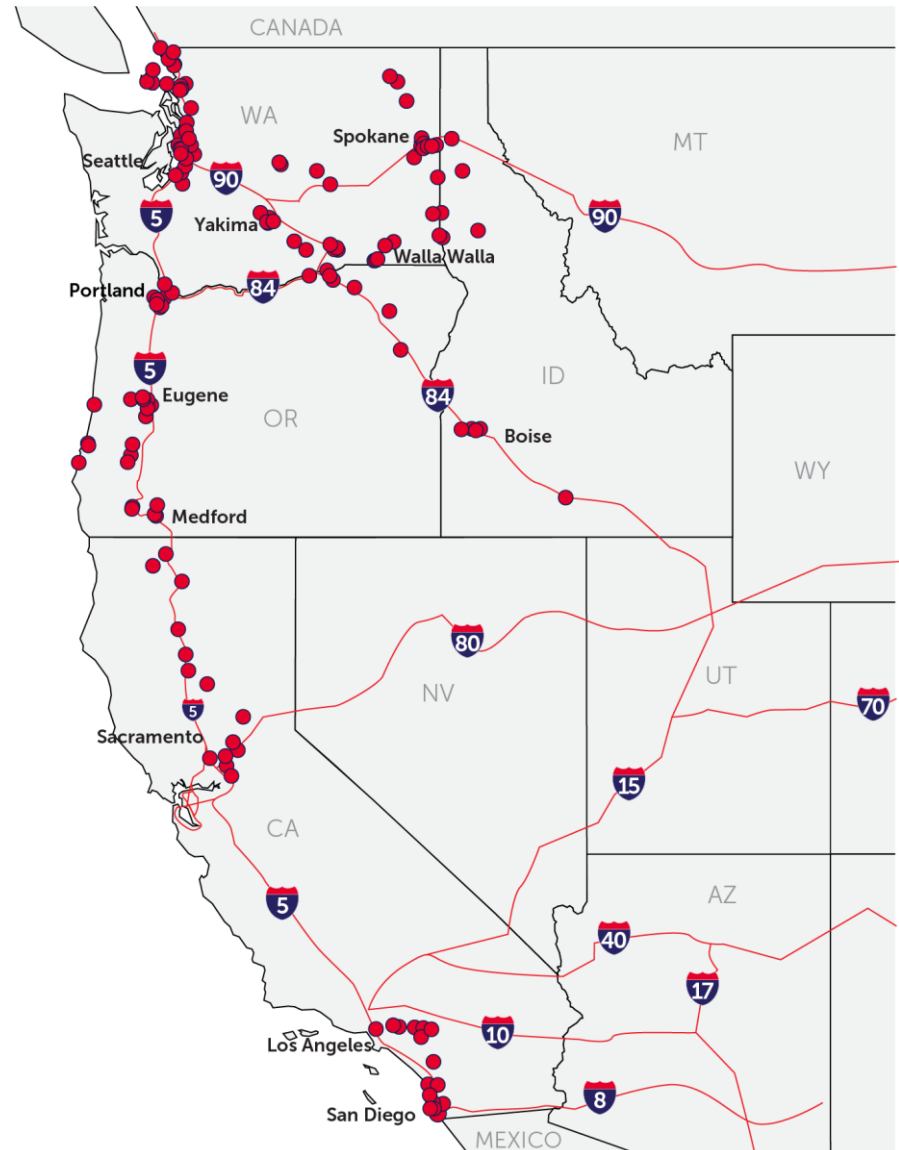
	2020	2030	Growth
Washington	7.7	8.6	11%*
Oregon	4.3	4.6	8%*
Idaho	1.8	2.1	16%*
California	39.6	40.7	3%
Region	53.4	55.9	5%
United States	329.5	346.1	5%

* Among the fastest growing in the country

Strong Population Growth Forecast



Source: U.S. Census Bureau
Moody's Analytics Forecasted (Jan 2021)



Growing revenue ... in an ideal geography



Powerful and diverse economic drivers

From Banner's Pacific Northwest base to ...

Technology **Microsoft**  **amazon**  

Manufacturing   **PACCAR**

Consumer **amazon**    **NORDSTROM**

Logistics      

Natural Resources   

Agriculture  Traditional, specialty crops, orchards, wineries, ...

California

From Apple 
to  **zoomerang**,
from Silicon Valley to
the Central Valley ...
the world's 6th largest
economy

Our super community bank value proposition

Broad product offerings serving middle market, small business and consumer client base

Decision making as close to client as possible

Delivery channels aligned to maximize tactical execution of strategic plan

Community investment

Growing revenue



Guard and improve reputation

Outstanding CRA Rating

FDIC 2021, most recent 3 year examination cycle



Best in Customer Satisfaction for Retail Banking in the Northwest*

J.D. Power 2022



Consistent recipient of highest rating

BauerFinancial 5-Star Rating™

A Top 50 U.S. Public Bank (with assets of \$10B+)

S&P Global Market Intelligence - 2021



Residential Diversity and Inclusion Leadership Award

Mortgage Bankers Association 2020



2020 A+ Health Grade

DepositAccounts.com/LendingTree

Recognized by Forbes (6th consecutive year)

2017-2022 "America's 100 Best Banks" and 2020-2022 "World's Best Banks"



Top SBA lender

"Regional Lender of the Year" — Seattle/Spokane District 2013-2020

"Star Performer" — Portland District 2016-2020

"National Lender Recognition Award" — Sacramento District 2015-2019



* Banner Bank received the highest score in the Northwest Region of the J.D. Power 2022 U.S. Retail Banking Satisfaction Study of customers' satisfaction with their primary bank. Visit [jdpower.com/awards](https://www.jdpower.com/awards) for more details.

