BANNER CORPORATION

Second Quarter 2023


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Siti Alimah


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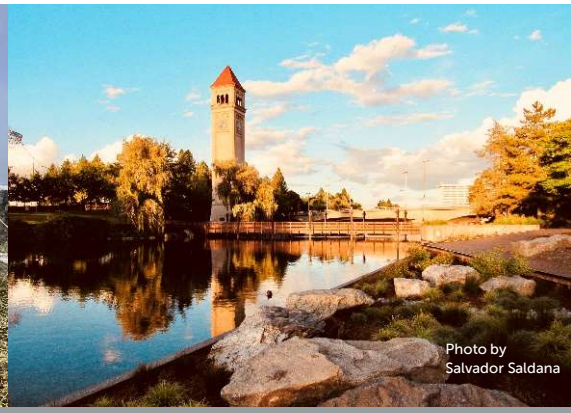
Maria DeVecchio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Disclosure Statement

This presentation includes forward-looking statements. These 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 19, 2023 as well as the Form 10-K for the year ended December 31, 2022 and Forms 10-Q filed quarterly thereafter. Forward-looking statements are effective only as of the date they are made, and Banner assumes no obligation to update information concerning its expectations.

Second quarter 2023 highlights

- Loan growth of $312 million (12% annualized)
- Total loan originations (excluding HFS) were $909 million
- Total deposits declined by $55 million (0.4%); core deposits declined by $462 million (3.8%), and represent 90% of total deposits; loan-to-deposit ratio increased from 77% to 80%
- Net interest margin (tax equivalent) decreased 30 basis points to 4.00%
- Efficiency ratio (adjusted, non-GAAP) increased 435 basis points to 58.6%
- $6.8 million provision for credit losses driven by loan growth and a deteriorating economic forecast, including $2.0 million provision for credit losses – AFS securities; Allowance for credit losses – loans was 1.38% of total loans
- Non-performing assets remained low at 0.18% of total assets, up from 0.17% last quarter
- Kroll Bond Rating Agency, LLC affirmed the senior unsecured debt rating of BBB+, the subordinated debt rating of BBB, and the short-term debt rating of K2 for Banner Corporation, and affirmed the deposit and senior unsecured debt ratings of A-, the subordinated debt rating of BBB+, and the short-term deposit and debt ratings of K2 for the principal subsidiary, Banner Bank
- Announced dividend of $0.48 per share to be paid in August 2023

Building value at Banner

Building value for stakeholders ...

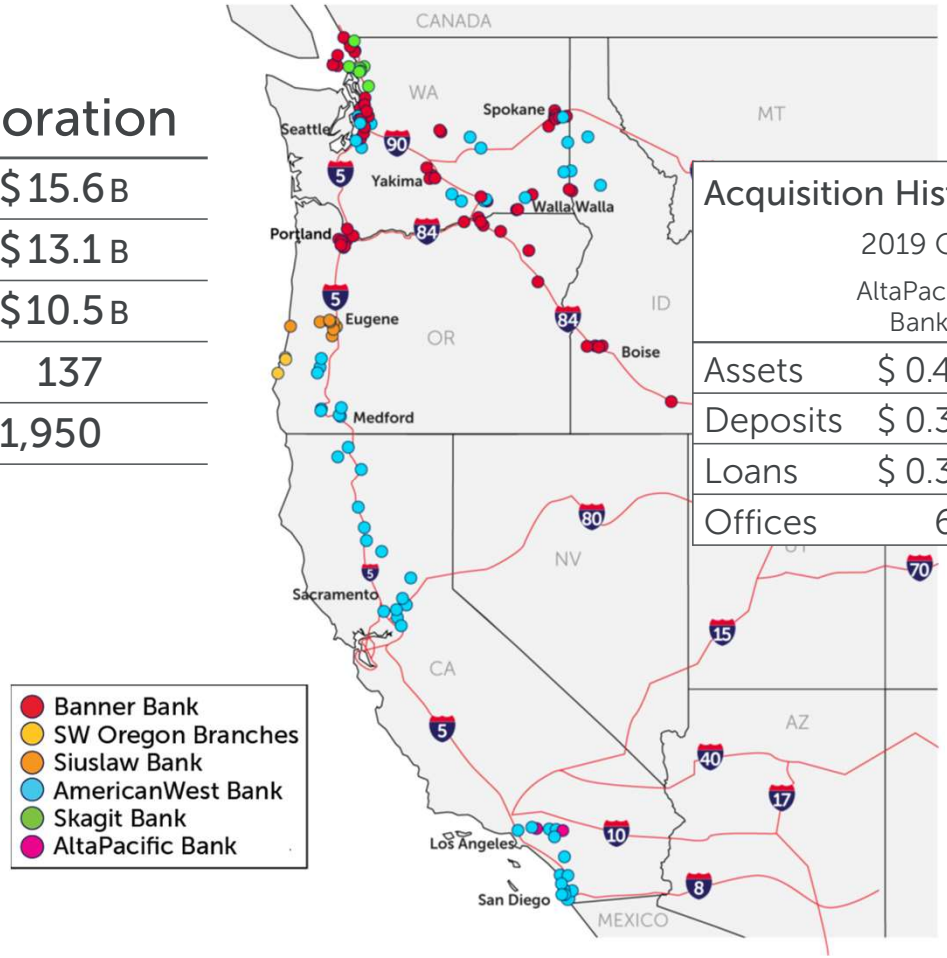
by focusing on core banking competency ...

that is sustainable through change events ...

and scalable with acquisition growth

Banner Corporation

Assets	$15.6B
Deposits	$13.1B
Loans	$10.5B
Offices	137
Employees	1,950



Acquisition History

	2019 Q4 AltaPacific Bank	2018 Q4 Skagit Bank	2015 Q4 AmericanWest Bank	2015 Q1 Siuslaw Bank	2014 Q2 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

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

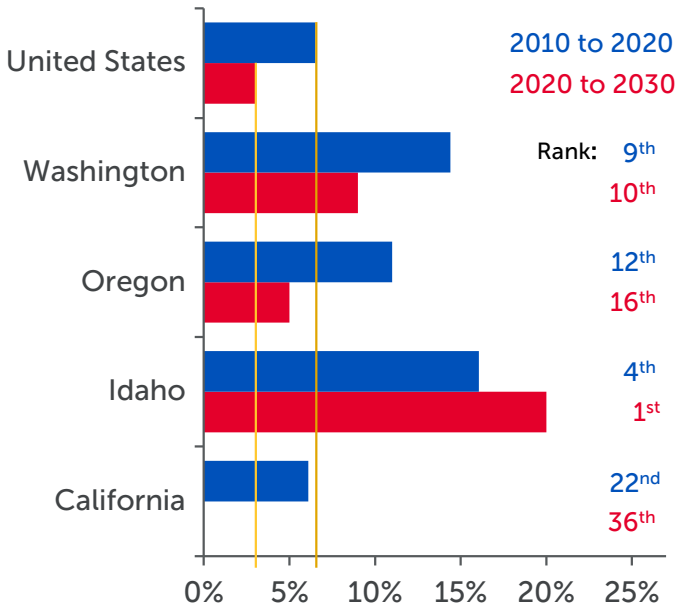
Growing revenue … in a good place since 1890

Population Estimate (millions)

