



Fourth Quarter 2021



Photo by
Siti Alimah



Photo by
Yvonne McDonald



Photo by
Maria DeVecchio

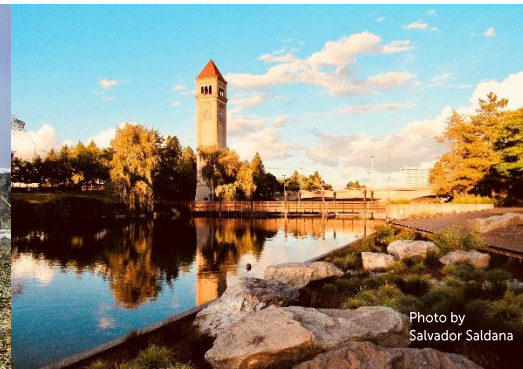


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Salvador Saldana

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 January 20, 2022, as well as the Form 10-K for the year ended December 31, 2020, and Forms 10-Q filed quarterly thereafter. Certain of these risks may be particularly acute as a result of the rapid implementation of organizational changes and strategic projects related to Banner Forward. Forward-looking statements are effective only as of the date they are made, and Banner assumes no obligation to update information concerning its expectations.

Fourth quarter 2021 highlights

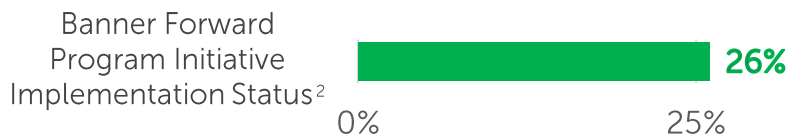
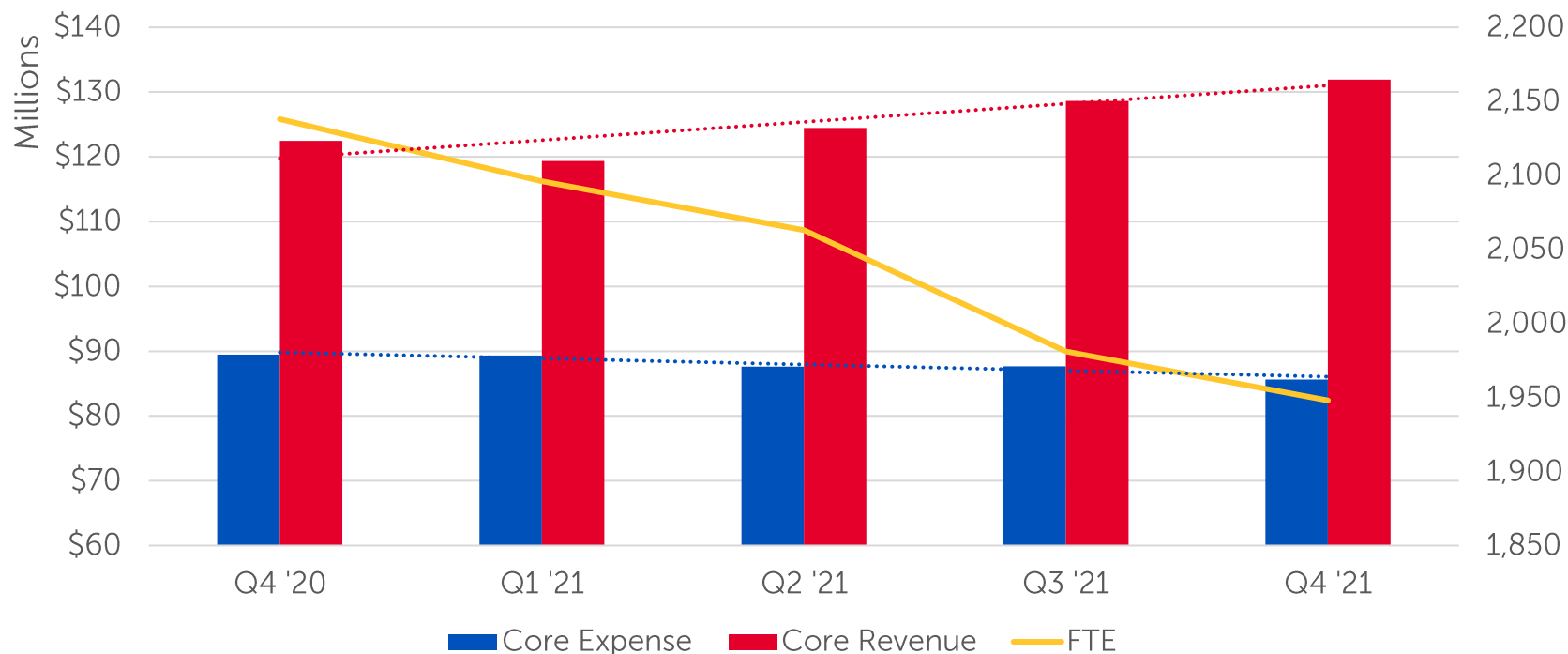


- Loan growth of 0.5% (1.9% annualized), not including PPP
 - Total loan originations (excluding HFS and PPP loans) were \$1.1 billion
 - Core deposits grew 1.3% (5.2% annualized), and represent 94% of total deposits
 - \$5.2 million recapture of the provision for credit losses; Allowance for credit losses – loans was 1.45% of total loans, and 1.48% excluding PPP loans
 - Non-performing assets decreased to 0.14% of total assets
 - PPP loans now account for 1% of total loans
 - Banner Forward project is on track
 - Announced 7% increase in dividend to \$0.44 per share to be paid in February 2022
 - Tangible book value per share at \$38.02 increased 5% year-over-year
-

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 25 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

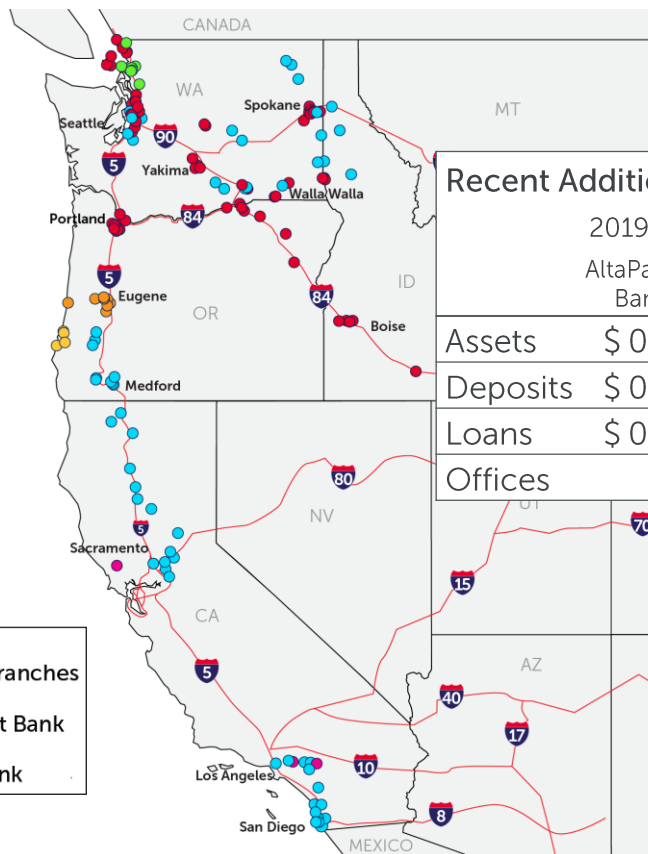
Assets \$16.8B

Deposits \$14.3B

Loans \$ 9.2B

Offices 150

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

Community, Diversity & Sustainability



Community

Banner Bank received an Outstanding Rating on its most recent Community Reinvestment Act Performance Evaluation by the FDIC in which the following were highlighted:

