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BANNER CORP  
Form 8-K  
October 25, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 22, 2004

Banner Corporation

-----  
(Exact name of registrant as specified in its charter)

|                                                   |                             |                                      |
|---------------------------------------------------|-----------------------------|--------------------------------------|
| Washington                                        | 0-26584                     | 91-1691604                           |
| -----                                             | -----                       | -----                                |
| (State or other jurisdiction<br>of incorporation) | (Commission<br>File Number) | (IRS Employer<br>Identification No.) |

|                                             |            |
|---------------------------------------------|------------|
| 10 S. First Avenue, Walla Walla, Washington | 99362      |
| -----                                       | -----      |
| (Address of principal executive offices)    | (Zip Code) |

Registrant's telephone number (including area code): (509) 527-3636

Not Applicable

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

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On October 22, 2004, Banner Corporation issued its earnings release for the quarter ended September 30, 2004. A copy of the earnings release is attached hereto as Exhibit 99.1, which is incorporated herein by reference.

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Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release of Banner Corporation dated October 22, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

BANNER CORPORATION

DATE: October 22, 2004

By: /s/ D. Michael Jones

D. Michael Jones  
President and Chief Executive Officer

Exhibit 99.1

Contact: D. Michael Jones,  
President and CEO  
Lloyd W. Baker, CFO  
(509) 527-3636

News Release

BANNER CORPORATION'S THIRD QUARTER PROFITS INCREASE 24% TO \$5.2 MILLION

AS LOANS INCREASE 17%, MARGINS EXPAND AND LOAN QUALITY IMPROVES

Walla Walla, WA--October 22, 2004--Banner Corporation (Nasdaq:BANR), the parent company of Banner Bank, today reported that improved net interest income and continued growth in loans and deposits contributed to a 24% increase in profits for the third quarter of 2004. For the quarter ended September 30, 2004, net income was \$5.2 million, or \$0.44 per diluted share, compared to \$4.2 million, or \$0.37 per diluted share, for the same period a year earlier. For the first nine months of 2004, net income grew 20% to \$14.1 million, or \$1.20 per diluted share, compared to \$11.7 million, or \$1.05 per diluted share, for the first nine months of 2003.

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"We have generated both top and bottom line improvements, with revenues increasing 18%, loans expanding 17% and net income improving 24% from year ago levels," said D. Michael Jones, President and Chief Executive Officer. "We also continue to focus efforts into growing our franchise in key markets. Last week we announced plans to build three new full-service branches in the Boise and Twin Falls markets, which we expect to open during the summer of 2005. These branches complement our existing network and will allow us to deliver improved customer service and convenient locations to new and existing customers. Earlier this year, we opened new offices in Hillsboro, Oregon, Walla Walla, Washington, and Boise and Twin Falls, Idaho. The previously announced purchased branches in Kent, Edmonds and Everett, Washington will also open later this year."

### Third Quarter 2004 Highlights (Compared to Third Quarter 2003)

- . Net income increased 24% to \$5.2 million.
- . Net interest income, after the provision for loan loss, increased 30% to \$23.7 million.
- . Non-performing assets are 25% lower.
- . Net interest margin improved by 44 basis points.
- . Revenues increased 18% to \$29.9 million.
- . Assets grew 13% to \$2.8 billion.
- . Loans grew 17% to \$1.95 billion.
- . Deposits grew 12% to \$1.91 billion.

### Income Statement Review

Third quarter revenues (net interest income before the provision for loan losses plus other operating income) increased 18% to \$29.9 million, compared to \$25.2 million for the same quarter of 2003. For the first nine months, revenues increased 12% to \$83.9 million, compared to \$74.9 million for the same period of 2003. For the quarter, net interest income before the provision for loan losses increased 28% to \$25.1 million, compared to \$19.7 million in the third quarter of 2003. For the first nine months of the year, net interest income before the provision for loan losses increased 20% to \$71.2 million, compared to \$59.1 million in the same period of 2003.

"We experienced improved performance in our net interest margin during the third quarter, aided by the collection of more than \$600,000 of delinquent interest on non-accrual loans, as strong loan growth and increasing asset yields more than offset recent pressures on funding costs," said Jones. Banner's net interest margin increased 44 basis points to 3.79% for the quarter ended September 30, 2004, from 3.35% in the third quarter of 2003 and 14 basis points from 3.65% in the quarter ended June 30, 2004. While funding costs increased modestly, up six basis points compared to the previous quarter, they remained significantly -- 21 basis points -- below the same quarter a year earlier. By contrast, asset yields were higher by 20 and 21 basis points, respectively, compared to the quarters ended June 30, 2004 and September 30, 2003. For the first nine months of 2004, net interest margin increased to 3.71%, from 3.52% in the first nine months of 2003, as substantially lower funding costs led to an improved net interest rate spread.