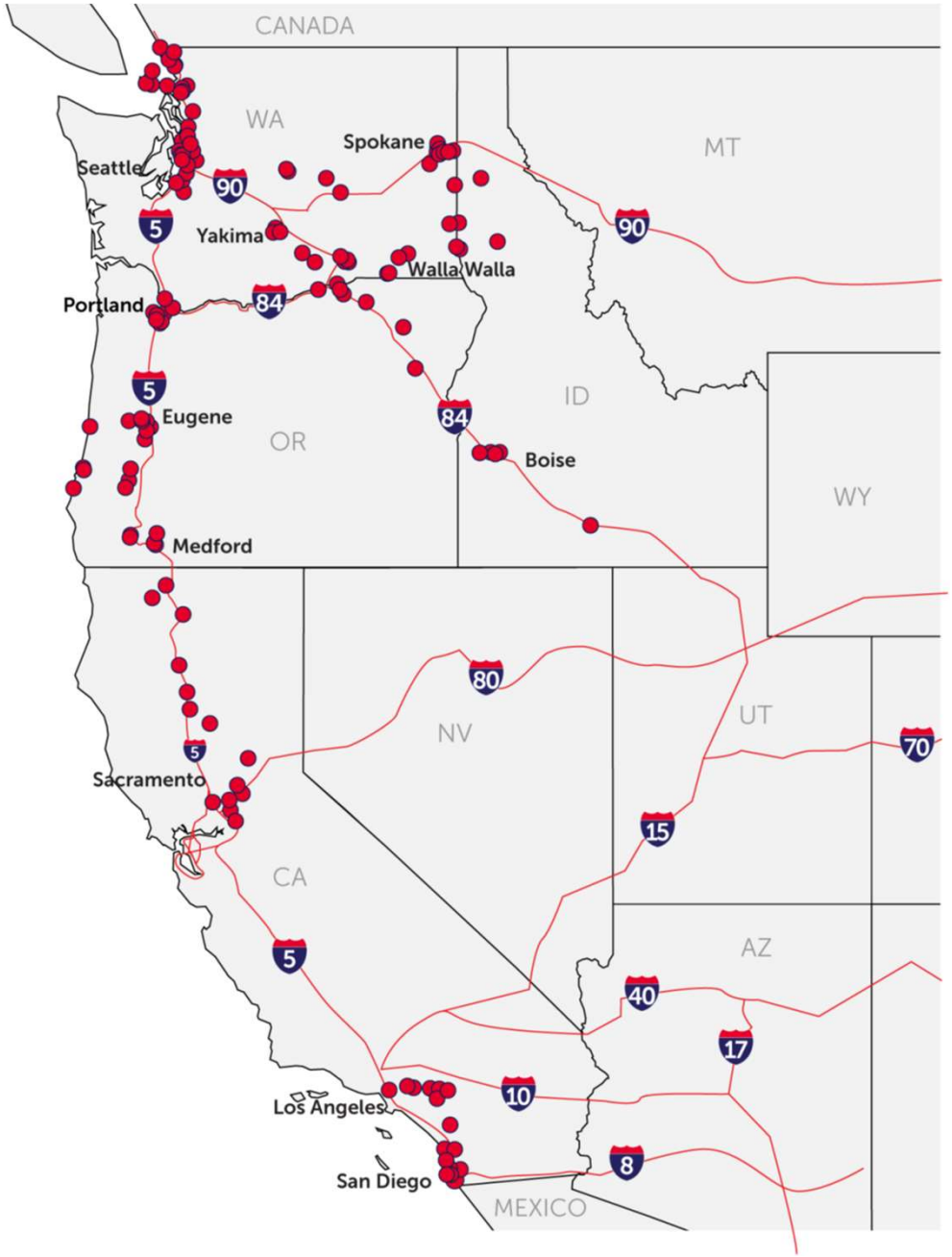
	2020	2030	Growth
Washington	7.7	8.4	9%*
Oregon	4.2	4.5	5%
Idaho	1.8	2.2	20%*
California	39.5	39.5	0%
Region	53.3	54.6	2%
United States	*331.4*	*344.6*	*4%*

* Among the fastest growing in the country

Strong Population Growth Forecast



Source: U.S. Census Bureau
Moody's Analytics Forecasted (June 2023)



Growing revenue … in an ideal geography

Powerful and diverse economic drivers

From Banner's Pacific Northwest base to …

Technology	Microsoft, intel, amazon, Micron, Expedia
Manufacturing	BOEING, intel, PACCAR
Consumer	amazon, COSTCO WHOLESALE, STARBUCKS, NIKE, NORDSTROM
Logistics	Port of Seattle, Port of Tacoma, PORT OF PORTLAND, THE PORT OF LOS ANGELES, Port of LONG BEACH, PORT of SAN DIEGO
Natural Resources	Weyerhaeuser, TRIMARINE, Trident SEAFOODS
Agriculture	WASHINGTON, Traditional, specialty crops, orchards, wineries, …

California

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

Growing revenue

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

Most Trustworthy Companies in America
Newsweek 2023

5-Star rating™ (highest category)
BauerFinancial; 40 consecutive quarters

Top 50 U.S. Public Banks (assets of $10B+)
S&P Global Market Intelligence 2021 & 2022

Excellence Award for Bank of the Year
Q2 Holdings 2023

America's 100 Best Banks
Forbes, 7 consecutive years (2017-2023)

World's Best Banks
Forbes, 4 consecutive years (2020-2023)

Top SBA lender
A top SBA lender for many years including "Regional Lender of the Year" (Seattle/Spokane District 2013-2020)

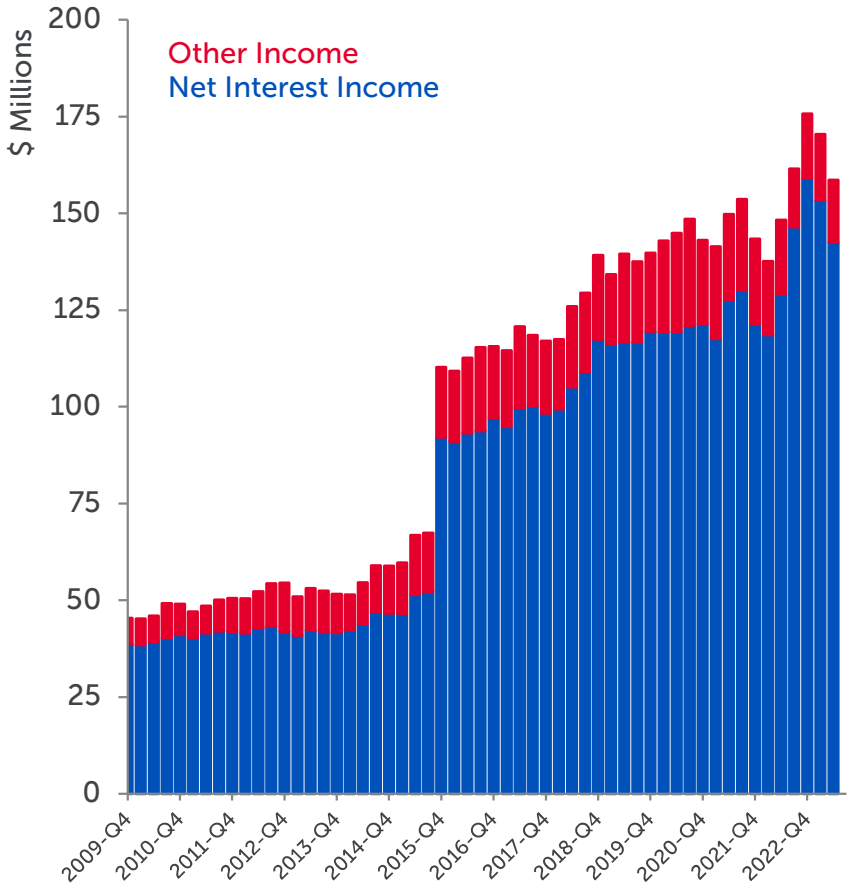
Growing revenue

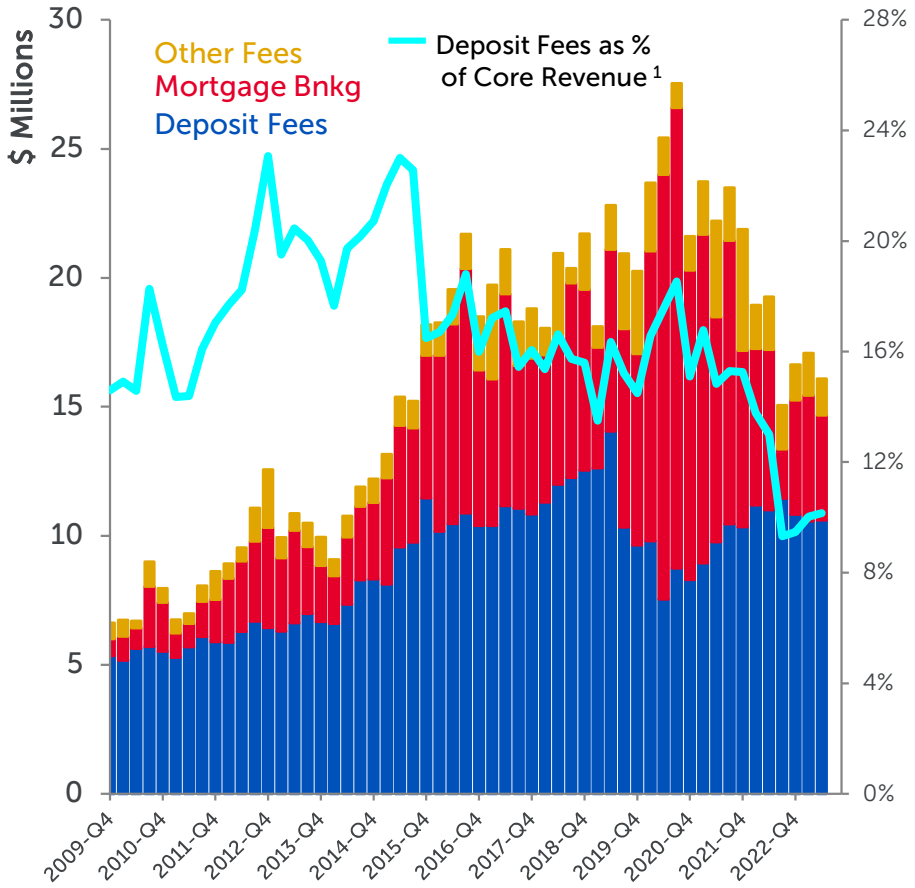
Core revenue [1]

Quarter Ending	Quarter Amount	Last 12 Months Amount
06/30/23	$ 159M	$ 666M
12/31/09	$ 45M	$ 177M