Growing revenue

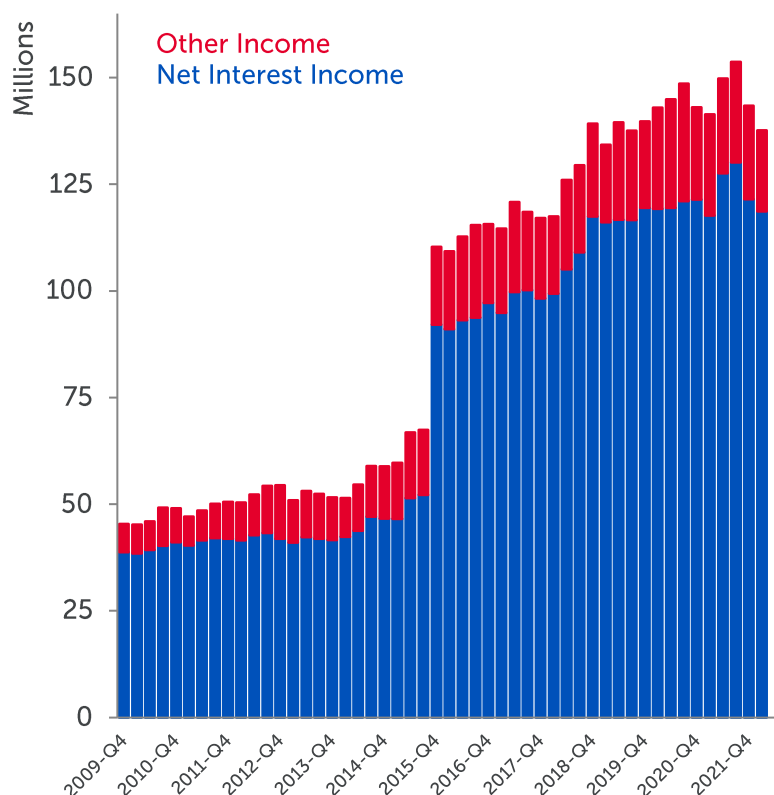


Grow core revenue¹

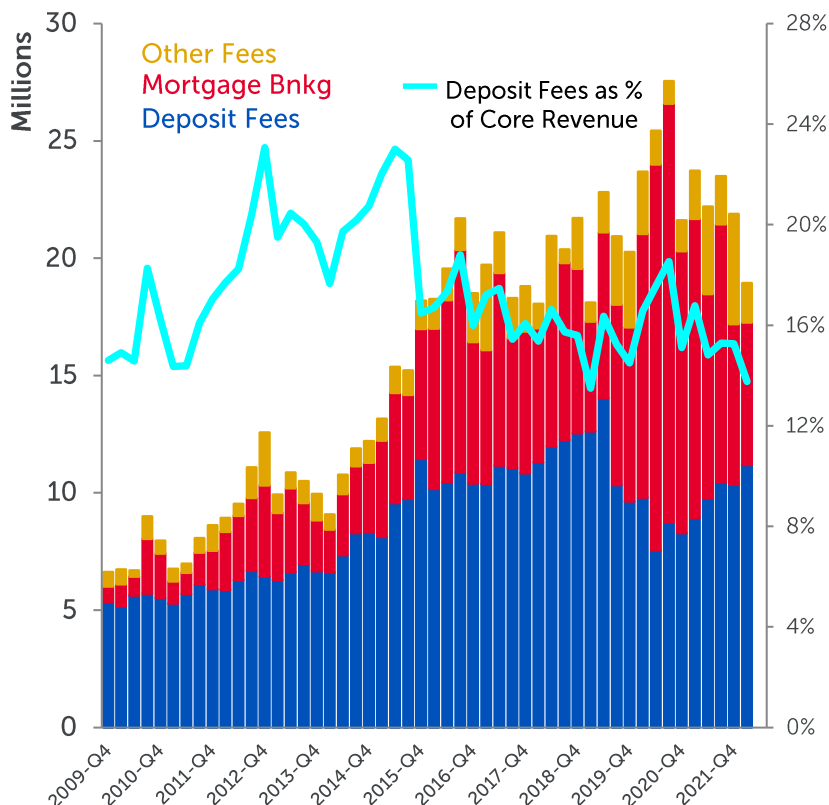
Quarter Ending	Quarter Amount	LTM Amount
3/31/22	\$ 138M	\$ 584M
12/31/09	\$ 45M	\$ 177M

Grow noninterest income²

Quarter Ending	Quarter Amount	LTM Amount
3/31/22	\$ 18.9M	\$ 86.5M
12/31/09	\$ 6.6M	\$ 31.1M



¹ Excludes net gain/loss on sale of securities and change in valuation of financial instruments carried at fair value.



² Effective July 1, 2019, Banner became subject to the Durbin Amendment, limiting the amount of interchange fees it can charge for certain debit card transactions.