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Income from fees and service charges increased 13% for the quarter and 12% for

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the first nine months compared to the respective periods last year. Deposit fees and other service charges increased to \$2.1 million in the third quarter, compared to \$1.9 million for the third quarter of 2003, reflecting core deposit growth. Mortgage banking operations declined from the third quarter a year ago when refinancing activity was at higher levels. For the third quarter of 2004, income from mortgage banking operations, including loan servicing fees, was \$2.1 million compared to \$3.2 million for the third quarter of 2003. Total other operating income for the quarter ended September 30, 2004 was \$4.8 million compared to \$5.5 million for the same quarter last year, declining principally as a result of the decrease in mortgage banking operations.

"Over the last nine months, we have been building our franchise through the addition of four branches, three lending centers and one operations center. Hiring personnel to staff this expansion and increased occupancy costs have contributed to a higher level of non-interest expenses," said Jones. "In addition, the continued legal and collection costs associated with certain non-performing assets, and expenses related to compliance with the Sarbanes-Oxley Act also added to operating expense in the period." Other operating expense was \$20.9 million for the quarter ended September 30, 2004, compared to \$17.9 million in the third quarter of 2003. For the first nine months of the year, other operating expense was \$59.3 million compared to \$52.2 million for the first nine months of 2003.

### Balance Sheet Review

Net loans increased 17%, to \$2.0 billion at September 30, 2004, from \$1.7 billion a year ago. "Our lending personnel have generated steady growth in commercial and multifamily real estate loans, construction and land loans, and agricultural business loans," said Jones. "Commercial and multifamily real estate and construction and land development loans have increased 20% from year ago levels and now represent 55% of the loan portfolio. Commercial business and agricultural lending has increased 16% over the past twelve months and now represents 26% of the total portfolio."

Assets reached record levels, closing the quarter at \$2.8 billion, a 13% increase from \$2.5 billion a year earlier. Deposits grew 12%, to \$1.9 billion, compared to \$1.7 billion at September 30, 2003, including a 13% increase in non-interest-bearing deposits. "Strong deposit growth reflecting our significant commitment to growing our franchise continues to be an important element of our strategic plan which is producing improving results," said Jones. Book value per share increased to \$18.77 at September 30, 2004, from \$18.18 per share a year earlier. Tangible book value increased to \$15.53 per share at September 30, 2004, compared to \$14.83 a year earlier.

### Credit Quality

"Our key credit quality ratios have improved significantly, with a 25% reduction in non-performing assets since the first of the year," continued Jones. "Net charge-offs to average loans outstanding, at five basis points year-to-date, also shows dramatic improvement from 38 basis points at the same time last year." Non-performing assets were \$23.7 million, or 0.84% of total assets, at September 30, 2004, a 25% improvement from \$31.6 million, or 1.26% of total assets, at September 30, 2003. The loan loss provision for the third quarter of 2004 was \$1.4 million, which is about level with the provision in the second quarter and the provision for the third quarter a year ago. At September 30, 2004, the allowance for loan losses totaled \$29.4 million, representing 1.48% of total loans outstanding.

### Conference Call

The Company will host a conference call today, Friday, October 22, 2004, at 8:00 a.m. PDT, to discuss the third quarter results. The conference call can

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be accessed live by telephone at 303-262-2211. To listen to the call online, go to the Company's website at [www.bannerbank.com](http://www.bannerbank.com) or to [www.fulldisclosure.com](http://www.fulldisclosure.com). Institutional investors may access the call via the subscriber-only site, [www.streetevents.com](http://www.streetevents.com). An archived recording of the call can be accessed by dialing 303-590-3000, passcode 11010735# until Friday, October 29, 2004 or via the Internet at [www.fulldisclosure.com](http://www.fulldisclosure.com).

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### About the Company

Banner Corporation is the parent company of Banner Bank, a commercial bank which operates a total of 46 branch offices and twelve loan offices in 23 counties in Washington, Oregon and Idaho. Banner Bank serves the Pacific Northwest region with a full range of deposit services and business, commercial real estate, construction, residential, agricultural and consumer loans. Visit Banner Bank on the Web at [www.bannerbank.com](http://www.bannerbank.com).