- Geographic distribution of loans reflects good penetration throughout assessment areas;
- Distribution of borrowers reflects good penetration among retail customers of different income levels and businesses of different sizes;
- Exhibits a good record of serving the credit needs within the most economically disadvantaged areas and low-income individuals;
- A leader in making community development loans;
- Makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs;
- Often in a leadership position, has an excellent level of community development investments and grants, particularly providing those not routinely provided by private investors;
- Offers a delivery system accessible to essentially all portions of the assessment areas and provides a relatively high level of community development services

Diversity

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 in support of minority owned small businesses as well as business 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

Sustainability

No credit exposure to oil & gas production

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

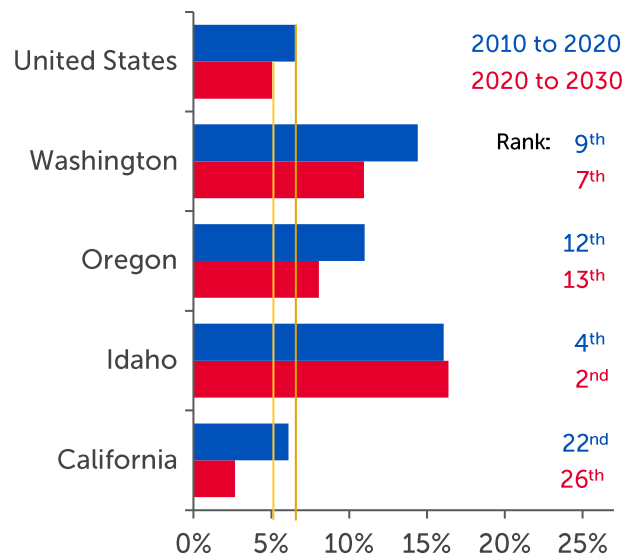


Population Estimate (millions)
2020 2030 Growth

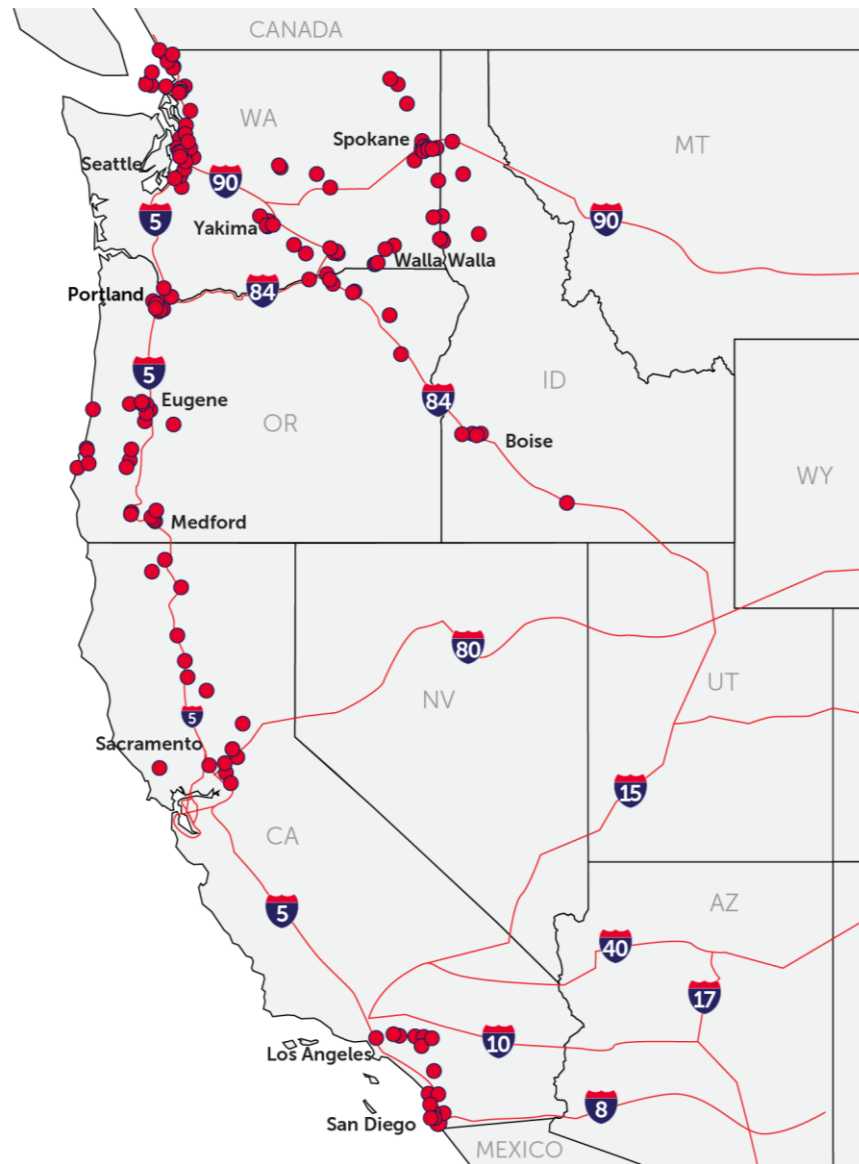
	2020	2030	Growth
Washington	7.7	8.6	11%
Oregon	4.3	4.6	8%
Idaho	1.8	2.1	16%
California	39.6	40.7	3%
Region	53.4	55.9	5%
United States	329.5	346.1	5%

- Banner's 3 northern states are 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



Manufacturing



Consumer



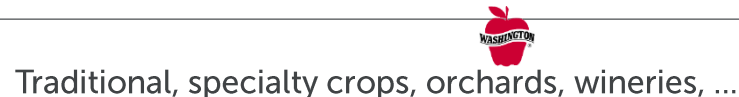
Logistics



Natural Resources



Agriculture



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 Regional Bank in the Pacific Region of the U.S.
Money 2018 & 2019*

Residential Diversity and Inclusion Leadership Award
Mortgage Bankers Association 2020



2020 A+ Health Grade
DepositAccounts.com/LendingTree

Recognized by Forbes (5th consecutive year)
2017-2021 "America's 100 Best Banks" and 2020-2021 "World's Best Banks"



Consistent recipient of highest rating
BauerFinancial 5-Star Rating™



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*

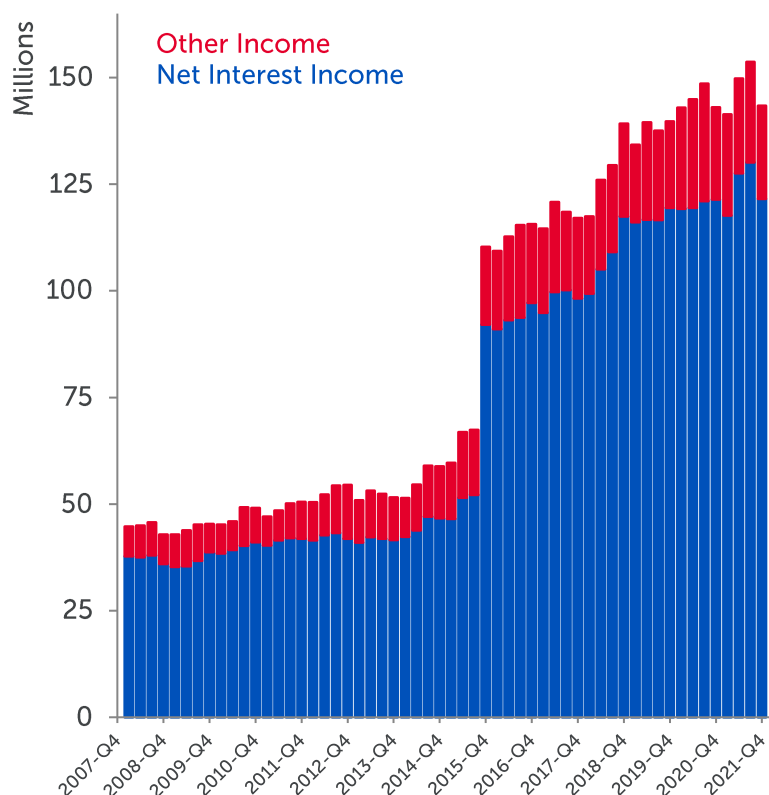
* Due to the pandemic, recognition suspended in 2020.