Building value at Banner



Core banking competency

Growing revenue

Protecting net interest margin

Spending carefully

Maintaining a moderate risk profile

Employing capital wisely

Protecting net interest margin

Improve earning asset mix

Improve funding mix

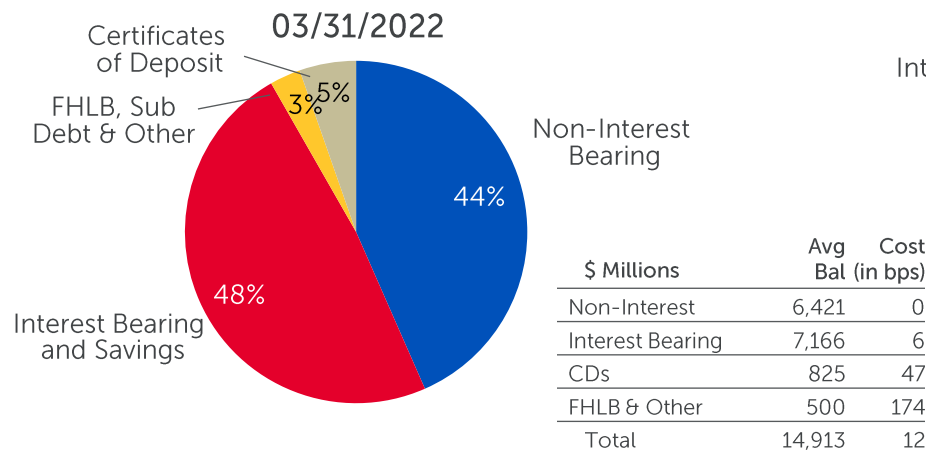
Reduce deposit costs

Maintain loan-to-deposit ratio

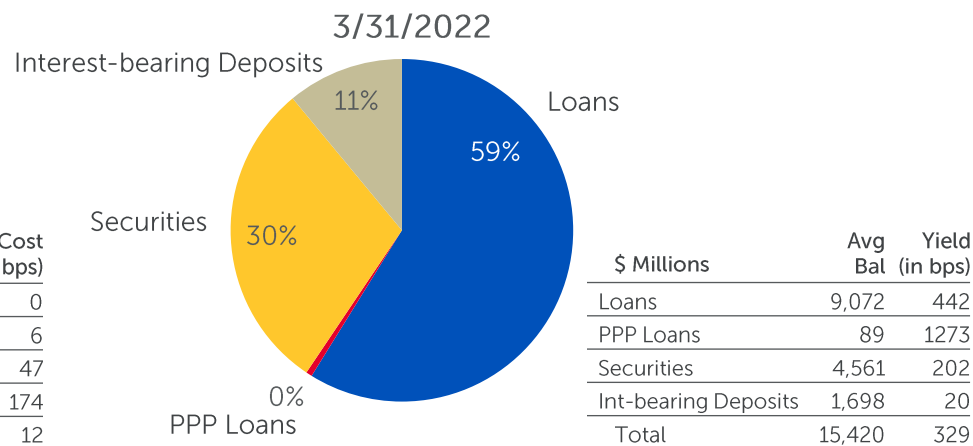
Protecting net interest margin



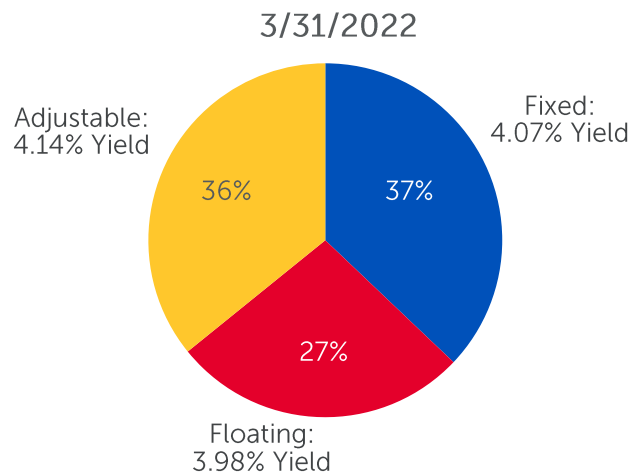
Low Cost Funding Mix



Earning Asset Mix



Loan Repricing Structure



63% of the loan portfolio is floating/adjustable

63% of the floating/adjustable loans have floors

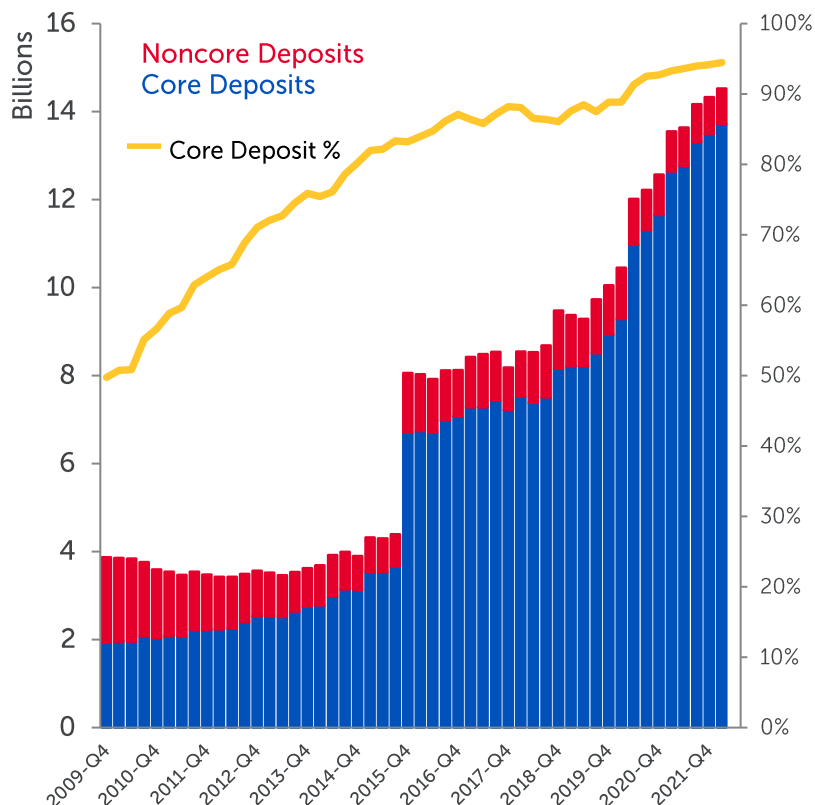
55% of the loans that have floors are at the floor