Noninterest income

Quarter Ending	Quarter Amount	Last 12 Months Amount
06/30/23	$ 16.1M	$ 64.9M
12/31/09	$ 6.6M	$ 31.1M





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

Building value at Banner

Core banking competency

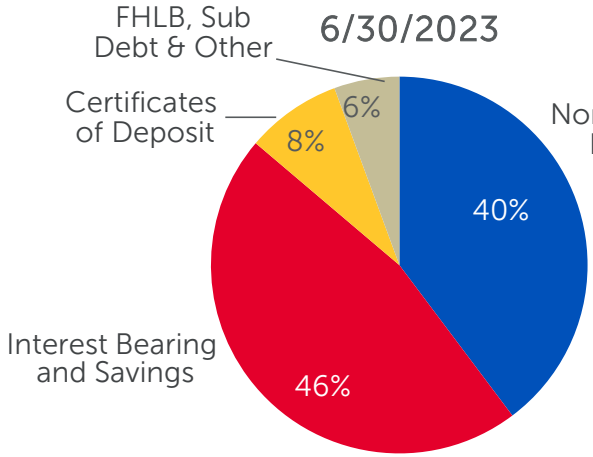
- Growing revenue
- Protecting net interest margin
- Spending carefully
- Maintaining a moderate risk profile
- Employing capital wisely

Protecting net interest margin

- Improve earning asset mix
- Improve funding mix
- Reduce deposit costs
- Maintain loan-to-deposit ratio

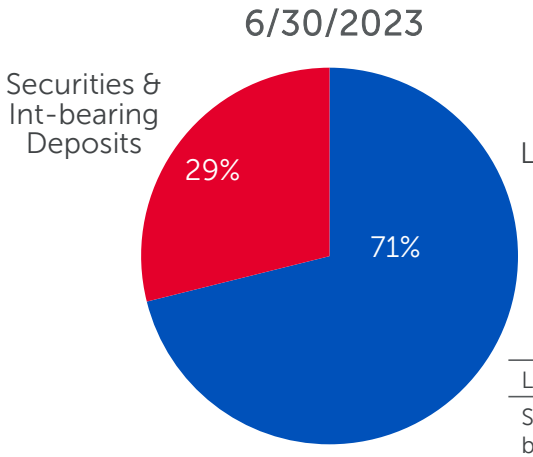
Protecting net interest margin

Low Cost Funding Mix



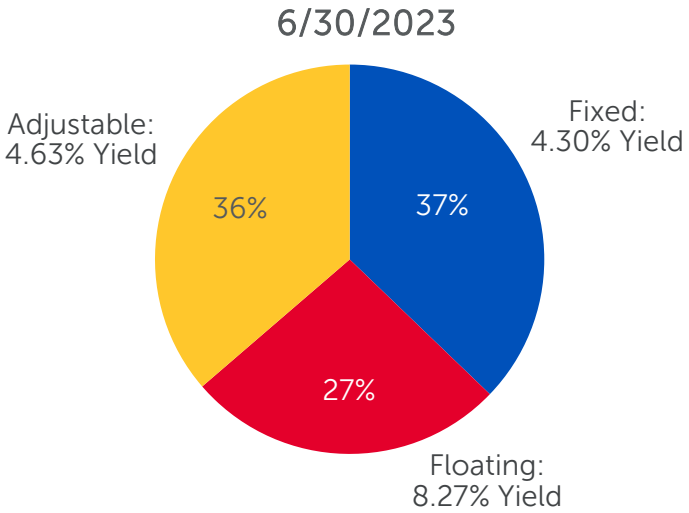
$ Millions	Avg Bal	Cost (in bps)
Non-Interest	5,446	0
Interest Bearing	6,365	83
CDs	1,126	260
Subtotal Deposits	**12,937**	**64**
FHLB & Other	763	460
Total	**13,701**	**86**

Earning Asset Mix



$ Millions	Avg Bal	Yield (in bps)
Loans	10,377	551
Securities & Int-bearing Deposits	4,214	305
Total	**14,591**	**480**

Loan Repricing Structure



- 63% of the loan portfolio is floating/adjustable
- 68% of the floating/adjustable loans have floors
- 32% of the loans that have floors are at the floor

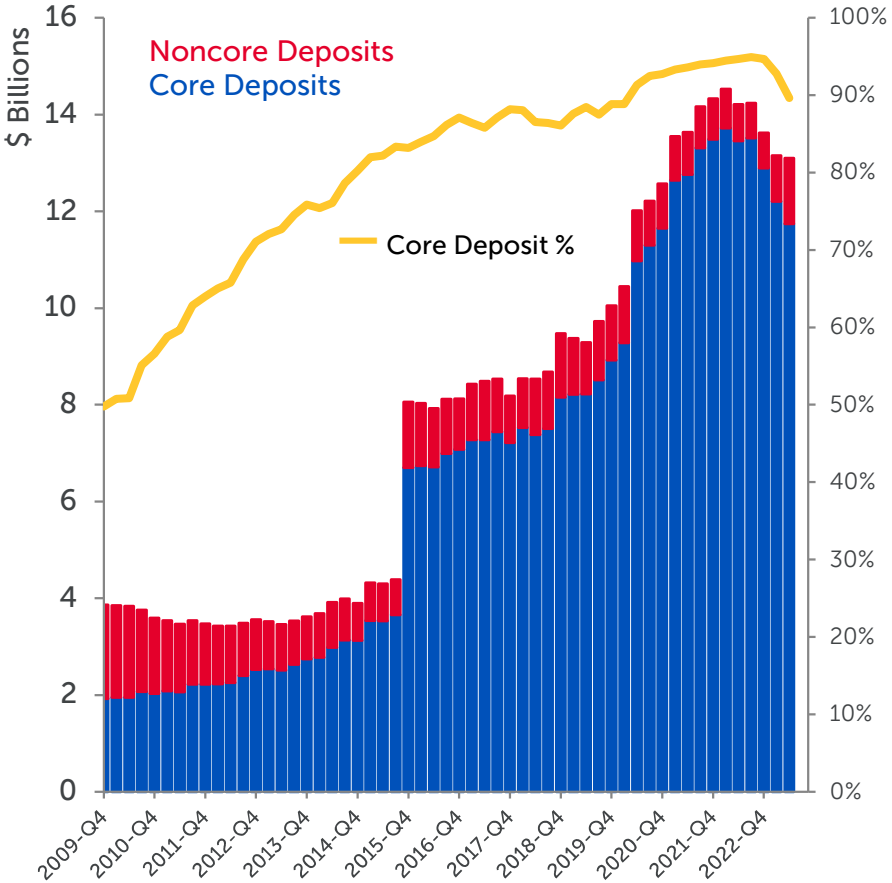
Protecting net interest margin

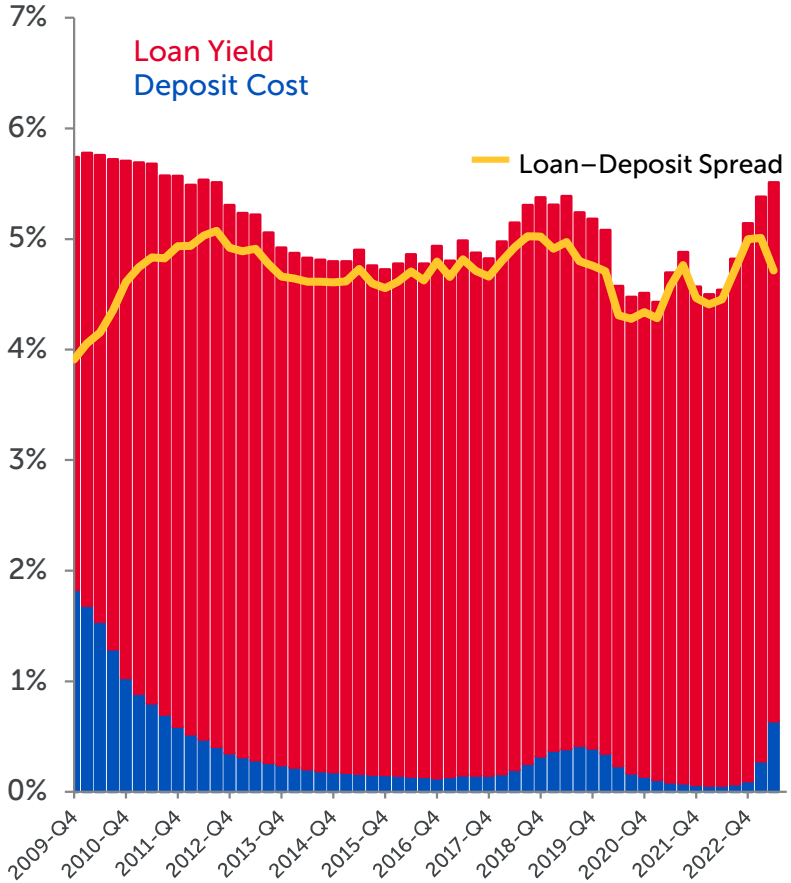
Focus on core deposits

Quarter Ending	Balance	% of Total Deposits
06/30/23	$ 11,742M	90%
12/31/09	$ 1,924M	50%

