

BANNER CORP
Form FWP
June 17, 2010

\$150 Million Offering
of Common Stock
June 2010
Better ideas. Better banking.
Filed Pursuant to Rule 433

Edgar Filing: BANNER CORP - Form FWP

Issuer Free Writing Prospectus dated June 17, 2010
Relating to Preliminary Prospectus Supplement
dated June 17, 2010
Registration No. 333-164259
Registration No. 333-167597

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Disclosure Statement

The Company proposes to issue the common shares pursuant to a prospectus supplement that will be filed as part of an existing Securities and Exchange Commission on Form S-3. The offering may be made only by means of a prospectus and related prospectus supplement. Investors should read the prospectus in that registration statement, the preliminary prospectus supplement and the other documents the Company has filed with the SEC for more complete information about the Company and the offering. Investors may obtain the prospectus from the SEC website at www.sec.gov. Alternatively, copies of the preliminary prospectus supplement and the prospectus relating to the offering may be obtained from Third Street North, Great Falls, MT 59401, 1-800-332-5915, Sandler O'Neill + Partners, L.P., 919 Third Avenue, 6th Floor, New York, NY 10022, Wright Ragen Incorporated, 925 Fourth Avenue, Suite 3900, Seattle, WA 98104, 1-888-567-6297.

The Private Securities Litigation Report Act of 1995 provides a "safe harbor" for certain forward-looking statements. This prospectus supplement with respect to the Corporation's financial condition, results of operations, plans, objectives, future performance or business. These statements are subject to risks and uncertainties, including those identified below, which could cause future results to differ materially from historical results.

The words "believe," "expect," "anticipate," "intend," "estimate," "goals," "would," "could," "should" and other expressions with forward-looking statements. We caution readers not to place undue reliance on these forward-looking statements, which is based only on information known as of their dates, and if no date is provided, then such statements speak only as of today. There are a number of important factors that could affect our historical results or those anticipated, including, but not limited to: the credit risks of lending activities, including changes in the levels of general interest rates, and the relative difference between deposit interest rates, our net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold home mortgage estate values in our market areas; secondary market conditions for loans and our ability to sell loans in the secondary market; regulatory actions of the Federal Reserve System (the Federal Reserve Board) and of our bank subsidiaries by the Federal Deposit Insurance Corporation, Department of Financial Institutions, Division of Banks (the Washington DFI) or other regulatory authorities, including the possibility that they may do other things, institute a formal or informal enforcement action against us or our bank subsidiaries which could require us to increase or change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our business and restrictions that have been imposed upon Banner Corporation and Banner Bank under the memoranda of understanding with the FDIC (in the case of Banner Corporation) and the FDIC and the Washington DFI (in the case of Banner Bank) and the possibility that Banner Corporation may not fully comply with the memoranda of understanding, which could result in the imposition of additional requirements or restrictions; changes in our business including changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules; our ability to control operating costs and expenses; our ability to control operating costs and expenses; the use of estimates in determining fair value which may be incorrect and result in significant declines in valuation; staffing fluctuations in response to product demand or the implementation of new products and potential associated charges; the failure or security breach of computer systems on which we depend; our ability to retain key personnel; the nature and effects of litigation, including settlements and judgments; our ability to implement our business strategies; our ability to successfully integrate systems, and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within the time period related thereto; increased competitive pressures among financial services companies; changes in consumer spending, borrowing patterns, and address changes in laws, rules, or regulations or to respond to regulatory actions; our ability to pay dividends on our common stock and our junior subordinated debentures; adverse changes in the securities markets; inability of key third-party providers to perform their obligations; and accounting issues and details of the implementation of new accounting methods; changes to the regulatory capital treatment of assets; and other competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services; future actions of the Department of Treasury Troubled Asset Relief Program (TARP) Capital Purchase Program and the other risks described elsewhere in our accompanying prospectus and the documents incorporated therein by reference.

The Corporation does not undertake any obligation to update any forward-looking statement to reflect circumstances or events which may affect the statement is made.

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Use of Non-GAAP Financial Measures

Tangible equity, tangible common equity and tangible common equity to tangible assets are non-GAAP financial measures. We calculate tangible equity by excluding the balance of goodwill and other intangible

assets

from

shareholders

equity.

We

calculate

tangible

common
equity
by
excluding

preferred equity from tangible equity. We calculate tangible assets by excluding the balance of goodwill and other intangible assets from total assets. We believe that this is consistent with the treatment by our bank regulatory agencies, which exclude goodwill and other intangible assets from the calculation of risk-based capital ratios. Accordingly, management believes that these non-GAAP financial measures provide information to investors that is useful in understanding the basis of our risk-based capital ratios.