Protecting net interest margin



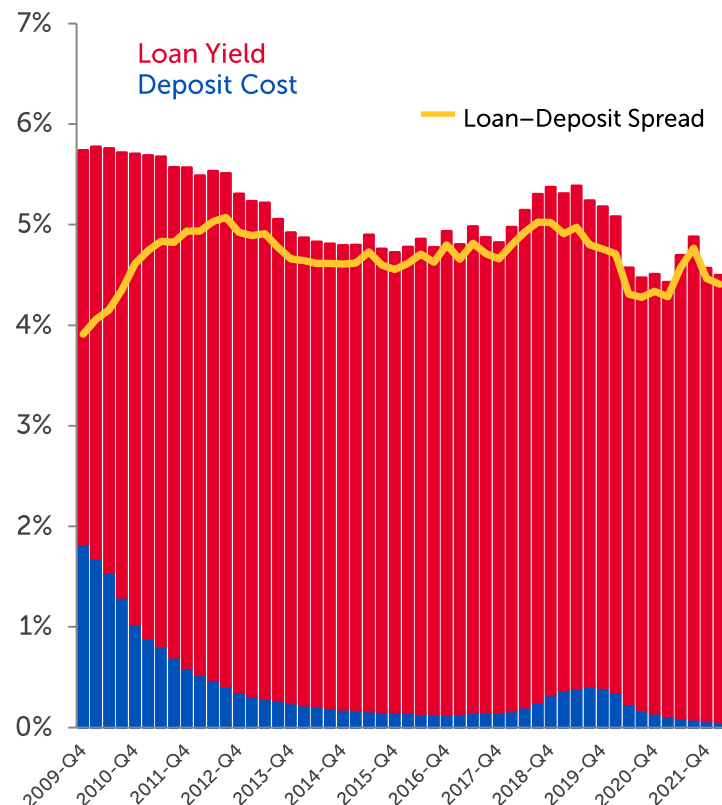
Grow core deposits

Quarter Ending	Balance	% of Total
03/31/22	\$13,723M	94%
12/31/09	\$ 1,924M	50%

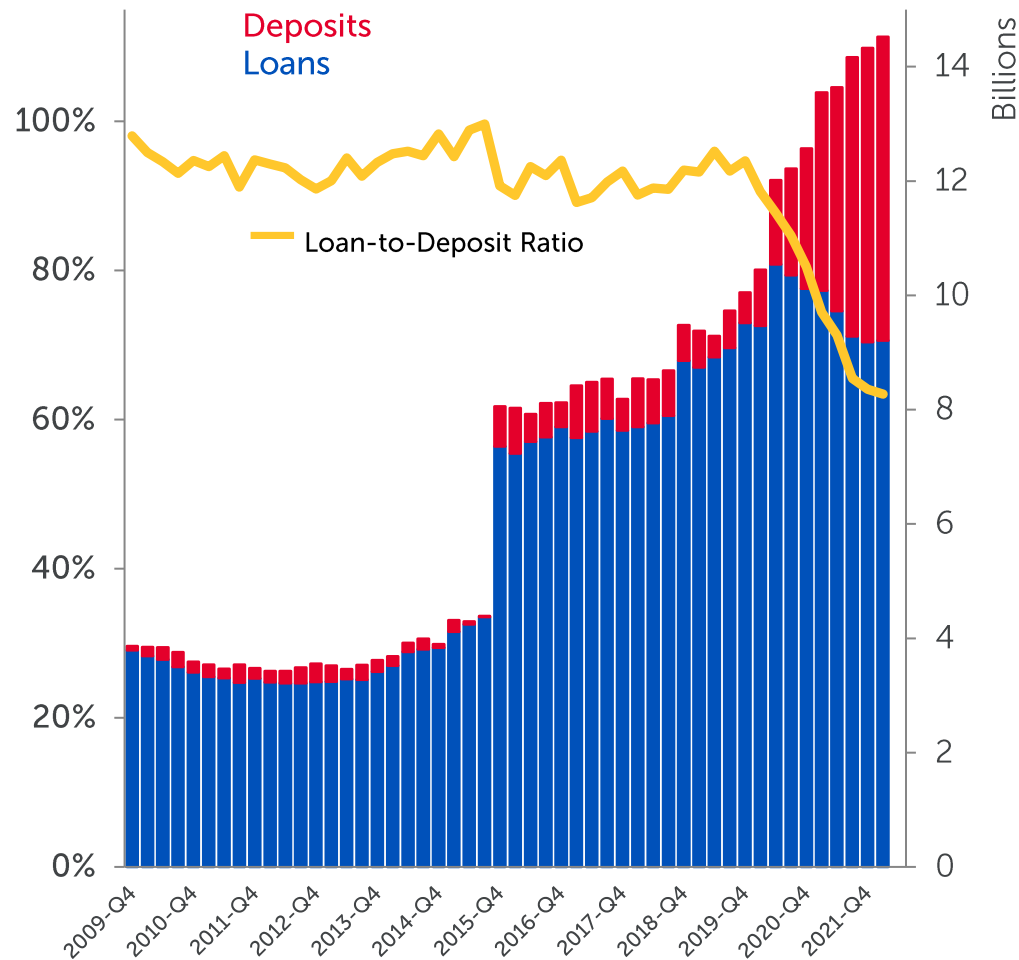
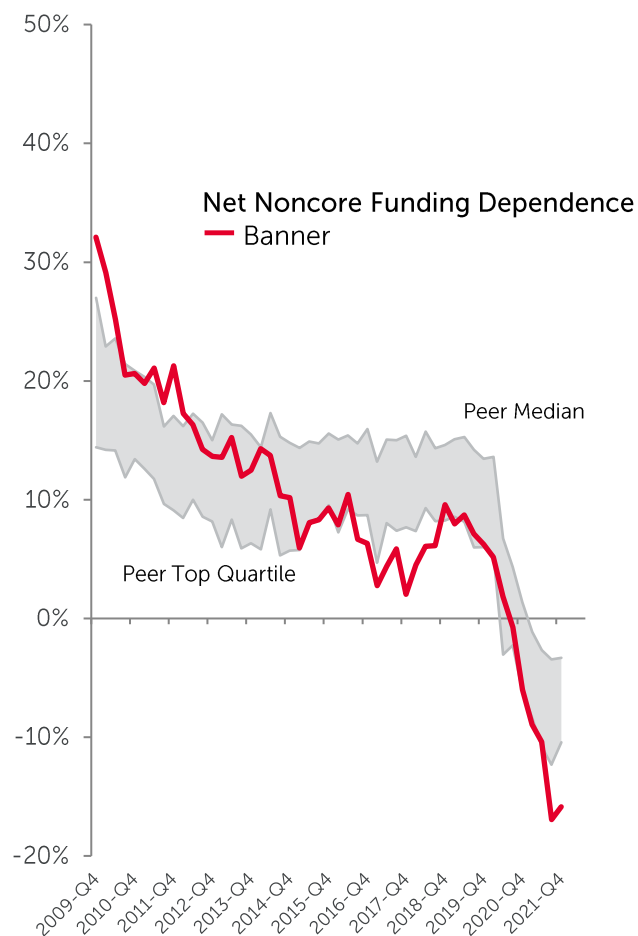


Reduce deposit costs

Quarter Ending	Quarter		LTM	
	Amount	Rate	Amount	Rate
03/31/22	\$ 2.1M	0.06%	\$ 10.2M	0.07%
12/31/09	\$ 17.7M	1.83%	\$ 83.2M	2.21%