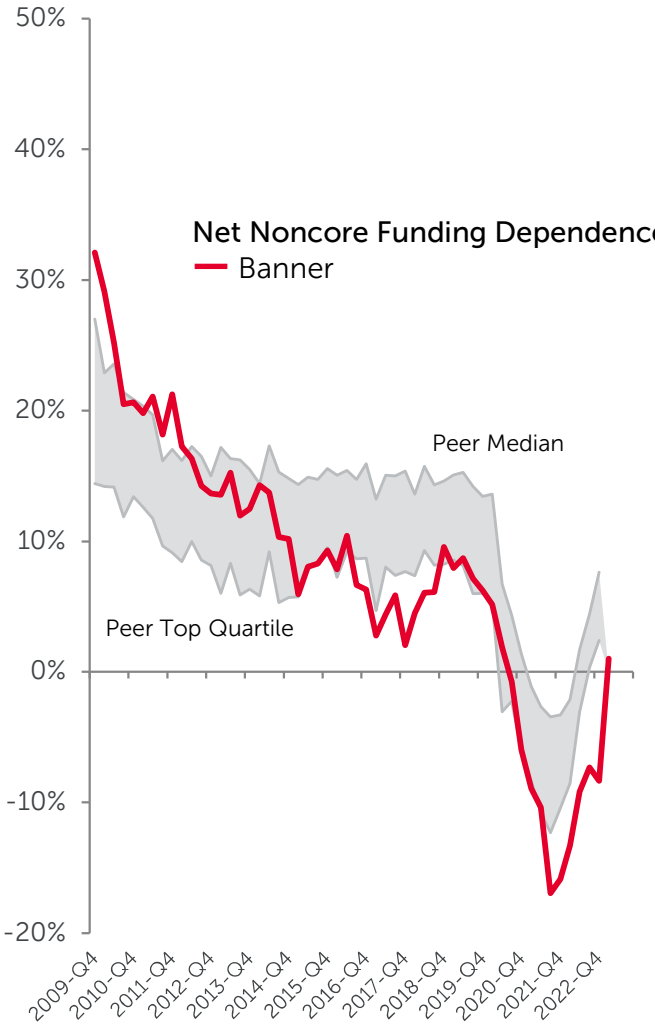
Reduce deposit costs

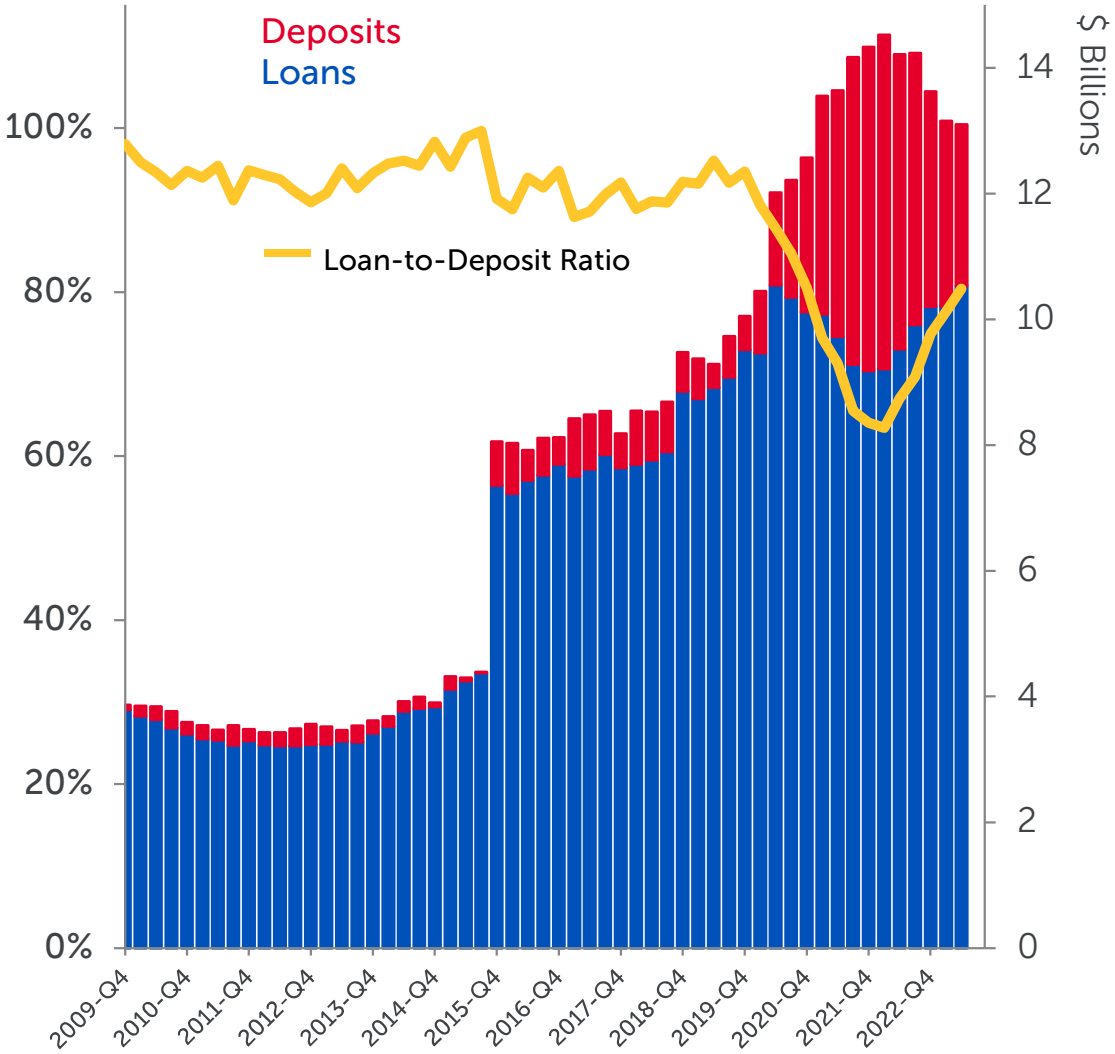
Quarter Ending	Quarter		Last 12 Months	
	Amount	Rate	Amount	Rate
06/30/23	$ 20.5M	0.64%	$ 35.8M	0.26%
12/31/09	$ 17.7M	1.83%	$ 83.2M	2.21%