Growing revenue



Grow revenue¹

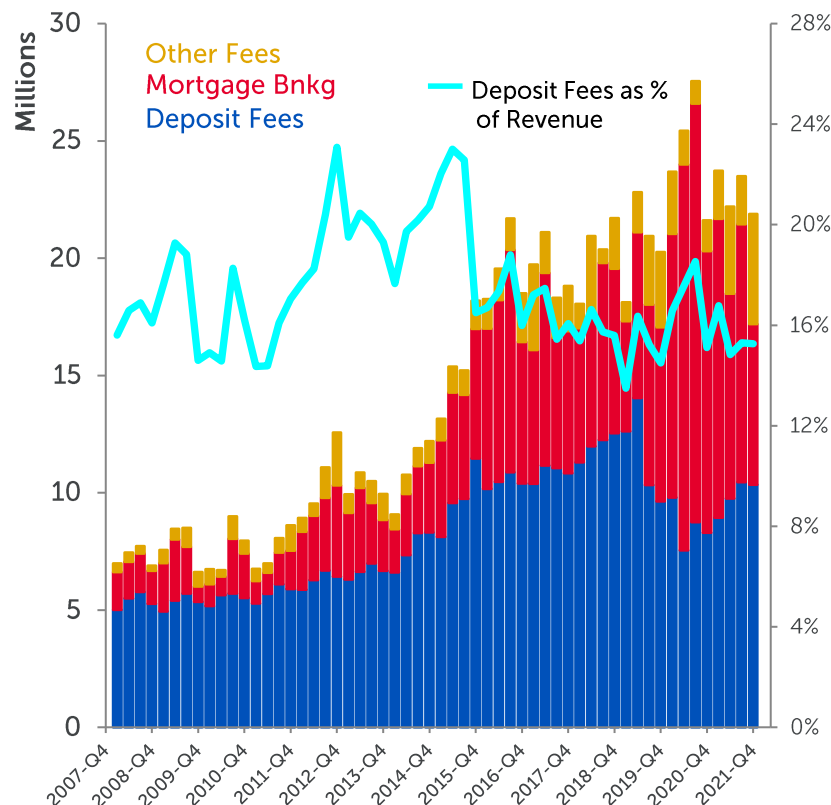
Quarter Ending	Quarter Amount	LTM Amount
12/31/21	\$ 143M	\$ 588M
12/31/09	\$ 45M	\$ 177M



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

Grow noninterest income²

Quarter Ending	Quarter Amount	LTM Amount
12/31/21	\$ 21.9M	\$ 91.3M
12/31/09	\$ 6.6M	\$ 31.1M



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

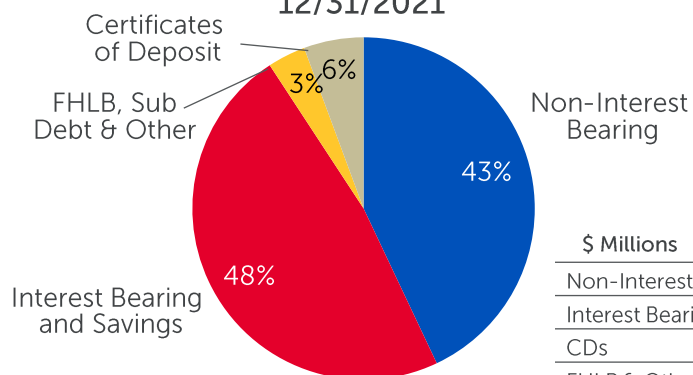
Maintain loan-to-deposit ratio

Protecting net interest margin



Low Cost Funding Mix

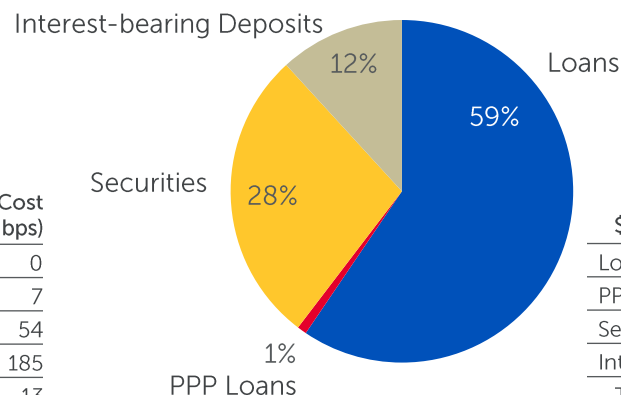
12/31/2021



\$ Millions	Avg Bal	Cost (in bps)
Non-Interest	6,523	0
Interest Bearing	7,017	7
CDs	841	54
FHLB & Other	563	185
Total	14,944	13

Earning Asset Mix

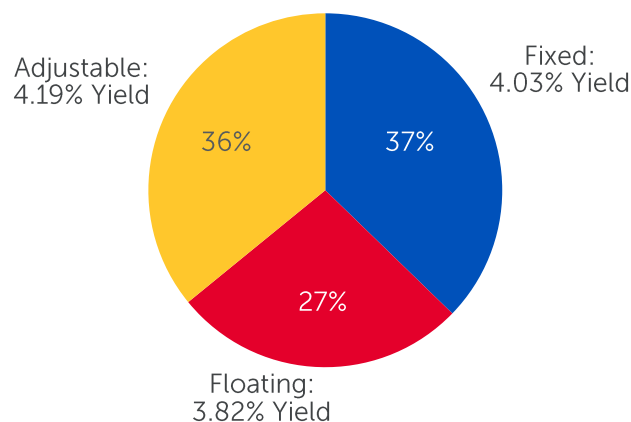
12/31/2021



\$ Millions	Avg Bal	Yield (in bps)
Loans	9,015	442
PPP Loans	210	1105
Securities	4,401	198
Int-bearing Deposits	1,901	15
Total	15,528	329

Loan Repricing Structure

12/31/2021



63% of the loan portfolio is floating/adjustable

62% of the floating/adjustable loans have floors

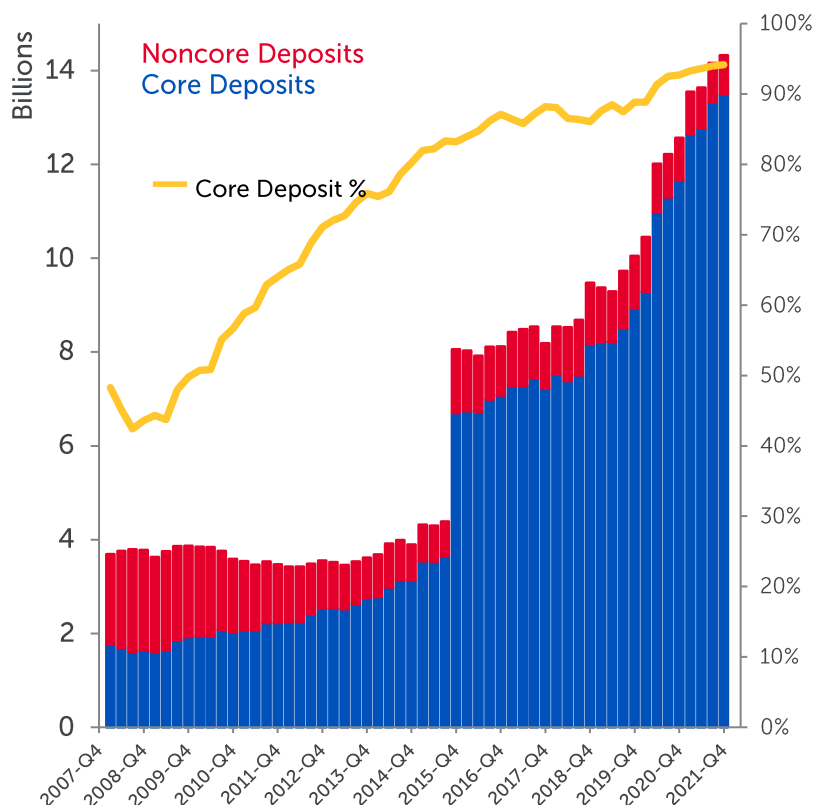
74% of the loans that have floors are at the floor