In
addition,
by
excluding
preferred
equity
(the
level
of
which
may
vary
from

company to company), it allows investors to more easily compare our capital adequacy to other companies in the industry who also use this measure. We calculate normalized pre-tax, pre-provision earnings by adding provision for loan losses to income before income taxes and exclude net change in valuation of financial instruments carried at fair value, other-than-temporary impairment losses and goodwill write-off. Management believes normalized pre-tax, pre-provision earnings is useful in assessing the Company's core performance and trends, particularly during times of economic stress. These non-GAAP financial measures are supplemental and are not a substitute for any analysis based on GAAP financial measures. Because not all companies use the same calculations of tangible common equity, tangible assets and normalized pre-tax, pre-provision earnings, these presentations may not be comparable to other similarly titled measures as calculated by other companies.

Reconciliations of the non-GAAP financial measures are provided in Appendix D and in the Summary of Selected Consolidated Financial Information section of the preliminary prospectus supplement.

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Transaction Overview

Issuer:

Banner Corporation

Ticker / Exchange:

BANR / NASDAQ GSM

Type of Offering:

Follow-on Public Offering

Type of Security:

Common Stock

Transaction Size:

\$150 million

Over-Allotment Option:

15%

Use of Proceeds:

Provide capital to Banner Bank to strengthen the bank's regulatory capital ratios, to support managed growth and for general working capital purposes

Book-Running Manager:

D.A. Davidson & Co.

Co-Managers:

Sandler O'Neill + Partners, L.P.

McAdams Wright Ragen Incorporated

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Key Management Personnel
D.
Michael
Jones,
Chief
Executive
Officer
Mark
J.
Grescovich,
President

Lloyd
W.
Baker,
Executive
Vice
President
&
Chief
Financial
Officer
Richard
B.
Barton,
Executive
Vice
President
&
Chief
Lending/Credit
Officer

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A.
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D.
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5.

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3.

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Credit Quality

2.

Strategy and Opportunities

1.

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1.
Strategy and Opportunities

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Strategy and Opportunities

Banner Corporation (Banner
or BANR) is raising capital to allow it
to focus on three key areas

Core Strengths

continue to invest in those areas that have established
Banner as a strong franchise in its market areas

Areas for Attention

credit quality and improved deposit pricing

Growth Strategy

implement organic growth strategies to capitalize on the current market disruption

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Market Overview

While regional factors influence the market as a whole, BANR operates in distinct markets with unique drivers

Stable base of rural markets

Strong platform in metropolitan areas will provide growth when recovery occurs

Boise/SW Idaho

Deposits: \$182 million

Loans: \$285 million

NPAs: \$31 million

% of Total NPAs: 10.5%

of Branches: 7

Eastern WA

Deposits: \$628 million

Loans: \$506 million

NPAs: \$11 million

% of Total NPAs: 3.8%

of Branches: 19

Puget Sound

Deposits: \$1.2 billion

Loans: \$1.4 billion

NPAs: \$128 million

% of Total NPAs: 43.6%

of Branches: 29

Portland

Deposits: \$303 million

Loans: \$602 million

NPAs: \$90 million

% of Total NPAs: 30.6%

of Branches: 9

Columbia Basin

Deposits: \$1.5 billion

Loans: \$914 million

NPAs: \$29 million

% of Total NPAs: 9.9%

of Branches: 25

Notes: All information is as of March 31, 2010

\$19 million of loans were outside of our core market, of which \$5 million was non-performing (1.6% of total NPAs)

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Banner Strategy and Opportunity

Internal Focus

Transitioning to

External Opportunities

1)

Improve capitalization to continue to
weather the storm

2)

Continue to focus on aggressive
problem asset resolution

3)

Lower funding costs and grow core earnings base

4)

Prepare for impact from failed institutions

5)

Look for small, strategic opportunities

-

Customers

-

People/teams

-

Assets

1)

Market environment presents opportunities

-

Improved pricing on assets and liabilities

-

Reduced competition opportunity for market share gains

2)

Find fill-in opportunities

-

Branches

-

Small assisted deals

9 to 18 month Strategy

18 to 36 month Strategy

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Large, diversified financial institution with a mix of markets, each driven by diverse economic factors

Over 55% of deposit customer base in stable, rural markets

Columbia Basin

Eastern WA (Spokane)

(2)

Platform in higher-growth, metropolitan markets

Puget Sound

Portland

Boise

Core Strengths

(1)