Protecting net interest margin



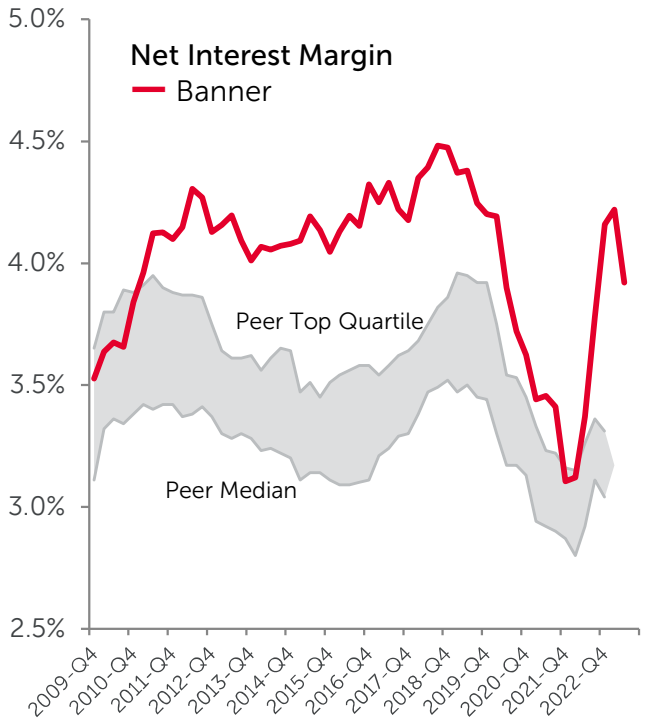


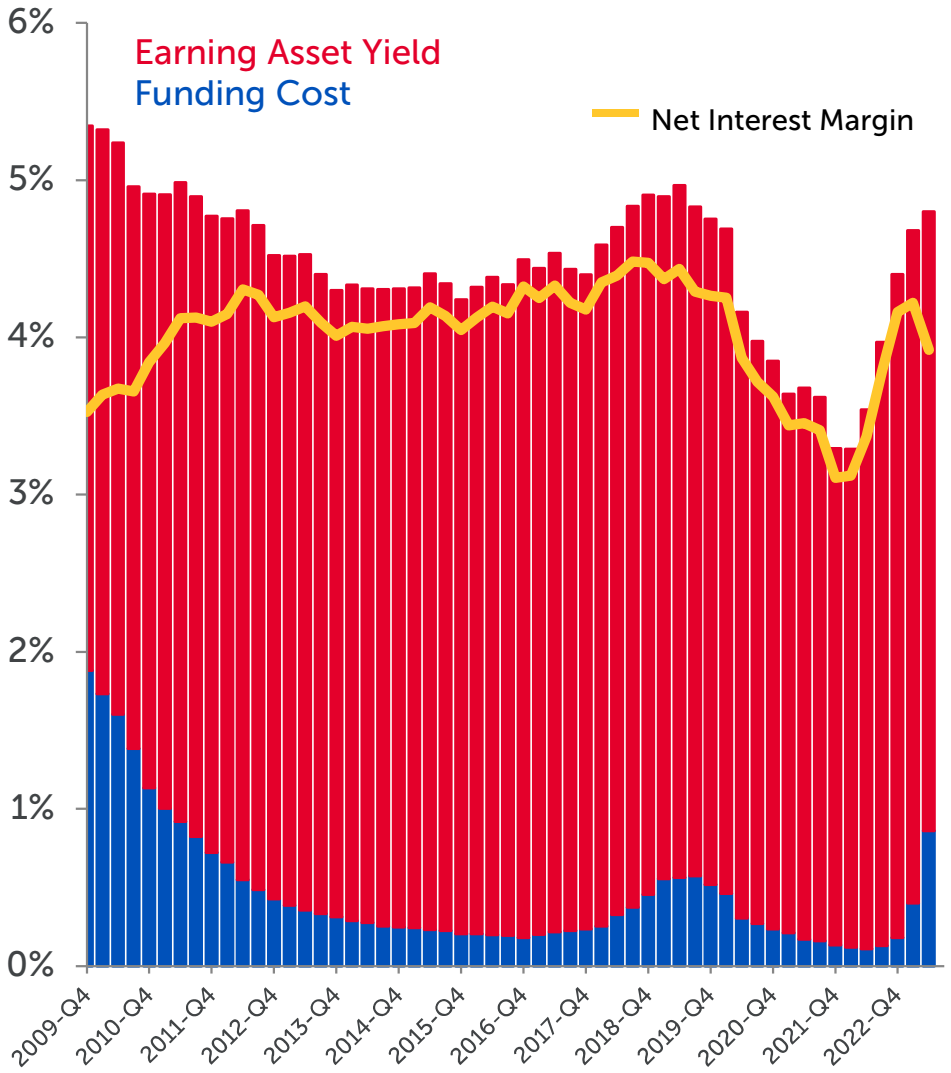
Peer source: Group 1 ($10B and over), Bank Holding Company Performance Report (BHCPR), National Information Center, Federal Reserve System, Division of Banking Supervision and Regulation

Protecting net interest margin

Maintain top quartile net interest margin

Quarter Ending	Quarter		Last 12 Months	
	Amount	Rate	Amount	Rate
06/30/23	$ 143 M	3.92%	$ 601 M	4.02%
12/31/09	$ 39 M	3.53%	$ 146 M	3.36%





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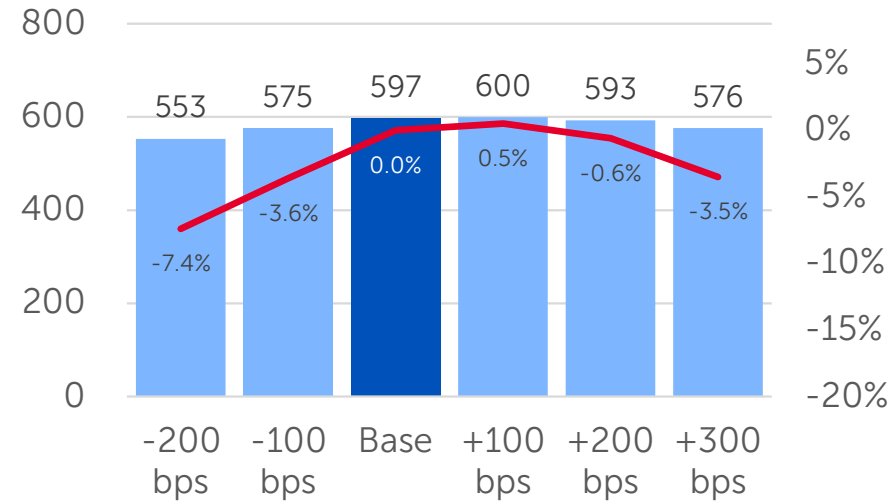
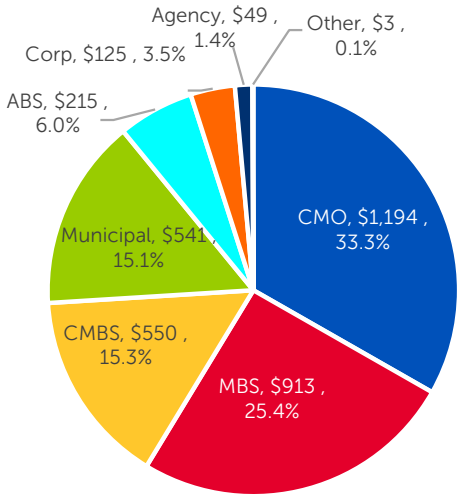
Conservative investment portfolio

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



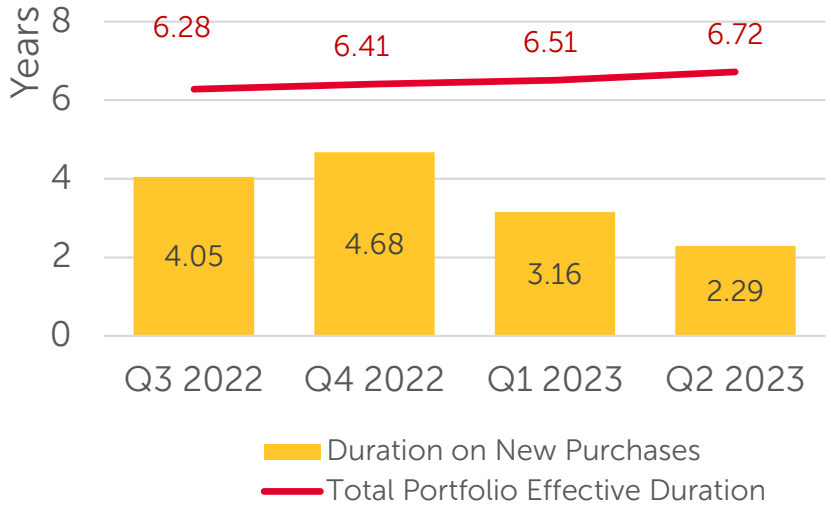
Assumes flat forward balance sheet, parallel rate shift; Base as of 6/30/23

Investment Portfolio Composition ($3.59 billion)

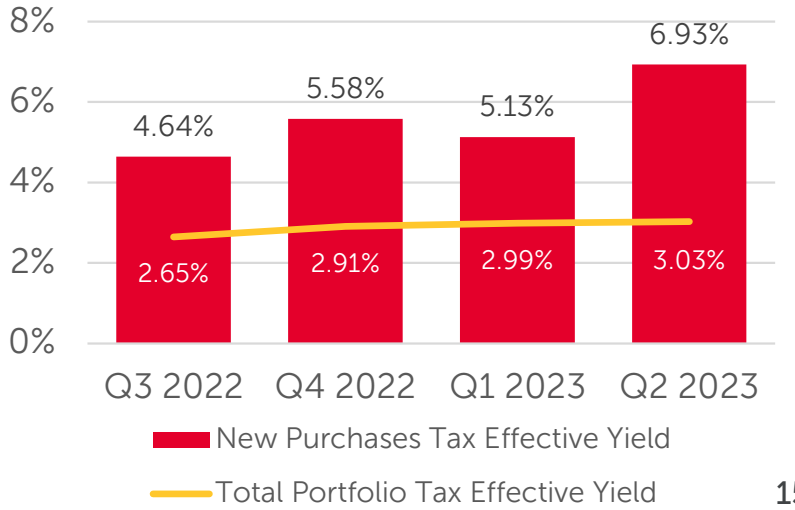


- 80% of investments are Agency MBS/CMO or AAA rated
- 7.2% non-rated investments, principally CRA investments
- Portfolio is a diversified mix of asset types and blend of fixed and floating rate instruments. It remains moderately asset sensitive.