Protecting net interest margin



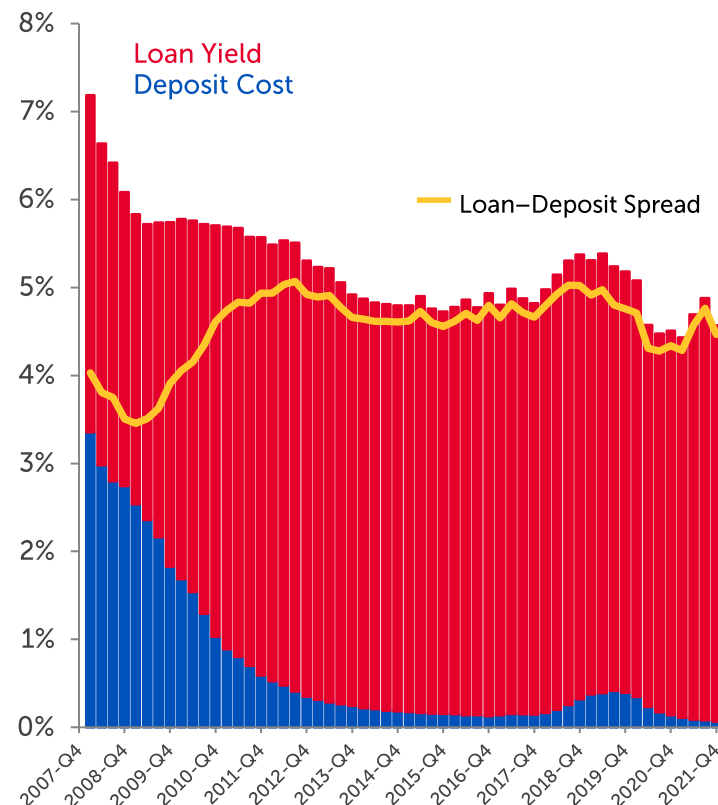
Grow core deposits

Quarter Ending	Balance	% of Total
12/31/21	\$13,488M	94%
12/31/09	\$ 1,924M	50%

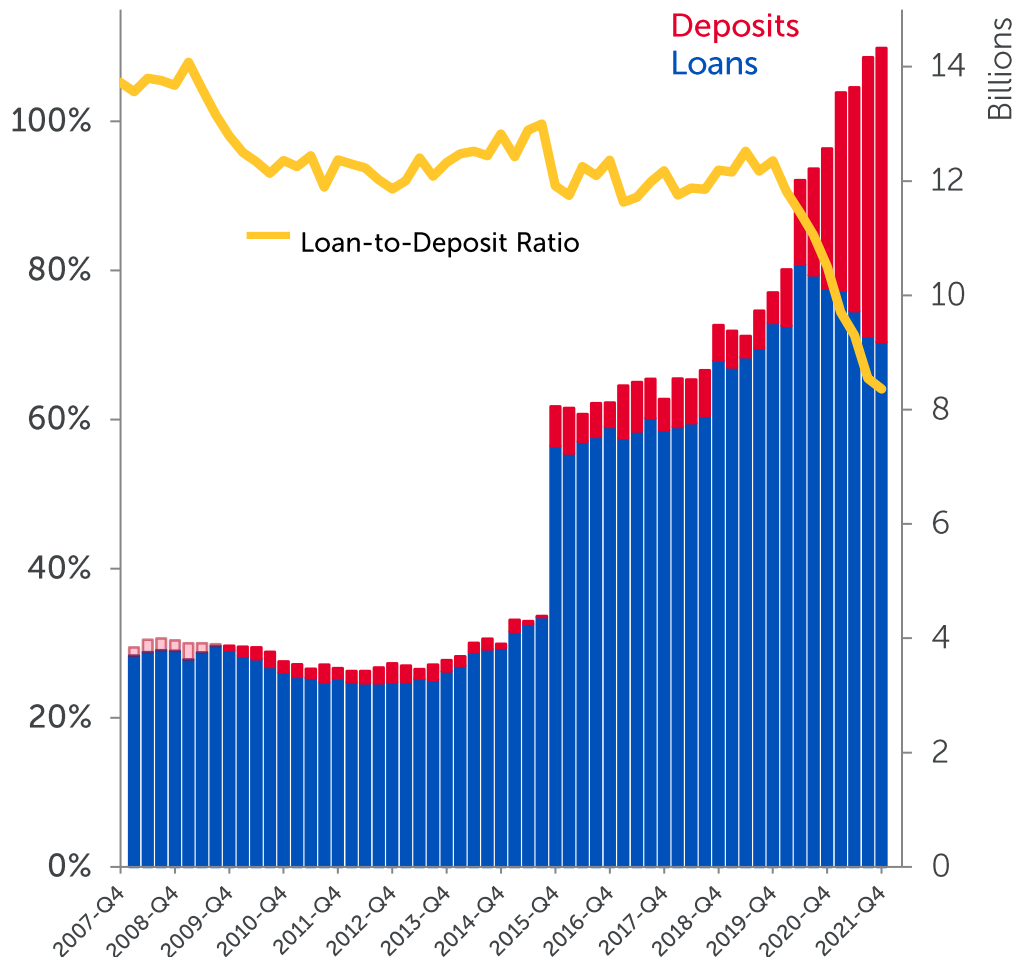
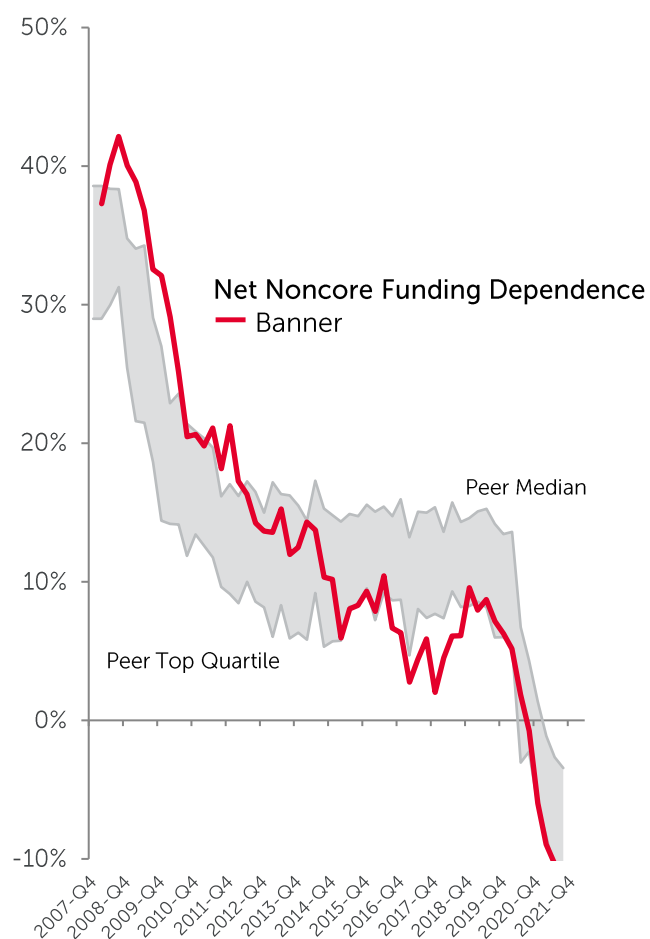