Statements concerning future performance, developments or events, expectations for earnings, growth and market forecasts, and any other guidance on future periods, constitute forward-looking statements, which are subject to a number of risks and uncertainties that are beyond the Company's control and might cause actual results to differ materially from the expectations and stated objectives. Factors which could cause actual results to differ materially include, but are not limited to, regional and general economic conditions, management's ability to generate continued improvement in asset quality and profitability, changes in interest rates, deposit flows, demand for mortgages and other loans, real estate values, competition, loan delinquency rates, the successful operation of the newly-opened branches and loan offices, changes in accounting principles, practices, policies or guidelines, changes in legislation or regulation, other economic, competitive, governmental, regulatory and technological factors affecting operations, pricing, products and services and Banner's ability to successfully resolve the outstanding credit issues and/or recover check kiting losses. Accordingly, these factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements. Banner undertakes no responsibility to update or revise any forward-looking statements.

(tables follow)

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### RESULTS OF OPERATIONS

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(In thousands except share and per share data)

| Quarters Ended   |                 |                  | 9 Months Ended   |                  |
|------------------|-----------------|------------------|------------------|------------------|
| Sept 30,<br>2004 | Jun 30,<br>2004 | Sept 30,<br>2003 | Sept 30,<br>2004 | Sept 30,<br>2003 |

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|                                                             |           |           |           |           |    |
|-------------------------------------------------------------|-----------|-----------|-----------|-----------|----|
| INTEREST INCOME:                                            |           |           |           |           |    |
| Loans receivable                                            | \$ 33,051 | \$ 30,298 | \$ 29,260 | \$ 92,368 | \$ |
| Mortgage-backed securities                                  | 4,155     | 4,394     | 2,227     | 13,076    |    |
| Securities and cash equivalents                             | 3,194     | 3,140     | 3,035     | 9,415     |    |
|                                                             | 40,400    | 37,832    | 34,522    | 114,859   | 1  |
| INTEREST EXPENSE:                                           |           |           |           |           |    |
| Deposits                                                    | 9,074     | 8,404     | 8,889     | 25,342    |    |
| Federal Home Loan Bank advances                             | 5,058     | 4,962     | 5,339     | 15,145    |    |
| Junior subordinated debentures / trust preferred securities | 911       | 843       | 446       | 2,446     |    |
| Other borrowings                                            | 257       | 223       | 188       | 717       |    |
|                                                             | 15,300    | 14,432    | 14,862    | 43,650    |    |
| Net interest income before provision for loan losses        | 25,100    | 23,400    | 19,660    | 71,209    |    |
| PROVISION FOR LOAN LOSSES                                   | 1,444     | 1,450     | 1,400     | 4,344     |    |
| Net interest income                                         | 23,656    | 21,950    | 18,260    | 66,865    |    |
| OTHER OPERATING INCOME:                                     |           |           |           |           |    |
| Deposit fees and other service charges                      | 2,148     | 2,057     | 1,895     | 6,048     |    |
| Mortgage banking operations                                 | 1,383     | 1,452     | 2,924     | 4,087     |    |
| Loan servicing fees                                         | 711       | 347       | 241       | 1,324     |    |
| Gain (loss) on sale of securities                           | 67        | 62        | 15        | 140       |    |
| Miscellaneous                                               | 441       | 207       | 464       | 1,092     |    |
| Total other operating income                                | 4,750     | 4,125     | 5,539     | 12,691    |    |
| OTHER OPERATING EXPENSE:                                    |           |           |           |           |    |
| Salary and employee benefits                                | 13,719    | 13,024    | 12,495    | 38,846    |    |
| Less capitalized loan origination costs                     | (1,806)   | (1,891)   | (2,028)   | (5,184)   |    |
| Occupancy and equipment                                     | 2,791     | 2,645     | 2,447     | 7,923     |    |
| Information / computer data services                        | 1,107     | 1,016     | 930       | 3,149     |    |
| Professional services                                       | 746       | 790       | 626       | 2,451     |    |
| Advertising                                                 | 1,108     | 1,341     | 919       | 3,557     |    |
| Miscellaneous                                               | 3,257     | 2,611     | 2,479     | 8,544     |    |
| Total other operating expense                               | 20,922    | 19,536    | 17,868    | 59,286    |    |
| Income before provision for income taxes                    | 7,484     | 6,539     | 5,931     | 20,270    |    |
| PROVISION FOR INCOME TAXES                                  | 2,322     | 1,991     | 1,778     | 6,197     |    |
| NET INCOME                                                  | \$ 5,162  | \$ 4,548  | \$ 4,153  | \$ 14,073 | \$ |
| Earnings per share                                          |           |           |           |           |    |
| Basic                                                       | \$ 0.46   | \$ 0.41   | \$ 0.38   | \$ 1.27   | \$ |