Quarterly New Purchases: Average Duration



Quarterly New Purchases: Average Yield



Building value at Banner

Core banking competency

- Growing revenue
- Protecting net interest margin
- Spending carefully
- Maintaining a moderate risk profile
- Employing capital wisely

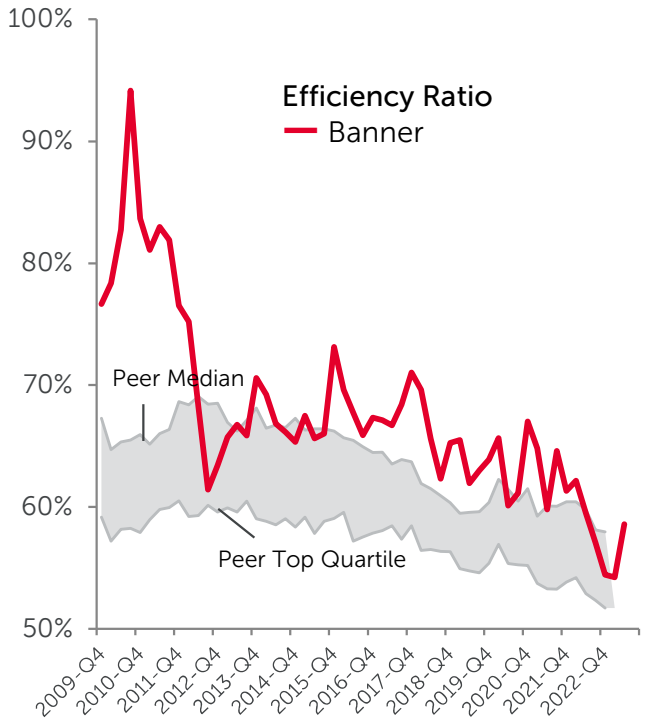
Spending carefully

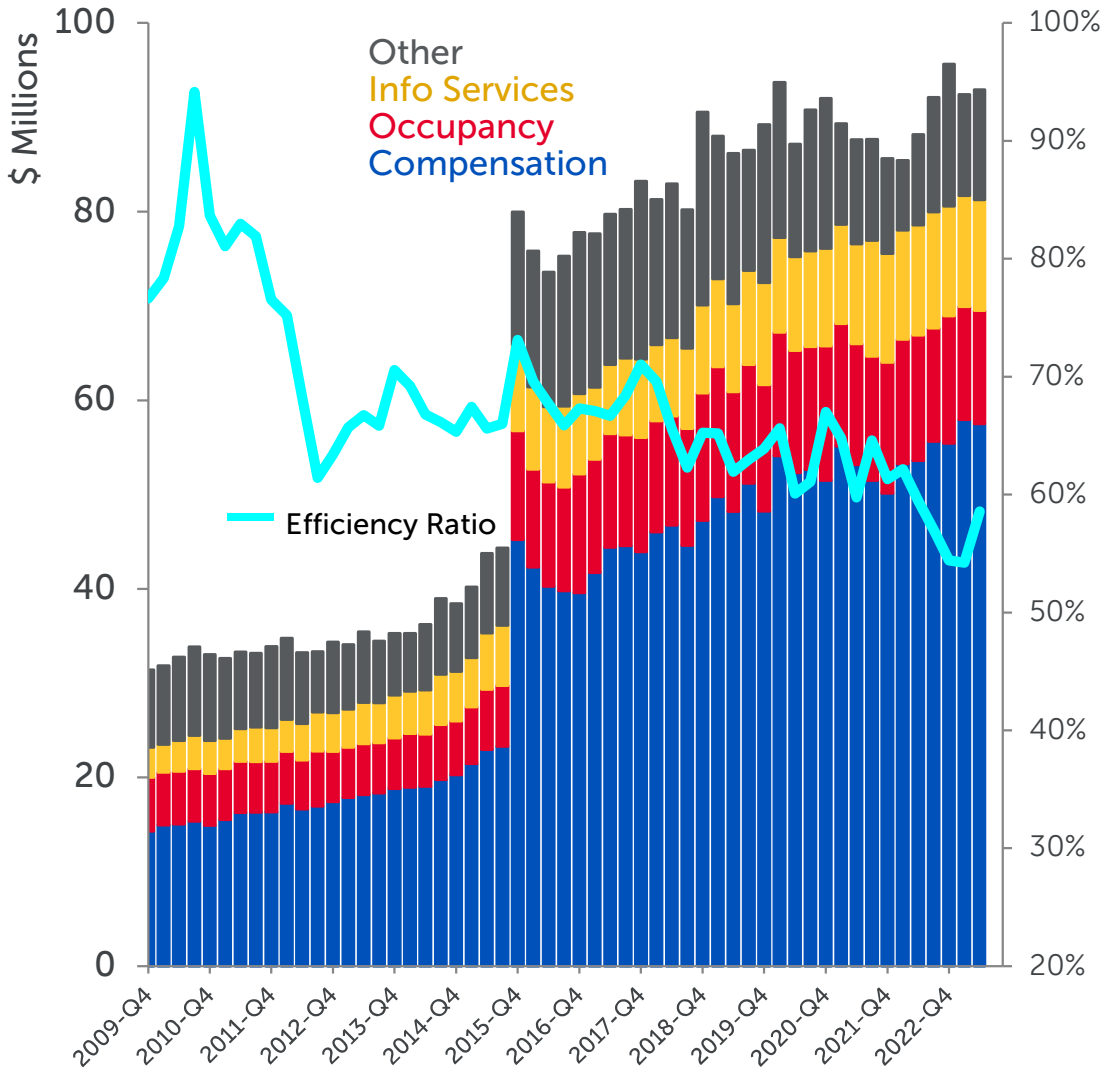
- Benefit from scale
- Control core operating expense

Spending carefully

Control core operating expense

Quarter Ending	Quarter Amount	Last 12 Months Amount
06/30/23	$ 93 M	$ 373 M
12/31/09	$ 31 M	$ 132 M





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Building value at Banner

Core banking competency

- Growing revenue
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- Employing capital wisely

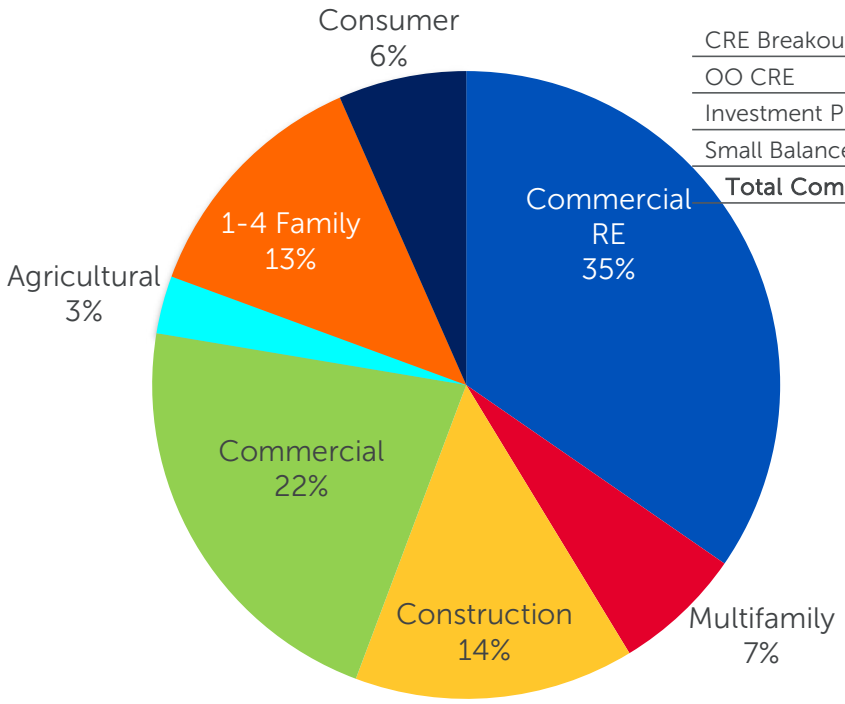
Maintaining a moderate risk profile

- Embrace effective enterprise risk management
- Minimize nonperforming assets
- Maintain appropriate loan loss reserve
- Maintain appropriate risk capital