Reduce deposit costs

Quarter Ending	Quarter		LTM	
	Amount	Rate	Amount	Rate
12/31/21	\$ 2.4M	0.07%	\$ 11.8M	0.09%
12/31/09	\$ 17.7M	1.83%	\$ 83.2M	2.21%



Protecting net interest margin



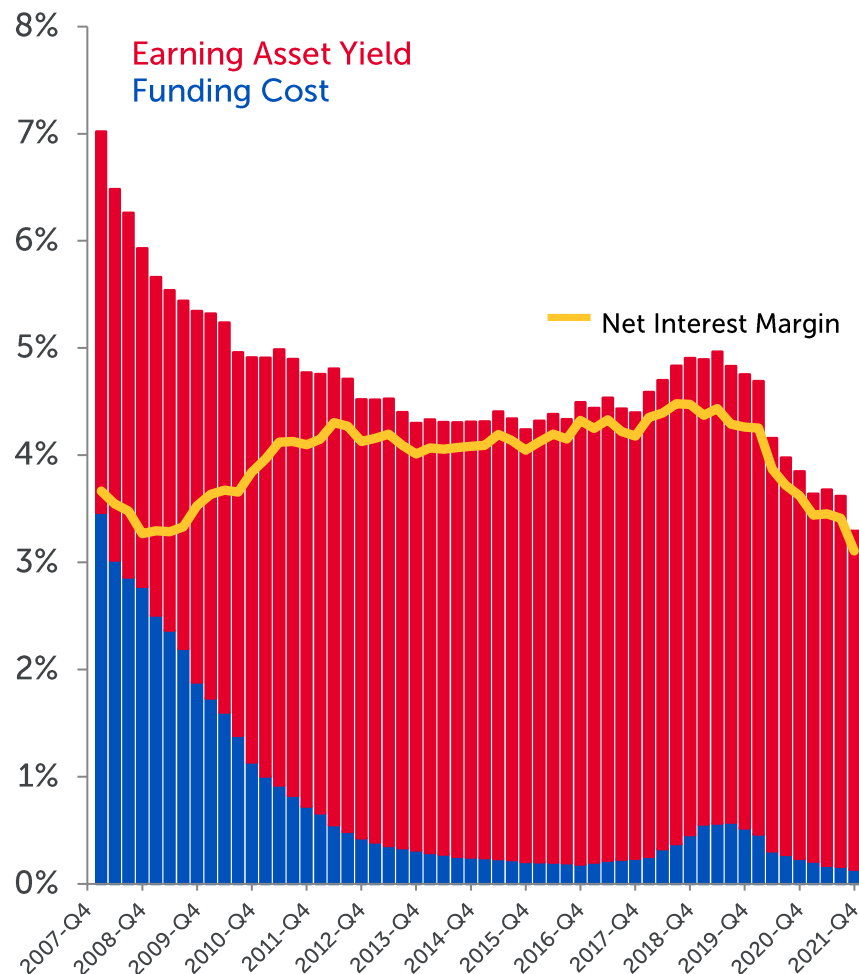
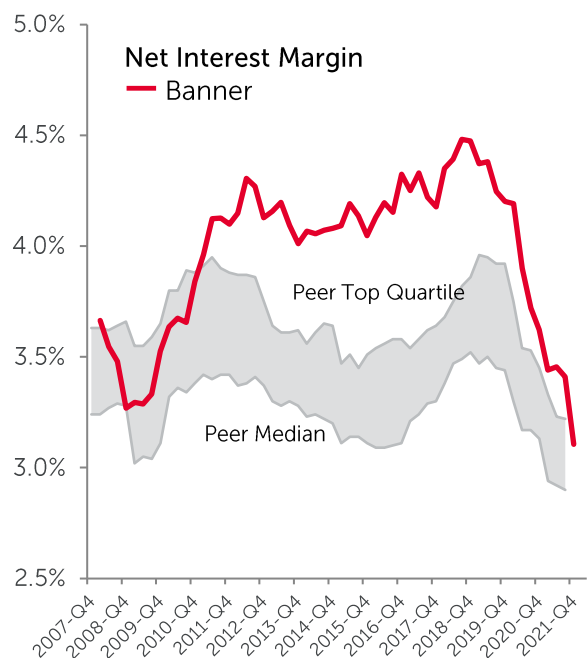
Peer source: Group 1 (\$10B and over), Bank Holding Company Performance Report (BHCPR), National Information Center, Federal Reserve System, Division of Banking Supervision and Regulation

Protecting net interest margin



Maintain top quartile net interest margin

Quarter Ending	Quarter		LTM	
	Amount	Rate	Amount	Rate
12/31/21	\$ 122 M	3.11%	\$ 497 M	3.33%
12/31/09	\$ 39 M	3.53%	\$ 146 M	3.36%



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

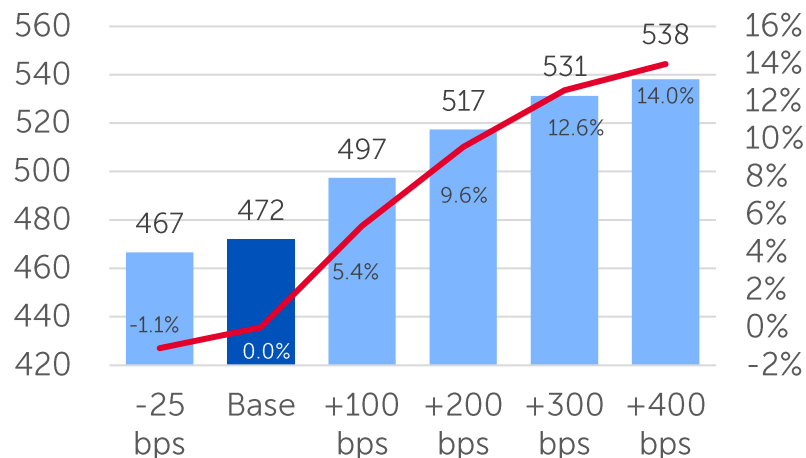
Three Months Ended December 31, 2021			
	As Reported	Excluding PPP	Difference
Loan Yield	4.57%	4.42%	0.15%

\$4.5 million in remaining unamortized fees on PPP loans

Well positioned for rising rates and conservative investment portfolio

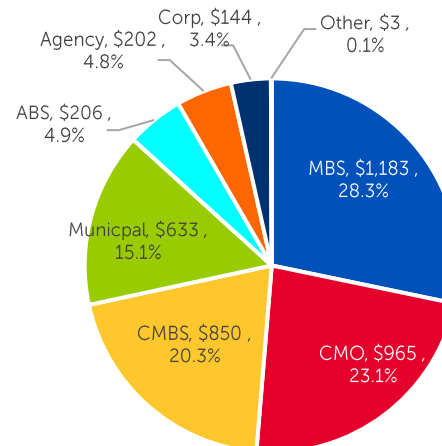


12 Month Net Interest Income Shock (\$MM), % Change



Assumes flat forward balance sheet, parallel rate shift; Base as of 12/31/21

Investment Portfolio Composition (\$4.19 billion)