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|                                                |    |            |    |            |    |            |    |            |      |
|------------------------------------------------|----|------------|----|------------|----|------------|----|------------|------|
| Diluted                                        | \$ | 0.44       | \$ | 0.39       | \$ | 0.37       | \$ | 1.20       | \$   |
| Cumulative dividends declared per common share | \$ | 0.16       | \$ | 0.16       | \$ | 0.15       | \$ | 0.48       | \$   |
| Weighted average shares outstanding            |    |            |    |            |    |            |    |            |      |
| Basic                                          |    | 11,168,735 |    | 11,140,502 |    | 10,842,791 |    | 11,120,318 | 10,8 |
| Diluted                                        |    | 11,736,415 |    | 11,720,499 |    | 11,268,718 |    | 11,702,890 | 11,1 |
| Shares repurchased during the period           |    | 104        |    | 11,953     |    | 5,701      |    | 19,786     |      |

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## FINANCIAL CONDITION

-----  
In thousands except share and per share data)

| ASSETS                               | Sept 30,<br>2004 | Jun 30,<br>2004 | Sept 30,<br>2003 | Dec 31,<br>2003 |
|--------------------------------------|------------------|-----------------|------------------|-----------------|
| -----                                | -----            | -----           | -----            | -----           |
| Cash and due from banks              | \$ 65,800        | \$ 53,699       | \$ 72,320        | \$ 77,298       |
| Securities available for sale        | 583,196          | 600,048         | 592,830          | 674,942         |
| Securities held to maturity          | 49,554           | 51,211          | 12,528           | 27,232          |
| Federal Home Loan Bank stock         | 35,698           | 35,387          | 34,262           | 34,693          |
| Loans receivable:                    |                  |                 |                  |                 |
| Held for sale                        | 8,303            | 5,887           | 23,593           | 15,912          |
| Held for portfolio                   | 1,976,100        | 1,903,532       | 1,668,392        | 1,711,013       |
| Allowance for loan losses            | (29,407)         | (28,037)        | (26,161)         | (26,060)        |
|                                      | 1,954,996        | 1,881,382       | 1,665,824        | 1,700,865       |
| Accrued interest receivable          | 14,930           | 14,341          | 13,944           | 13,410          |
| Real estate owned held for sale, net | 2,923            | 3,564           | 6,849            | 2,967           |
| Property and equipment, net          | 35,351           | 32,815          | 22,074           | 22,818          |
| Goodwill and other intangibles, net  | 36,405           | 36,441          | 36,563           | 36,513          |
| Deferred income tax asset, net       | 5,266            | 7,024           | 1,391            | 1,941           |
| Bank-owned life insurance            | 34,957           | 34,529          | 33,218           | 33,669          |
| Other assets                         | 11,086           | 9,629           | 10,563           | 8,965           |
|                                      | -----            | -----           | -----            | -----           |
|                                      | \$ 2,830,162     | \$ 2,760,070    | \$ 2,502,366     | \$ 2,635,313    |
|                                      | =====            | =====           | =====            | =====           |

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## LIABILITIES

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### Deposits:

Non-interest-

bearing

\$ 229,624 \$ 209,704 \$ 203,396 \$ 205,656

Interest-bearing

1,681,548 1,622,889 1,502,324 1,465,284

-----  
1,911,172 1,832,593 1,705,720 1,670,940

### Borrowings:

Advances from

Federal Home

Loan Bank

530,958 555,058 461,552 612,552

Junior

subordinated

debentures

72,168 72,168 55,000 56,703

Other borrowings

79,080 72,539 58,764 69,444

-----  
682,206 699,765 575,316 738,699

Accrued expenses

and other

liabilities

21,288 17,911 19,139 18,444

Deferred

compensation

4,931 4,739 4,006 4,252

Income taxes

payable

50 2,768 -- 178

-----  
2,619,647 2,557,776 2,304,181 2,432,513

## STOCKHOLDERS' EQUITY

-----

Common stock

125,672 125,438 121,383 123,375

Retained earnings

88,796 85,494 77,411 80,286

Accumulated other

comprehensive

income

183 (4,461) 4,166 3,191

Unearned shares of

common stock

issued to

Employee Stock

Ownership Plan

(ESOP) trust: at

cost

(3,628) (3,628) (4,264) (3,589)