Diversified loan portfolio

Loan Composition

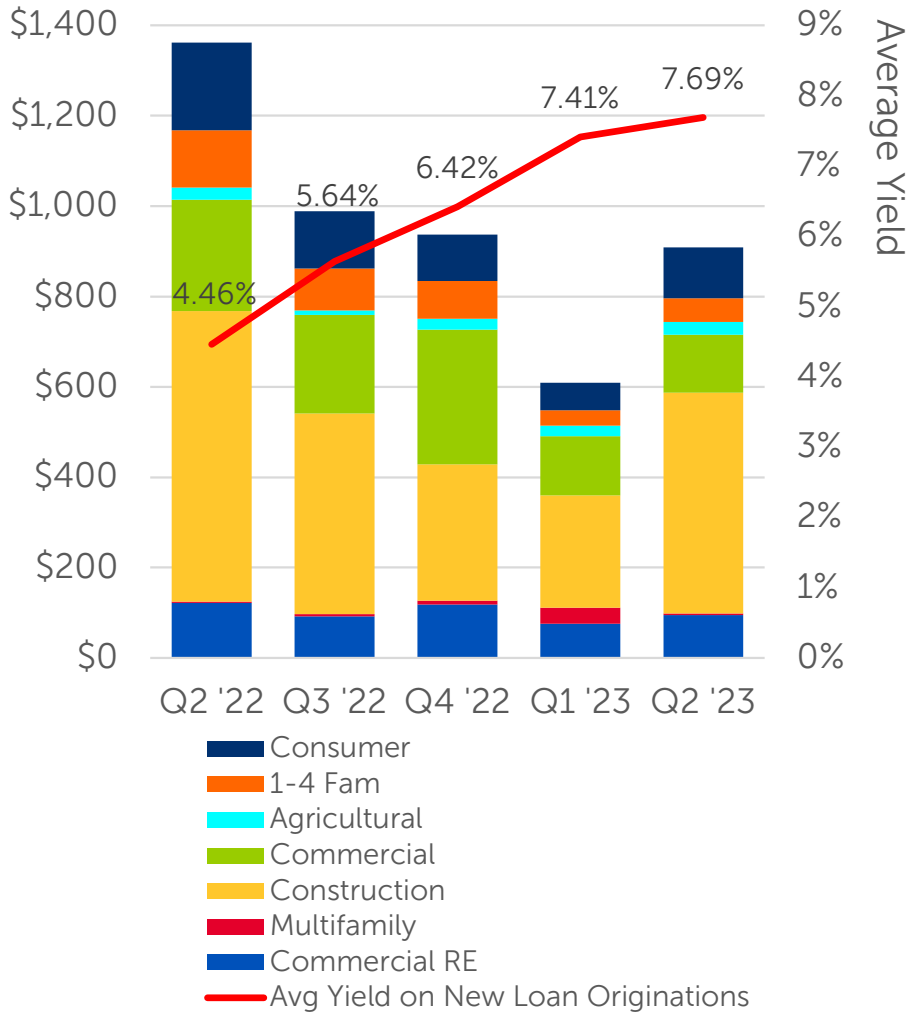
6/30/2023



CRE Breakout	$MM	%
OO CRE	895	9%
Investment Properties	1,558	15%
Small Balance CRE	1,173	11%
Total Comm CRE	**3,626**	**35%**

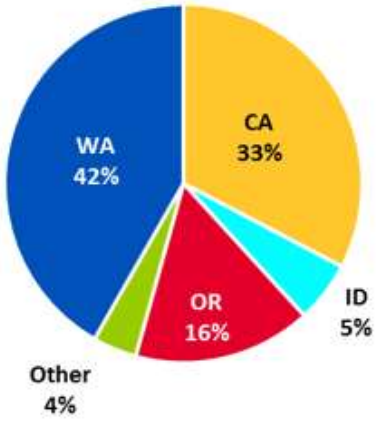
Construction Breakout	$MM	%
Commercial	184	2%
Multifamily	434	4%
1-4 Family	547	5%
Land	345	3%
Total Construction	**1,510**	**14%**

Loan Originations (commitments, $MM)



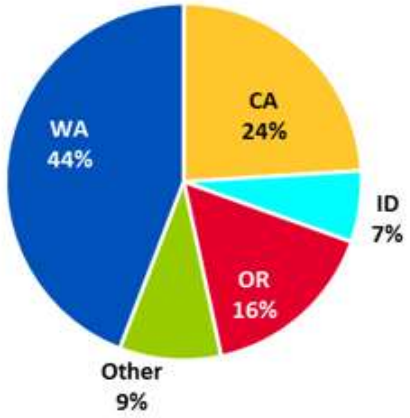
Characteristics of highlighted loan segments

Office [1]	
Balances ($MM)	$681.1
Percent of Total Loans	6.5%
Total Investor Office	$322.5
Total Owner Occupied	$358.6
Average Loan Size	$0.8
Largest Loan Size	$19.4
30 + days Past Due	0
Adversely Classified	$1.5



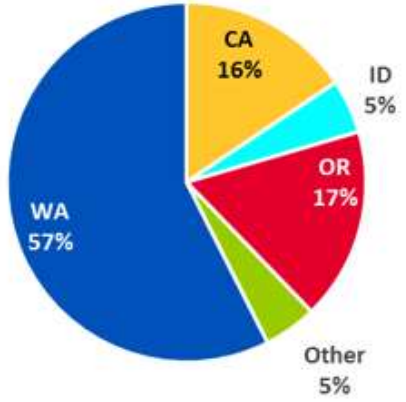
Retail [2]	
Balances ($MM)	$1,238.4
Percent of Total Loans	11.8%
Balance of Retail Loans Secured by CRE *	$1,094.3
Average Loan Size	$0.6
Average CRE Secured Loan Size	$0.7
Largest Loan Size	$29.4
30 + days Past Due	$0.08
Adversely Classified	$5.4

* No mall exposure



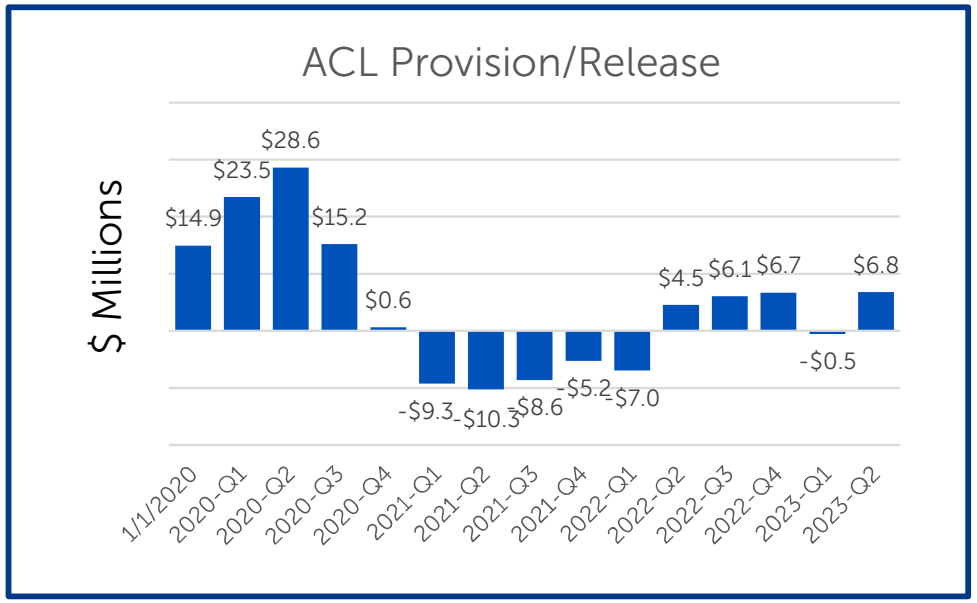
Healthcare [3]	
Balances ($MM)	$427.4
Percent of Total Loans	4.1%
Balance of Healthcare Services secured by Medical Office *	$177.8
Medical Office as a % of Total Loans	1.7%
Average Loan Size	$0.6
Average Medical Office Size	$0.8
Largest Loan Size	$16.9
30 + days Past Due	0
Adversely Classified	$7.4

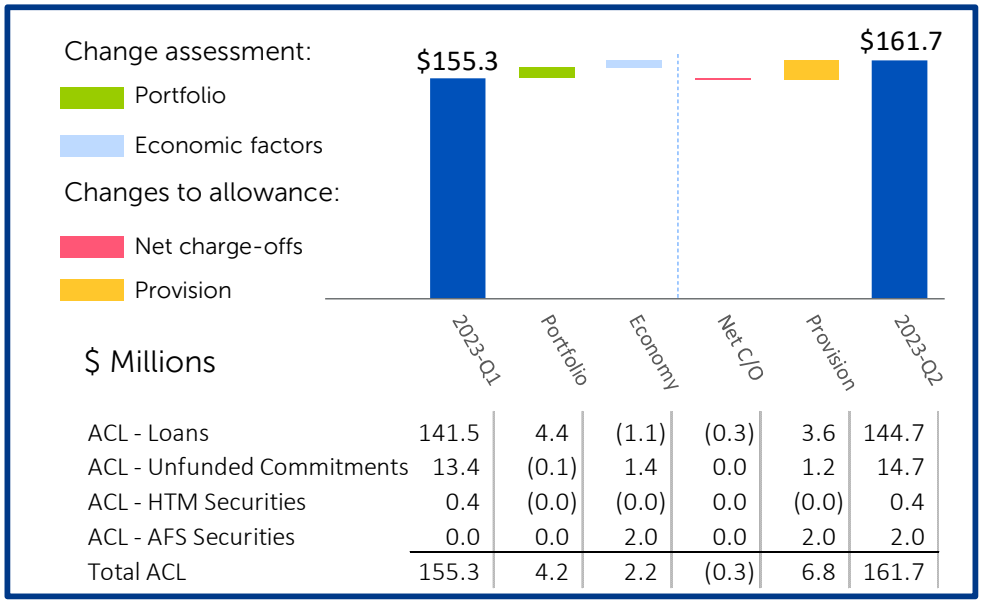
* No hospital exposure



[1] By collateral code
[2] Retail business loans, both commercial and commercial real estate secured loans
[3] All healthcare and social services, including both commercial and commercial real estate secured loans