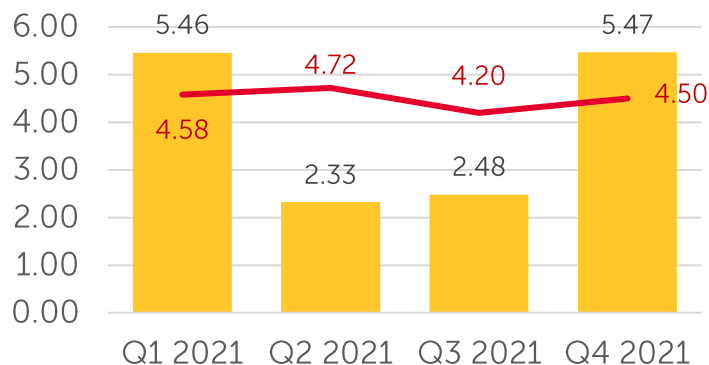


83% of investments are Agency MBS/CMO or AAA rated

3.5% non-rated investments, principally CRA investments

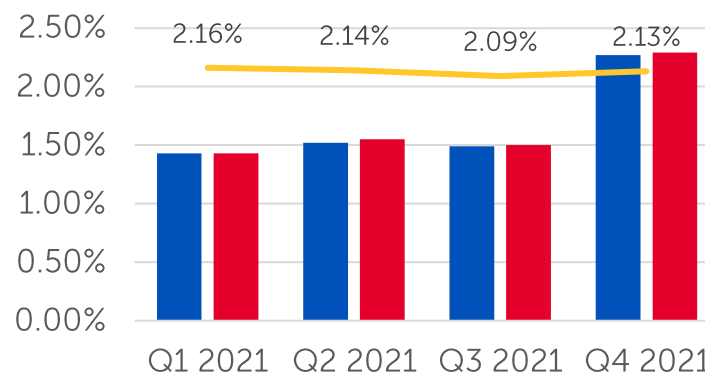
Weighted average duration of 4.6 provides yield anchor in low rate environment, while maintaining overall asset-sensitivity

Quarterly New Purchases: Duration



Duration on New Purchases
Avg Effective Duration

Quarterly New Purchases: Yields



New Purchases Book Yield
New Purchases Tax Effective Yield
Avg Tax Effective Yield

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

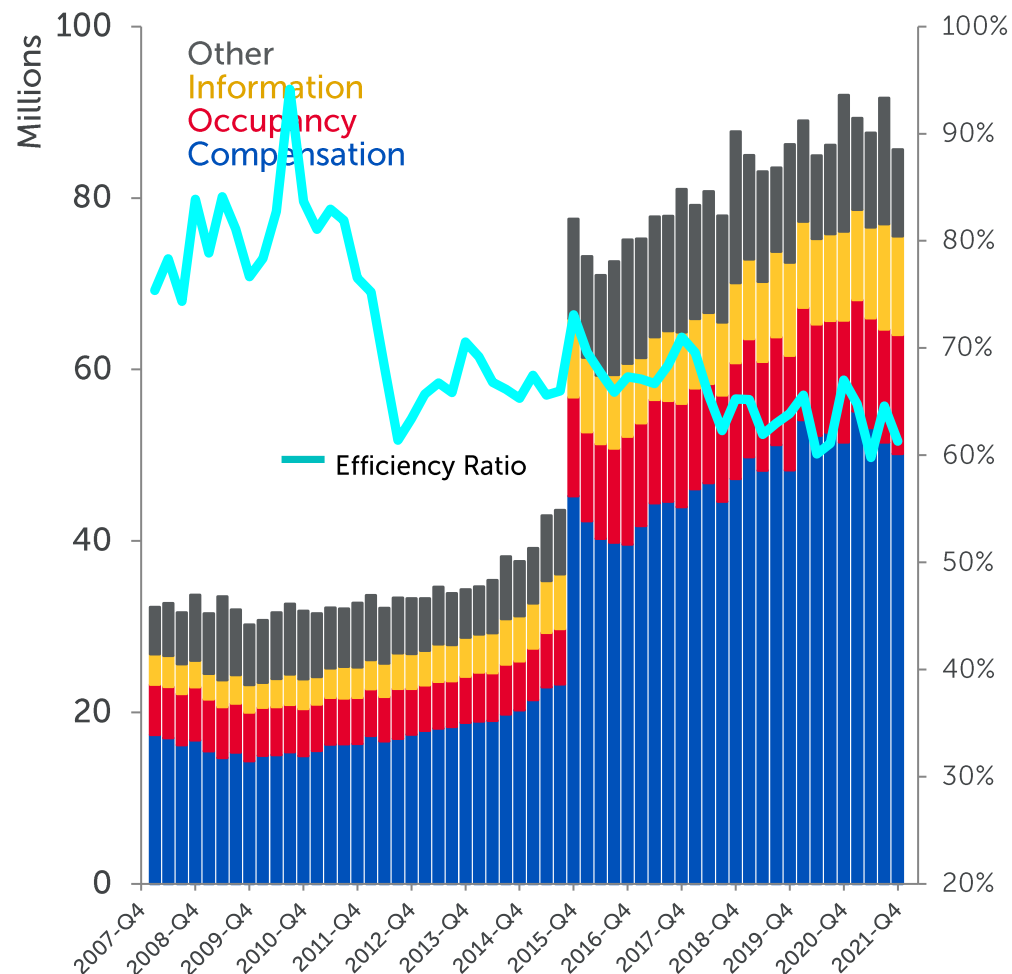
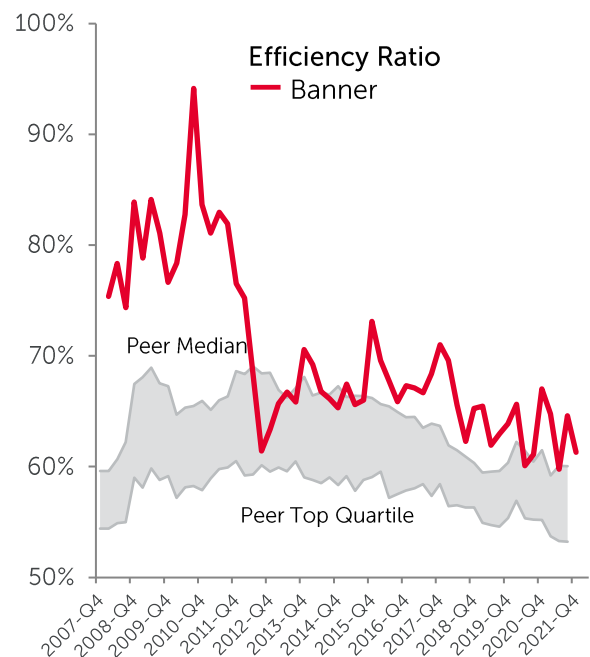
Control core operating expense

Spending carefully



Control core operating expense

Quarter Ending	Quarter Amount	LTM Amount
12/31/21	\$ 86M	\$354M
12/31/09	\$ 31M	\$132M