Protecting net interest margin



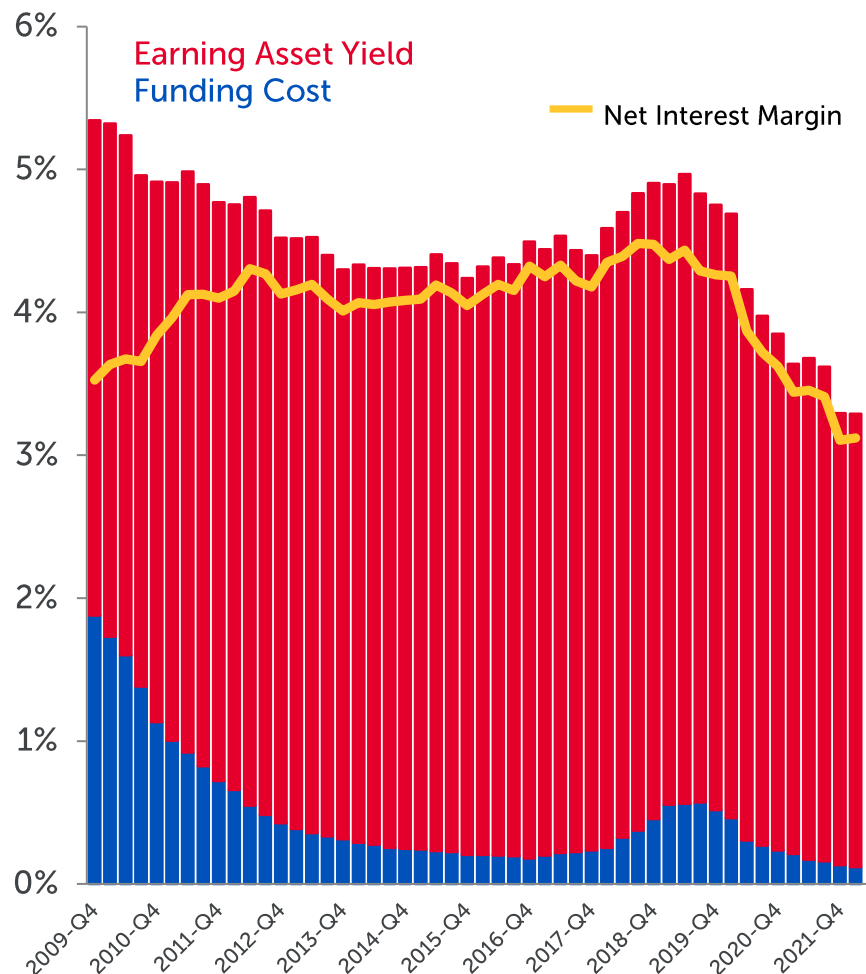
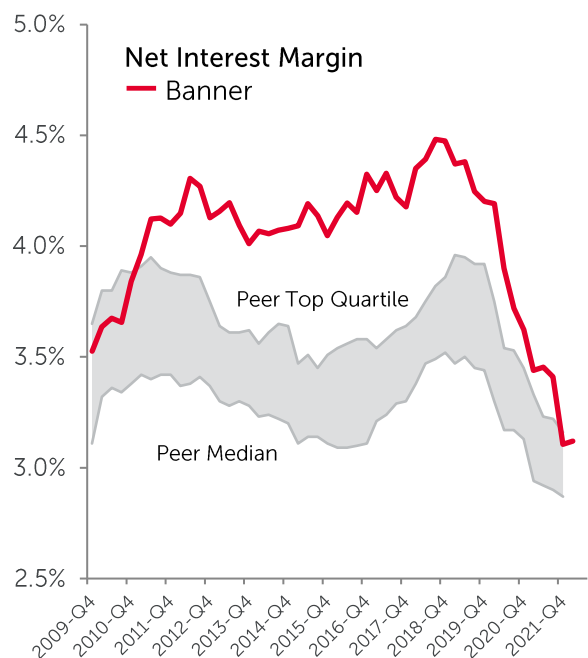
Peer source: Group 1 (\$10B and over), Bank Holding Company Performance Report (BHCPR), National Information Center, Federal Reserve System, Division of Banking Supervision and Regulation

Protecting net interest margin



Maintain top quartile net interest margin

Quarter Ending	Quarter		LTM	
	Amount	Rate	Amount	Rate
03/31/22	\$ 119 M	3.12%	\$498 M	3.27%
12/31/09	\$ 39 M	3.53%	\$146 M	3.36%



Peer source: Group 1 (\$10B and over), Bank Holding Company Performance Report (BHCPR), National Information Center, Federal Reserve System, Division of Banking Supervision and Regulation

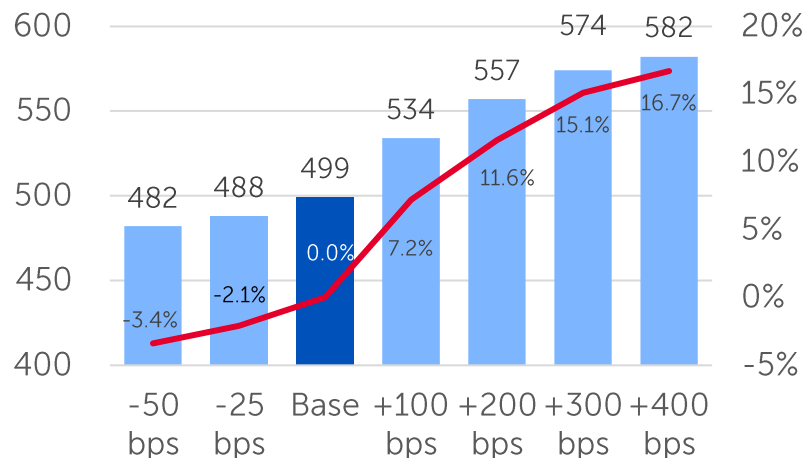
Three Months Ended March 31, 2022			
	As Reported	Excluding PPP	Difference
Loan Yield	4.50%	4.42%	0.08%

\$2.0 million in remaining unamortized fees on PPP loans

Well positioned for rising rates and conservative investment portfolio

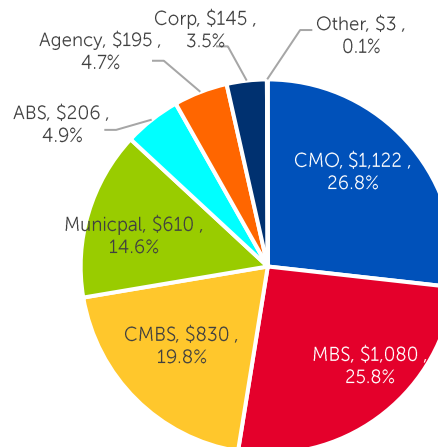


12 Month Net Interest Income Shock (\$MM), % Change



Assumes flat forward balance sheet, parallel rate shift; Base as of 3/31/22

Investment Portfolio Composition (\$4.19 billion)

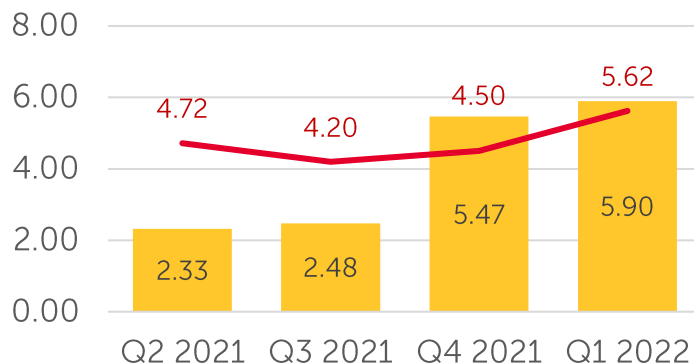


82% of investments are Agency MBS/CMO or AAA rated

3.3% non-rated investments, principally CRA investments

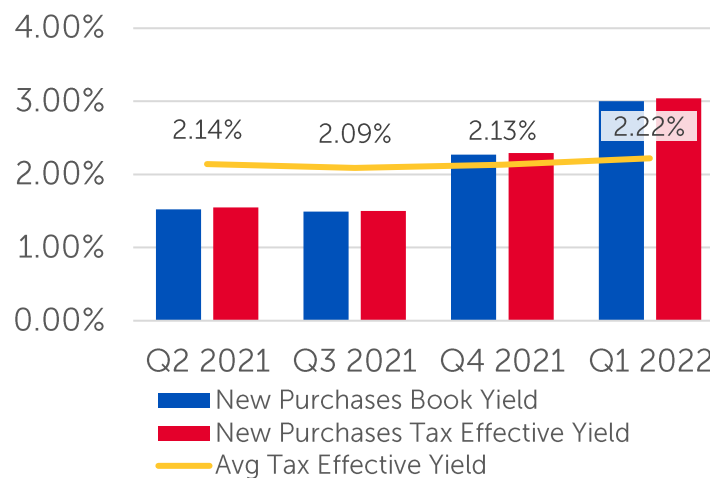
Portfolio is a diversified mix of asset types and blend of fixed and floating rate instruments. It remains moderately asset sensitive.