Net carrying value

of stock related

deferred

compensation

plans

(508) (549) (511) (463)

-----  
210,515 202,294 198,185 202,800

-----  
\$ 2,830,162 \$ 2,760,070 \$ 2,502,366 \$ 2,635,313

=====

### Shares Issued:

Shares outstanding

at end of period

11,652,816 11,630,434 11,415,636 11,473,331

Less unearned

ESOP shares at

end of period

438,985 438,985 515,960 434,299

-----

Shares outstanding

at end of period

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|                                                  |            |            |            |            |
|--------------------------------------------------|------------|------------|------------|------------|
| excluding<br>unearned ESOP<br>shares             | 11,213,831 | 11,191,449 | 10,899,676 | 11,039,032 |
|                                                  | =====      | =====      | =====      | =====      |
| Book value per<br>share (1)                      | \$ 18.77   | \$ 18.08   | \$ 18.18   | \$ 18.37   |
| Tangible book<br>value per share<br>(1)          | \$ 15.53   | \$ 14.82   | \$ 14.83   | \$ 15.06   |
| Consolidated<br>Tier 1 leverage<br>capital ratio | 8.85%      | 8.86%      | 8.64%      | 8.73%      |

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

(more)

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## ADDITIONAL FINANCIAL INFORMATION (Dollars in thousands)

|                                                            |                  |                 |                  |                 |
|------------------------------------------------------------|------------------|-----------------|------------------|-----------------|
| LOANS (including loans<br>held for sale):                  | Sept 30,<br>2004 | Jun 30,<br>2004 | Sept 30,<br>2003 | Dec 31,<br>2003 |
| Commercial real estate                                     | \$ 531,714       | \$ 506,411      | \$ 433,800       | \$ 455,964      |
| Multifamily real estate                                    | 104,713          | 104,936         | 76,397           | 89,072          |
| Construction and land                                      | 451,393          | 433,611         | 392,819          | 398,954         |
| Commercial business                                        | 364,235          | 340,493         | 326,368          | 321,671         |
| Agricultural business<br>including secured by<br>farmland  | 156,110          | 160,920         | 122,890          | 118,903         |
| One- to four-family<br>real estate                         | 298,759          | 287,990         | 274,723          | 275,197         |
| Consumer                                                   | 77,479           | 75,058          | 64,988           | 67,164          |
| Total loans<br>outstanding                                 | \$1,984,403      | \$1,909,419     | \$1,691,985      | \$1,726,925     |
|                                                            | =====            | =====           | =====            | =====           |
| NON-PERFORMING ASSETS:                                     | Sept 30,<br>2004 | Jun 30,<br>2004 | Sept 30,<br>2003 | Dec 31,<br>2003 |
| Loans on non-accrual<br>status                             | \$ 20,091        | \$ 24,118       | \$ 23,209        | \$ 28,010       |
| Loans more than 90<br>days delinquent,<br>still on accrual | 579              | 1,139           | 1,227            | 421             |
|                                                            | -----            | -----           | -----            | -----           |

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|                                              |           |           |           |           |
|----------------------------------------------|-----------|-----------|-----------|-----------|
| Total non-performing loans                   | 20,670    | 25,257    | 24,436    | 28,431    |
| Real estate owned (REO) / Repossessed assets | 3,051     | 3,613     | 7,164     | 3,132     |
|                                              | -----     | -----     | -----     | -----     |
| Total non-performing assets                  | \$ 23,721 | \$ 28,870 | \$ 31,600 | \$ 31,563 |
|                                              | =====     | =====     | =====     | =====     |
| Total non-performing assets / Total assets   | 0.84%     | 1.05%     | 1.26%     | 1.20%     |