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

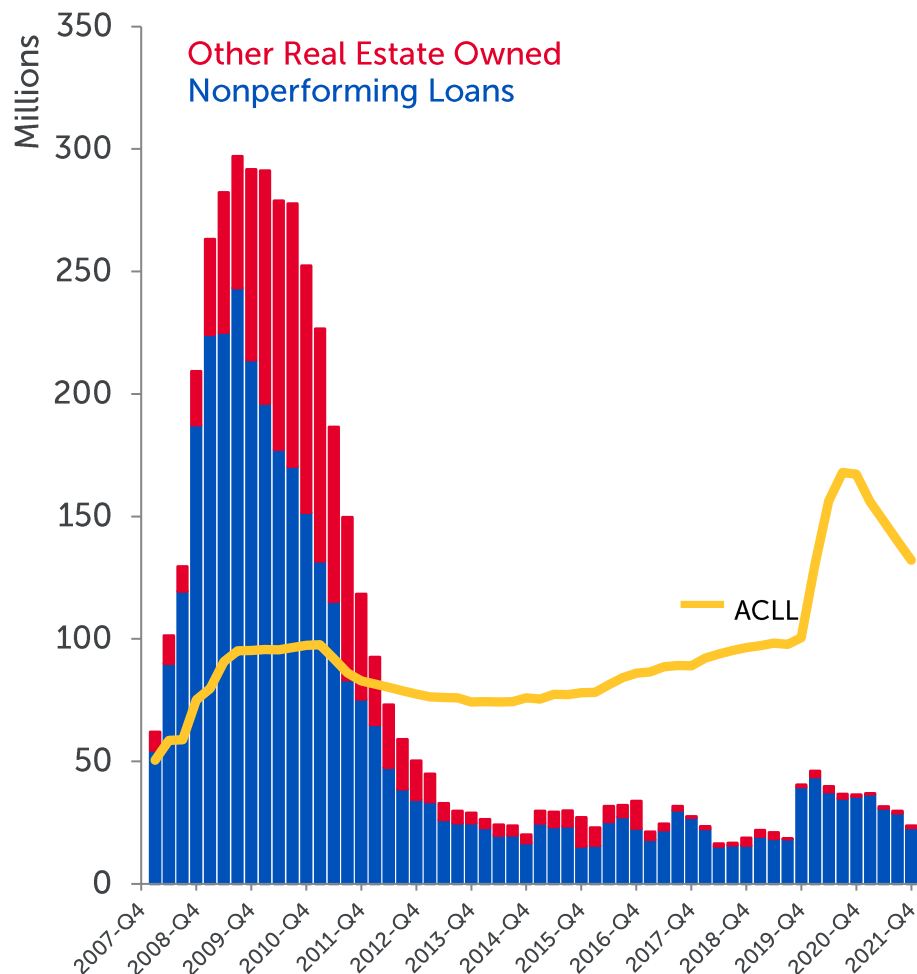
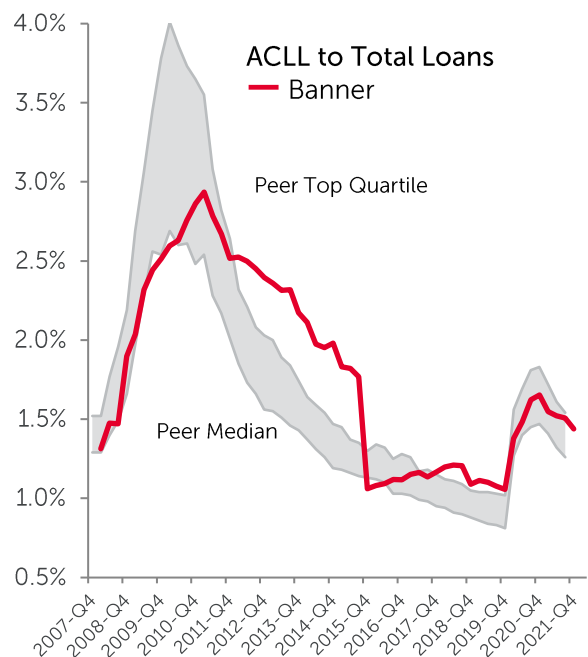
Maintain appropriate risk capital

Maintaining a moderate risk profile



Minimize nonperforming assets

Quarter Ending	NPLs		Other REO	
	Amount	% of TAs	Amount	% of TAs
12/31/21	\$ 23M	0.14%	\$ 1M	0.01%
12/31/09	\$ 214M	4.48%	\$ 78M	1.63%



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:

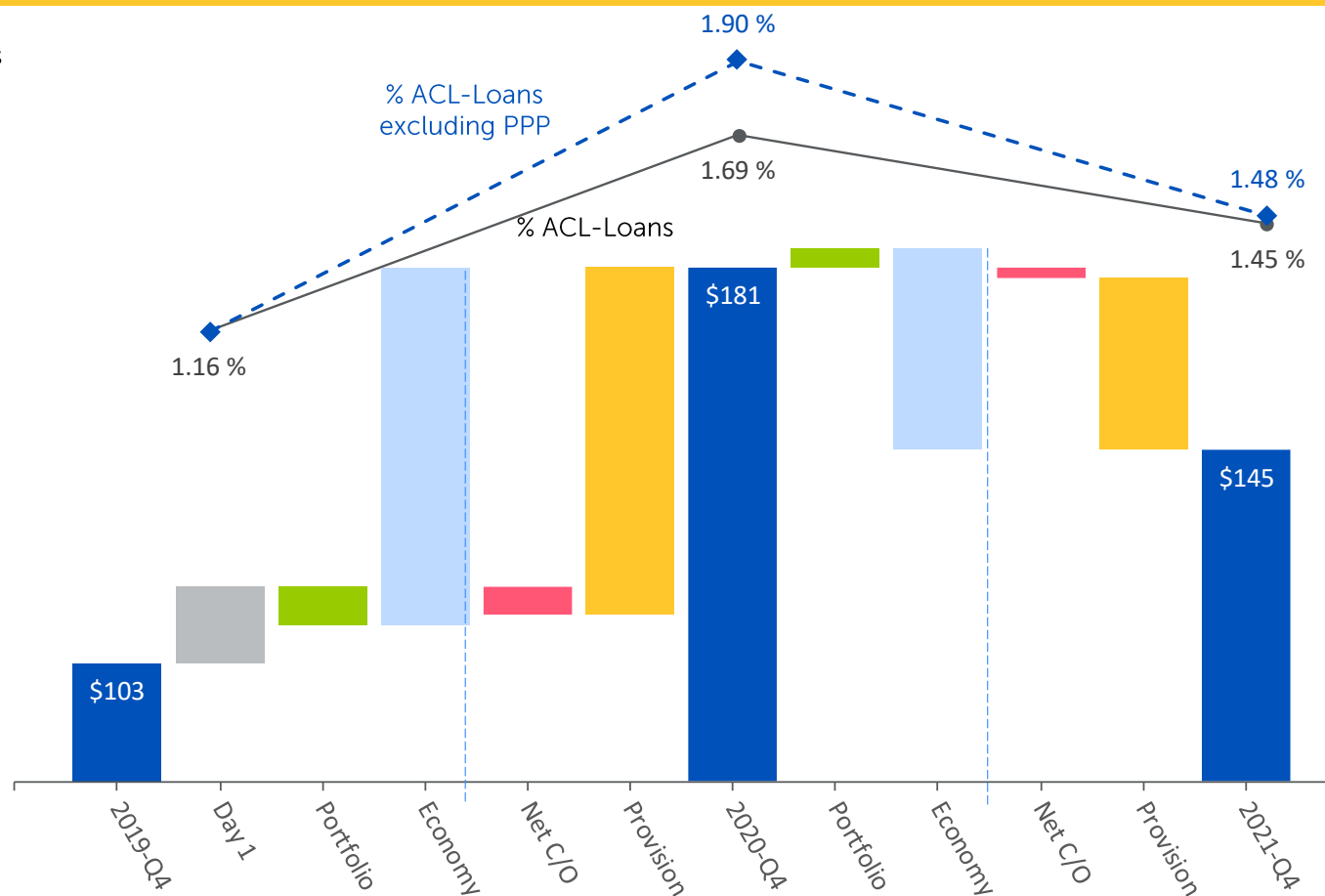
Portfolio

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
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
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
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