Quarterly New Purchases: Duration



Duration on New Purchases
Avg Effective Duration

Quarterly New Purchases: Yields



Building value at Banner



Core banking competency

Growing revenue

Protecting net interest margin

Spending carefully

Maintaining a moderate risk profile

Employing capital wisely

Spending carefully

Benefit from scale

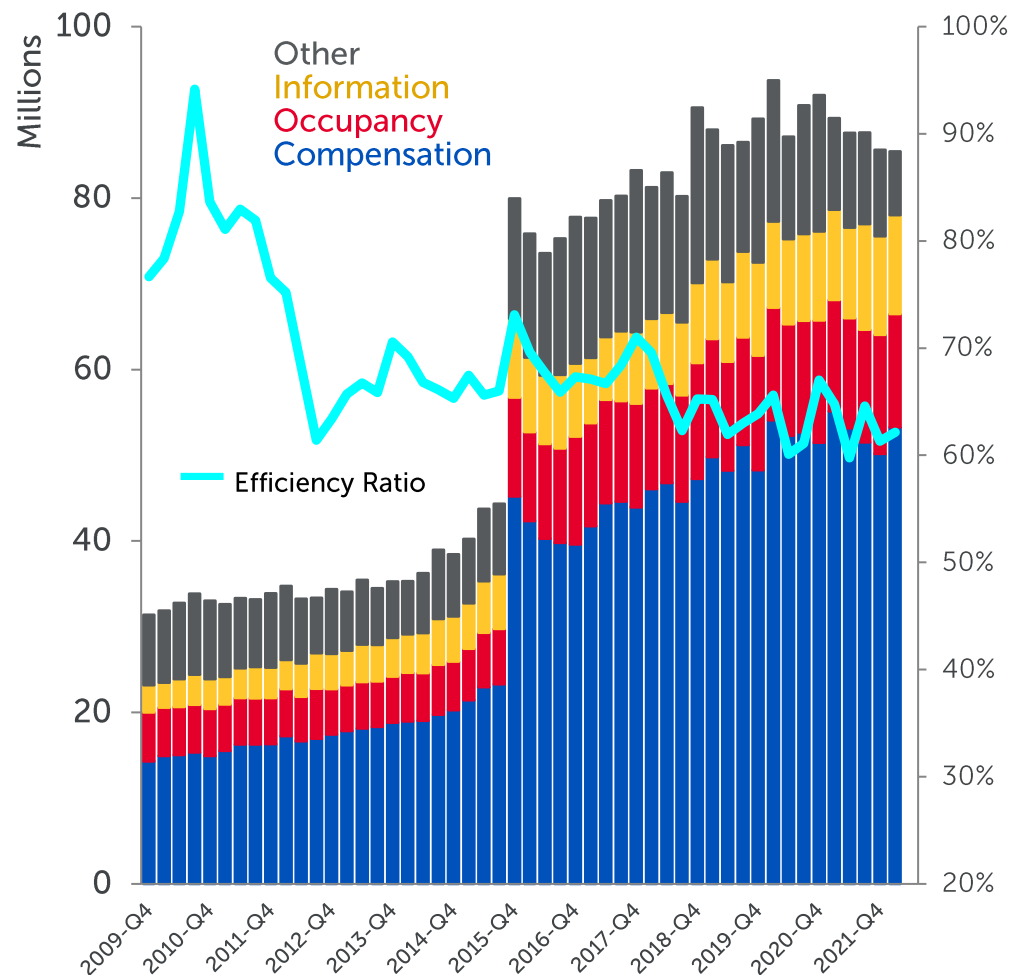
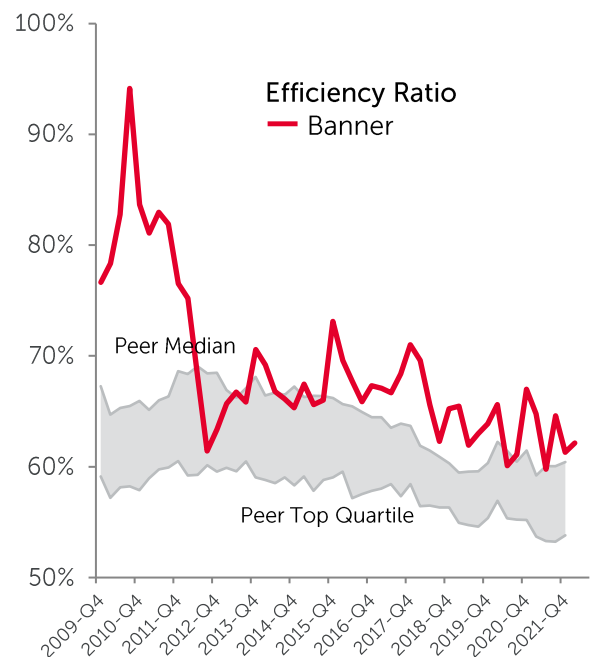
Control core operating expense

Spending carefully



Control core operating expense

Quarter Ending	Quarter Amount	LTM Amount
3/31/22	\$ 85 M	\$346 M
12/31/09	\$ 31 M	\$132 M



Peer source: Group 1 (\$10B and over), Bank Holding Company Performance Report (BHCPR), National Information Center, Federal Reserve System, Division of Banking Supervision and Regulation