|                                                     | Quarters Ended |              |               | 9 Months Ended |               |
|-----------------------------------------------------|----------------|--------------|---------------|----------------|---------------|
|                                                     | Sept 30, 2004  | Jun 30, 2004 | Sept 30, 2003 | Sept 30, 2004  | Sept 30, 2003 |
| CHANGE IN THE ALLOWANCE FOR LOAN LOSSES:            | -----          | -----        | -----         | -----          | -----         |
| Balance, beginning of period                        | \$28,037       | \$26,885     | \$26,075      | \$26,060       | \$26,539      |
| Provision                                           | 1,444          | 1,450        | 1,400         | 4,344          | 5,900         |
| Recoveries of loans previously charged off          | 975            | 285          | 566           | 1,411          | 920           |
| Loans charged-off                                   | (1,049)        | (583)        | (1,880)       | (2,408)        | (7,198)       |
|                                                     | -----          | -----        | -----         | -----          | -----         |
| Net ( charge-offs ) recoveries                      | (74)           | (298)        | (1,314)       | (997)          | (6,278)       |
|                                                     | -----          | -----        | -----         | -----          | -----         |
| Balance, end of period                              | \$29,407       | \$28,037     | \$26,161      | \$29,407       | \$26,161      |
|                                                     | =====          | =====        | =====         | =====          | =====         |
| Net charge-offs / Average loans outstanding         | 0.00%          | 0.02%        | 0.08%         | 0.05%          | 0.38%         |
| Allowance for loan losses / Total loans outstanding | 1.48%          | 1.47%        | 1.55%         | 1.48%          | 1.55%         |

(more)

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## ADDITIONAL FINANCIAL INFORMATION (Dollars in thousands) (Rates / Ratios Annualized)

|                                     | Quarters Ended |              |              | 9 Months Ended |              |
|-------------------------------------|----------------|--------------|--------------|----------------|--------------|
|                                     | Sept 30, 2004  | Jun 30, 2004 | Sep 30, 2003 | Sept 30, 2004  | Sep 30, 2003 |
| OPERATING PERFORMANCE:              | -----          | -----        | -----        | -----          | -----        |
| Average loans                       | \$1,952,163    | \$1,858,449  | \$1,698,796  | \$1,854,229    | \$1,638,796  |
| Average securities and deposits     | 683,520        | 721,778      | 628,485      | 706,990        | 605,778      |
| Average non-interest-earning assets | 155,668        | 149,293      | 170,972      | 156,169        | 162,778      |

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|                                                       |             |             |             |             |             |
|-------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total average assets                                  | \$2,791,351 | \$2,729,520 | \$2,498,253 | \$2,717,388 | \$2,406,000 |
| Average deposits                                      | \$1,858,240 | \$1,776,837 | \$1,691,159 | \$1,768,856 | \$1,599,000 |
| Average borrowings                                    | 700,034     | 725,047     | 586,894     | 719,220     | 594,000     |
| Average non-interest-earning liabilities              | 24,321      | 20,468      | 23,470      | 21,429      | 17,000      |
| Total average liabilities                             | 2,582,595   | 2,522,352   | 2,301,523   | 2,509,505   | 2,211,000   |
| Total average stock-holders' equity                   | 208,756     | 207,168     | 196,730     | 207,883     | 195,000     |
| Total average liabilities and equity                  | \$2,791,351 | \$2,729,520 | \$2,498,253 | \$2,717,388 | \$2,406,000 |
| Interest rate yield on loans                          | 6.74%       | 6.56%       | 6.83%       | 6.65%       | 7.00%       |
| Interest rate yield on securities and deposits        | 4.28%       | 4.20%       | 3.32%       | 4.25%       | 3.00%       |
| Interest rate yield on interest-earning assets        | 6.10%       | 5.90%       | 5.89%       | 5.99%       | 6.00%       |
| Interest rate expense on deposits                     | 1.94%       | 1.90%       | 2.09%       | 1.91%       | 2.00%       |
| Interest rate expense on borrowings                   | 3.54%       | 3.34%       | 4.04%       | 3.40%       | 4.00%       |
| Interest rate expense on interest-bearing liabilities | 2.38%       | 2.32%       | 2.59%       | 2.34%       | 2.00%       |
| Interest rate spread                                  | 3.72%       | 3.58%       | 3.30%       | 3.65%       | 3.00%       |
| Net interest margin                                   | 3.79%       | 3.65%       | 3.35%       | 3.71%       | 3.00%       |
| Other operating income / Average assets               | 0.68%       | 0.61%       | 0.88%       | 0.62%       | 0.00%       |
| Other operating expense / Average assets              | 2.98%       | 2.88%       | 2.84%       | 2.91%       | 2.00%       |
| Efficiency ratio (other operating expense / revenue)  | 70.09%      | 70.98%      | 70.91%      | 70.66%      | 69.00%      |
| Return on average assets                              | 0.74%       | 0.67%       | 0.66%       | 0.69%       | 0.00%       |
| Return on average equity                              | 9.84%       | 8.83%       | 8.38%       | 9.04%       | 8.00%       |
| Average equity / Average assets                       | 7.48%       | 7.59%       | 7.87%       | 7.65%       | 8.00%       |

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