-----2020-----

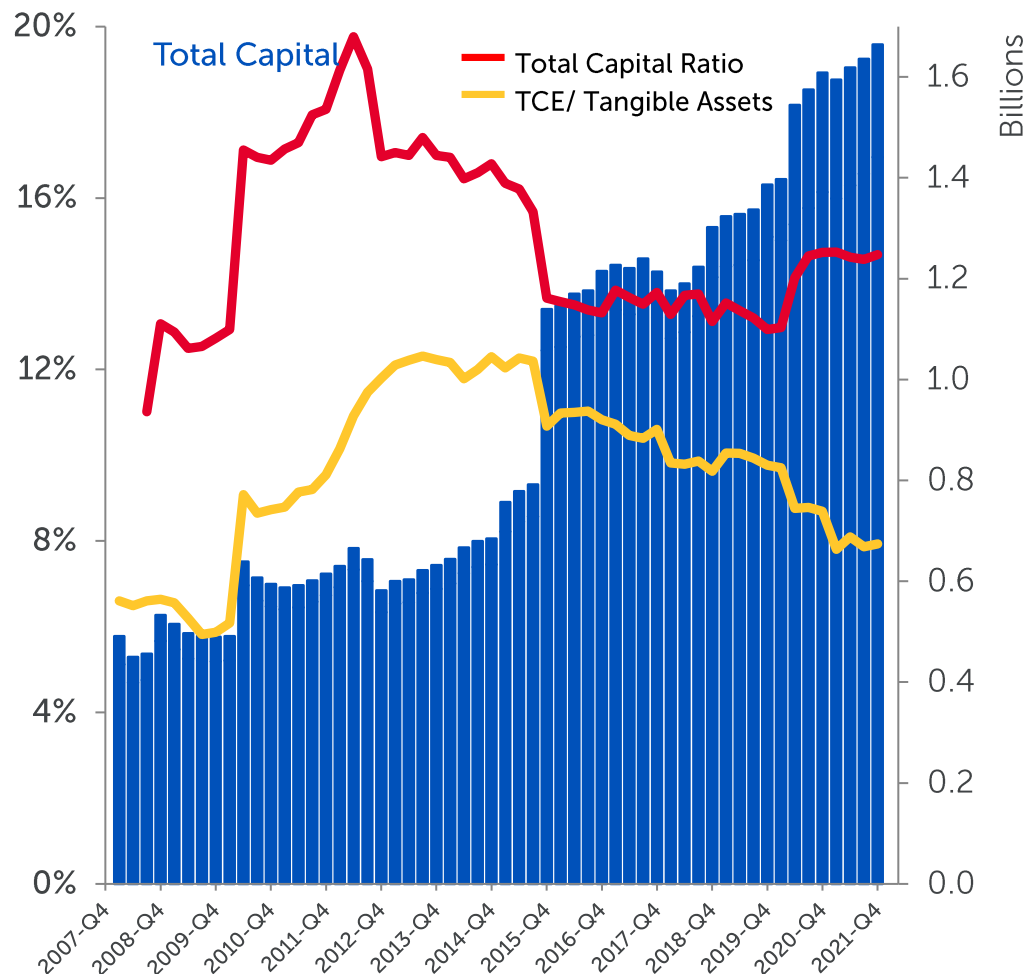
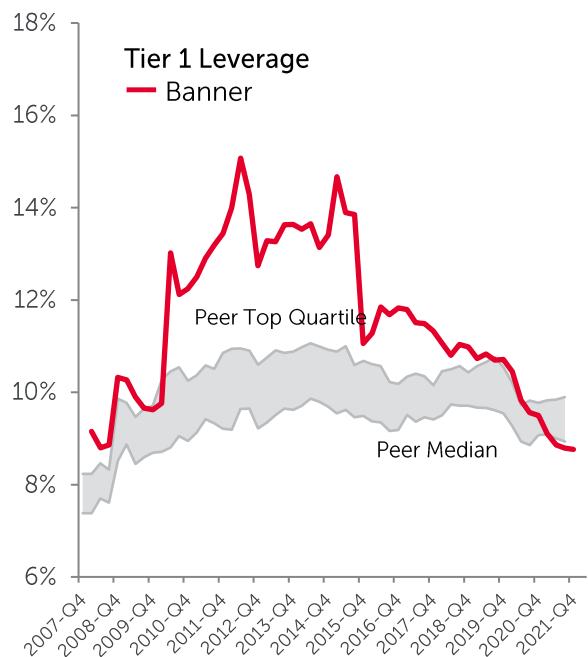
-----2021-----

Maintaining a moderate risk profile



Maintain appropriate risk capital

Quarter Ending	Total Capital Ratio	TCE/ TA
12/31/21	14.71%	7.93%
12/31/09	9.62%	5.87%



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

Reconciliation of non-GAAP measures



\$ Thousands

	Quarters Ended			Twelve months ended	
	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Income before provision for income taxes (GAAP)	\$ 59,442	\$ 61,973	\$ 48,788	\$ 246,594	\$ 142,453
(Recapture)/Provision for credit losses	(5,243)	(8,638)	602	(33,388)	67,875
Pretax pre provision earnings (non-GAAP)	54,199	53,335	49,390	213,206	210,328
Exclude net gain on sale of securities	136	(56)	(197)	(482)	(1,012)
Exclude net change in valuation for financial instruments carried at fair value	(2,721)	(1,778)	(1,704)	(4,616)	656
Exclude acquisition-related expenses	-	10	579	660	2,062
Exclude COVID-19 expenses	127	44	333	436	3,502
Exclude Banner Forward expenses	1,157	7,592	-	11,604	-
Exclude loss on extinguishment of debt	2,284	-	-	2,284	-
Adjusted pretax pre provision earnings (non-GAAP)	<u>\$ 55,182</u>	<u>\$ 59,147</u>	<u>\$ 48,401</u>	<u>\$ 223,092</u>	<u>\$ 215,536</u>

Reconciliation of non-GAAP measures



\$ Thousands

	Quarters Ended				
	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	\$ 121,530	\$ 130,146	\$ 127,554	\$ 117,661	\$ 121,437
Total non-interest income	24,474	25,334	22,336	24,272	23,509
Total GAAP revenue	146,004	155,480	149,890	141,933	144,946
Exclude net (gain) loss on sale of securities	136	(56)	(77)	(485)	(197)
Exclude change in valuation of financial instruments carried at fair value	(2,721)	(1,778)	(58)	(59)	(1,704)
Adjusted revenue (non-GAAP)	143,419	153,646	149,755	141,389	143,045
Exclude income from mortgage banking operations	(5,643)	(9,613)	(7,478)	(11,214)	(10,586)
Exclude interest income from PPP loans	(5,845)	(15,421)	(17,796)	(10,792)	(10,002)
Adjusted revenue from core operations (non-GAAP)	\$ 131,931	\$ 128,612	\$ 124,481	\$ 119,383	\$ 122,457
CORE EXPENSES					
Non-interest expense (GAAP)	\$ 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	(1,157)	(7,592)	(1,905)	(950)	-
Exclude CDI amortization	(1,574)	(1,575)	(1,711)	(1,711)	(1,865)
Exclude state/municipal tax expense	(976)	(1,219)	(1,083)	(1,065)	(1,071)
Exclude REO gain (loss)	(49)	(53)	(118)	242	283
Exclude loss on extinguishment of debt	(2,284)	-	-	-	-
Adjusted non-interest expense (non-GAAP)	85,638	91,652	87,611	89,324	91,991
Exclude legal contingency expense	-	(4,000)	-	-	(2,500)
Core non-interest expense (non-GAAP)	\$ 85,638	\$ 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