Building value at Banner



Core banking competency

Growing revenue

Protecting net interest margin

Spending carefully

Maintaining a moderate risk profile

Employing capital wisely

Maintaining a moderate risk profile

Embrace effective enterprise risk management

Minimize nonperforming assets

Maintain appropriate loan loss reserve

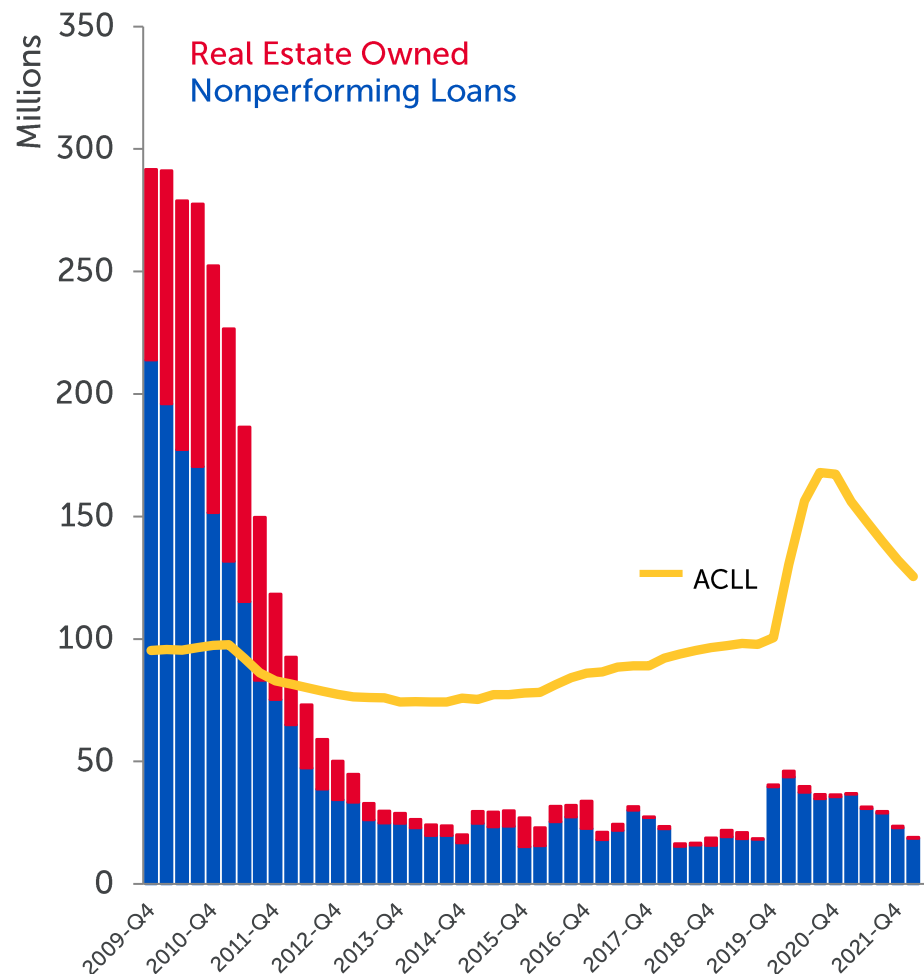
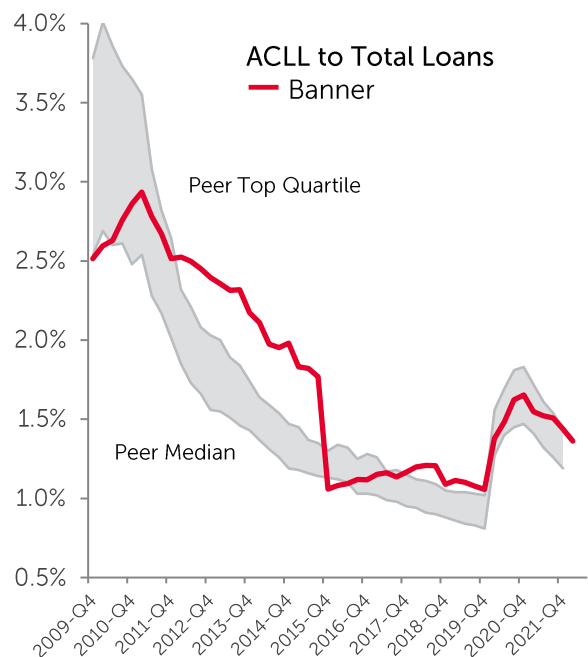
Maintain appropriate risk capital

Maintaining a moderate risk profile



Minimize nonperforming assets

Quarter Ending	NPLs		REO	
	Amount	% of TA	Amount	% of TA
03/31/22	\$ 19 M	0.20%	\$ 0 M	0.00%
12/31/09	\$ 214 M	5.53%	\$ 78 M	2.01%



Peer source: Group 1 (\$10B and over), Bank Holding Company Performance Report (BHCPR), National Information Center, Federal Reserve System, Division of Banking Supervision and Regulation

Allowance for credit losses



Day 1 CECL adjustments

Change assessment:

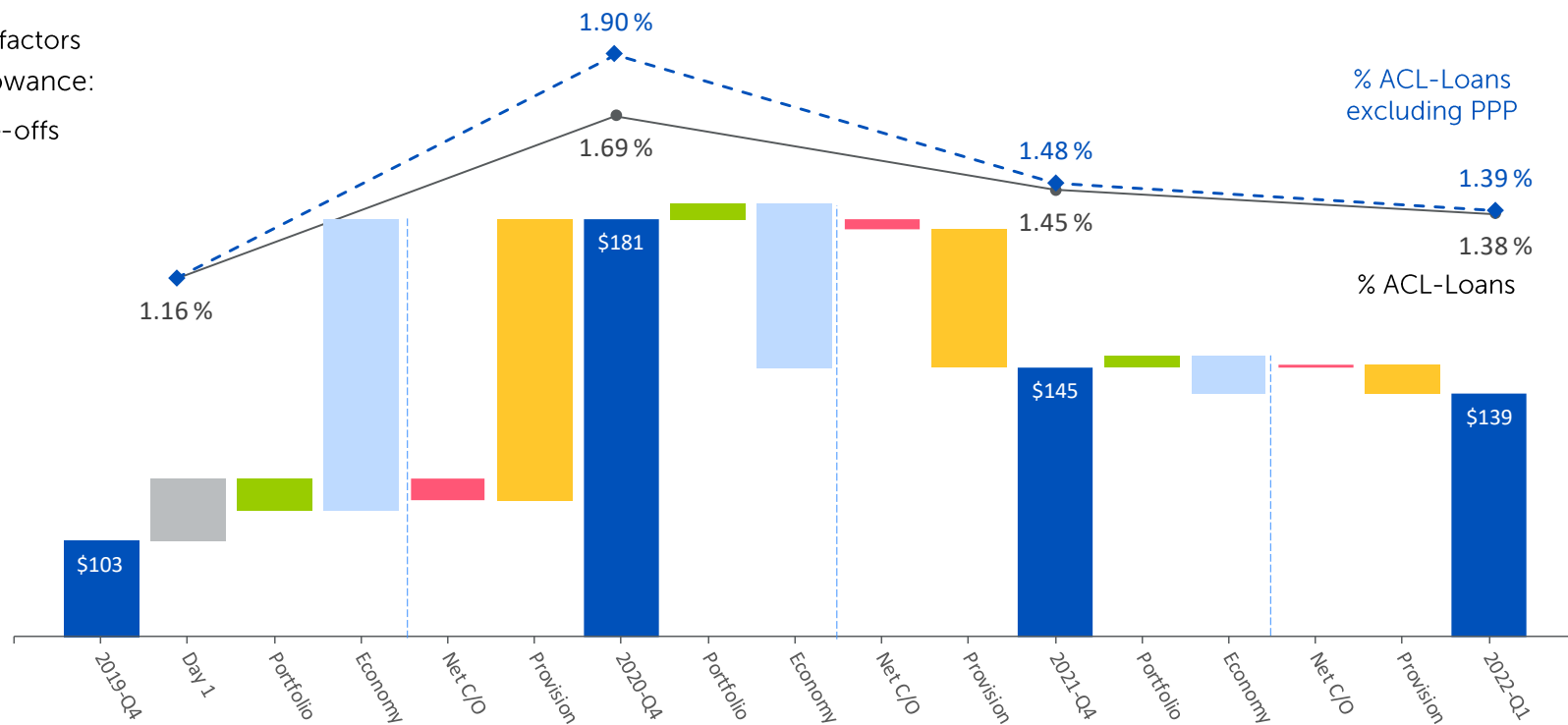
Portfolio

Economic factors

Changes to allowance:

Net charge-offs

Provision



ACL - Loans	100.6	7.8	(8.0)	66.9	(5.4)	64.3	167.3	1.9	(37.1)	(2.1)	(33.1)	132.1	1.5	(8.1)	0.7	(7.4)	125.5
ACL - Unfunded Commitments	2.7	7.0	0.2	3.3	0.0	3.6	13.3	1.8	(2.6)	0.0	(0.9)	12.4	0.9	(0.5)	0.0	0.4	12.9
ACL - HTM Securities	0.0	0.1	0.1	(0.0)	0.0	0.0	0.1	0.0	0.3	(0.3)	0.6	0.4	0.4	(0.4)	0.0	(0.0)	0.4
Total ACL	103.3	14.9	(7.7)	70.2	(5.4)	67.9	180.7	3.7	(39.4)	(2.3)	(33.4)	145.0	2.8	(9.0)	0.7	(7.0)	138.8

-----2020-----

-----2021-----

-----2022-----

Reconciliation of non-GAAP measures



\$ Thousands

	Quarters Ended		
	Mar 31, 2022	Dec 31, 2021	Mar 31, 2021
Income before provision for income taxes (GAAP)	\$ 53,847	\$ 59,442	\$ 57,657
(Recapture)/Provision for credit losses	(6,961)	(5,243)	(9,251)
Pretax pre provision earnings (non-GAAP)	46,886	54,199	48,406
Exclude net gain on sale of securities	(435)	136	(485)
Exclude net change in valuation for financial instruments carried at fair value	(49)	(2,721)	(59)
Exclude acquisition-related expenses	-	-	571
Exclude COVID-19 expenses	-	127	148
Exclude Banner Forward expenses	2,465	1,157	950
Exclude loss on extinguishment of debt	793	2,284	-
Adjusted pretax pre provision earnings (non-GAAP)	<u>\$ 49,660</u>	<u>\$ 55,182</u>	<u>\$ 49,531</u>

Reconciliation of non-GAAP measures



\$ Thousands

	Quarters Ended					
	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020
REVENUE FROM CORE OPERATIONS						
Net interest income before provision for loan losses	\$ 118,654	\$ 121,530	\$ 130,146	\$ 127,554	\$ 117,661	\$ 121,437
Total non-interest income	19,427	24,474	25,334	22,336	24,272	23,509
Total GAAP revenue	138,081	146,004	155,480	149,890	141,933	144,946
Exclude net (gain) loss on sale of securities	(435)	136	(56)	(77)	(485)	(197)
Exclude change in valuation of financial instruments carried at fair value	(49)	(2,721)	(1,778)	(58)	(59)	(1,704)
Adjusted revenue (non-GAAP)	137,597	143,419	153,646	149,755	141,389	143,045
Exclude income from mortgage banking operations	(4,440)	(5,643)	(9,613)	(7,478)	(11,347)	(10,586)
Exclude interest income from PPP loans	(2,784)	(5,845)	(15,421)	(17,796)	(10,792)	(10,002)
Adjusted revenue from core operations (non-GAAP)	\$ 130,373	\$ 131,931	\$ 128,612	\$ 124,481	\$ 119,250	\$ 122,457
CORE EXPENSES						
Non-interest expense (GAAP)	\$ 91,195	\$ 91,805	\$ 102,145	\$ 92,624	\$ 93,527	\$ 95,556
Exclude acquisition related costs	-	-	(10)	(79)	(571)	(579)
Exclude COVID-19 expenses	-	(127)	(44)	(117)	(148)	(333)
Exclude Banner forward expenses	(2,465)	(1,157)	(7,592)	(1,905)	(950)	-
Exclude CDI amortization	(1,424)	(1,574)	(1,575)	(1,711)	(1,711)	(1,865)
Exclude state/municipal tax expense	(1,162)	(976)	(1,219)	(1,083)	(1,065)	(1,071)
Exclude REO gain (loss)	79	(49)	(53)	(118)	242	283
Exclude loss on extinguishment of debt	(793)	(2,284)	-	-	-	-
Adjusted non-interest expense (non-GAAP)	85,430	85,638	91,652	87,611	89,324	91,991
Exclude legal contingency expense	-	-	(4,000)	-	-	(2,500)
Core non-interest expense (non-GAAP)	\$ 85,430	\$ 85,638	\$ 87,652	\$ 87,611	\$ 89,324	\$ 89,491

Building value at Banner



Core banking competency

Growing revenue

Protecting net interest margin

Spending carefully

Maintaining a moderate risk profile

Employing capital wisely

Employing capital wisely

Maintain premium to tangible book value

Pay appropriate dividends

Prepare for future opportunities

Building value at Banner



Building value for ...

Shareholders by delivering top quartile financial performance

Clients by delivering super community bank service and products

Employees by offering opportunity and reward

Communities by providing capital and staying involved