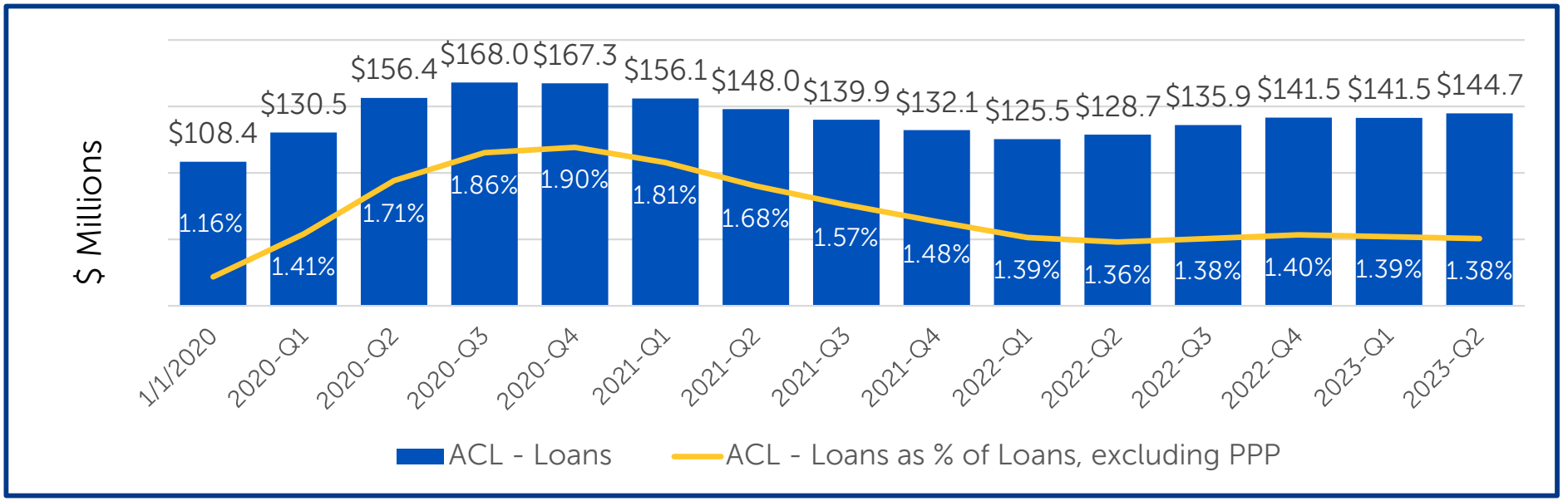
Allowance for credit losses





$ Millions

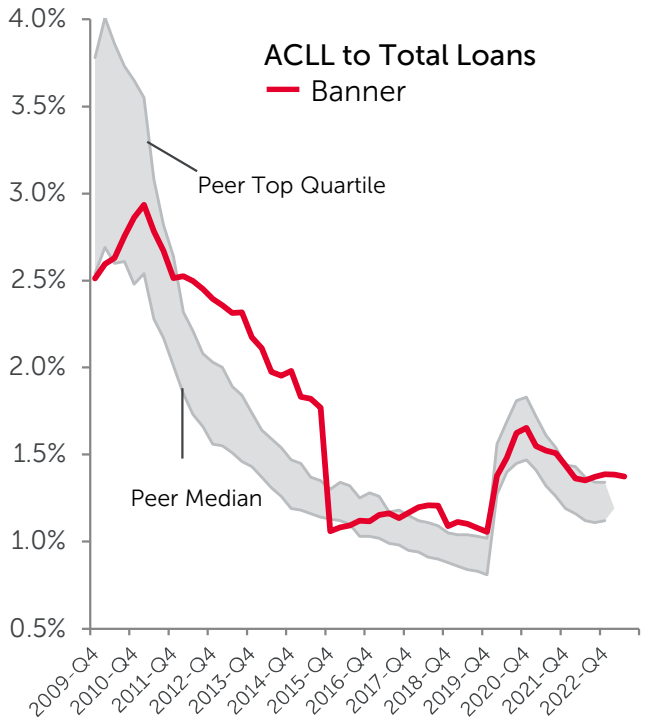
ACL - Loans	141.5	4.4	(1.1)	(0.3)	3.6	144.7
ACL - Unfunded Commitments	13.4	(0.1)	1.4	0.0	1.2	14.7
ACL - HTM Securities	0.4	(0.0)	(0.0)	0.0	(0.0)	0.4
ACL - AFS Securities	0.0	0.0	2.0	0.0	2.0	2.0
Total ACL	155.3	4.2	2.2	(0.3)	6.8	161.7

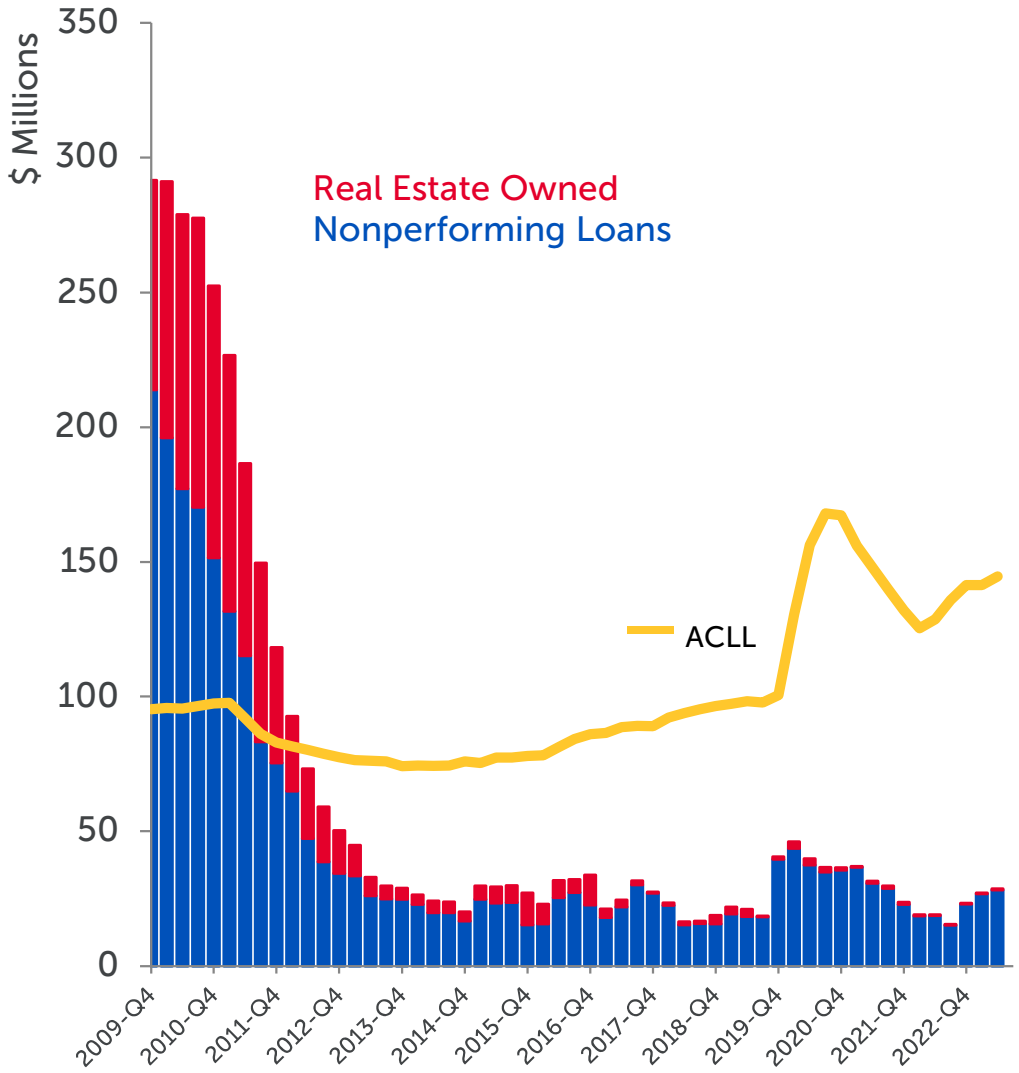


Maintaining a moderate risk profile

Minimize nonperforming assets

Quarter Ending	NPAs		REO	
	Amount	% of TA	Amount	% of TA
06/30/23	$ 29 M	0.18%	$ 1 M	0.01%
12/31/09	$292 M	6.11%	$ 78 M	2.01%





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Building value at Banner

Core banking competency

- Growing revenue
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- Employing capital wisely

Employing capital wisely

- Maintain premium to tangible book value
- Pay appropriate dividends
- Prepare for future opportunities

Reconciliation of non-GAAP measures

$ Thousands

	Quarters Ended		
PRE-TAX PRE-PROVISION EARNINGS	**Jun 30, 2023**	**Mar 31, 2023**	**Jun 30, 2022**
Income before provision for income taxes (GAAP)	$ 48,771	$ 68,492	$ 59,597
Provision/(Recapture) for credit losses	6,764	(524)	4,534
Pretax pre provision earnings (non-GAAP)	55,535	67,968	64,131
Exclude net loss/(gain) on sale of securities	4,527	7,252	(32)
Exclude net change in valuation of financial instruments carried at fair value	3,151	552	(69)
Exclude gain on sale of branches	-	-	(7,804)
Exclude Banner Forward expenses	195	143	1,579
Adjusted pretax pre provision earnings (non-GAAP)	$ 63,408	$ 75,915	$ 57,805

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