Includes \$124 million issued to the U.S. Treasury under the Capital Purchase Program (TARP)

(2)

Eastern WA includes two branches in Lewiston, ID

Financial

Highlights

(3/31/2010):

Total Assets:

\$4.6 billion

Total Loans:

\$3.7 billion

Total Deposits:

\$3.8 billion

Total Shareholders

Equity

(1)

: \$407 million

Portland

7.9%

Boise/SW ID

4.7%

Columbia Basin

39.2%

Eastern WA (2)

16.3%

Puget Sound

31.9%

Deposits by Region

3/31/2010

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Core Strengths

Diversified loan portfolio

(1)

Excludes goodwill impairment, OTTI losses, and net change in valuation of financial instruments carried at fair value (See Appendix A)

Stable pre-tax, pre-provision earnings

(1)

Stable trends in last three quarters

C&D

18.1%

Farm & Ag.

5.1%

Consumer

3.0%

C&I

16.7%

Non-Owner

Occ. CRE

15.1%

Owner Occ.

CRE

14.0%

Multi-Family

4.0%

1-4 Family

24.0%

\$0

\$2

\$4

\$6

\$8

\$10

\$12

\$14

Q1 2008

Q2 2008

Q3 2008

Q4 2008

Q1 2009

Q2 2009

Q3 2009

Q4 2009

Q1 2010

0.00%

0.20%

0.40%

0.60%

0.80%

1.00%

1.20%

PTPP Earnings

PTPP as % of Avg. Assets

Loan

Composition

Q1

2010

13

Areas for Attention

Continue to aggressively manage the
loan portfolio and resolve problem
assets

Stable trends over the last four quarters

Cost of Funds

Improve funding costs

Focus on core deposits

Improvement as branch network

matures

NPAs/Assets

0.00%

0.50%

1.00%

1.50%

2.00%

2.50%

3.00%

3.50%

Q1 2008

Q2 2008

Q3 2008

Q4 2008

Q1 2009

Q2 2009

Q3 2009

Q4 2009

Q1 2010

Most recent safety & soundness

FDIC exam completed

0%

1%

2%

3%

4%

5%

6%

7%

Q1 2008

Q2 2008

Q3 2008

Q4 2008

Q1 2009

Q2 2009

Q3 2009

Q4 2009

Q1 2010

14
2.
Credit Quality

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Loan Review and Monitoring

Internal

Key staffing additions/changes have been made:

Hired new President with significant credit experience

Restructured Mortgage Lending Division and hired senior level workout officers

Added to Real Estate and Commercial Special Assets groups

Added to/strengthened commercial credit administration and credit examination

Policy guideline reviews and detailed individual loan stress testing

External

PCBB

has

been
engaged
since
2008
to
complete
quarterly
portfolio
stress
tests

FDIC exam concluded in September, 2009

Moss Adams audit concluded in March, 2010

Third party loan review (national accounting firm) concluded in April, 2010

957 loans that represent 56% of commercial loan balances

Recommended potential alternative rating of nonperforming for \$28 million in commitments, or 0.9% of outstanding commercial loan portfolio, all but \$600 thousand were already rated substandard

Additional recommended potential alternative rating for new substandard (but accruing) commitments of \$44 million

There were no charge-off recommendations

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Loan Composition is Improving

Problem assets are principally in C&D portfolio (75% of NPAs)

Reduced C&D portfolio by approximately \$557 million since 12/31/2007

Aggressive management includes

Early identification

Proactive management

Creative internal programs to facilitate problem resolution (Great Northwest Home Rush and Peace of Mind Home Loan programs)

Charge-offs and foreclosures

Q4 2007 (\$3.8 billion)

Q1 2010 (\$3.7 billion)

1-4 Family

14.8%
Multi-Family
4.4%
Owner Occ.
CRE
9.5%
Non-Owner
Occ. CRE
13.7%
C&I
18.3%
Consumer
2.5%
Farm & Ag.
4.9%
C&D
32.1%
C&D
18.1%
Farm & Ag.
5.1%
Consumer
3.0%
C&I
16.7%
Non-Owner
Occ. CRE
15.1%
Owner Occ.
CRE
14.0%
Multi-Family
4.0%
1-4 Family
24.0%

17
0%
1%
2%
3%
4%
5%
6%
7%
Q1 2008
Q2 2008
Q3 2008

Q4 2008

Q1 2009

Q2 2009

Q3 2009

Q4 2009

Q1 2010

Early Problem Asset Recognition

Proactive credit management and problem recognition

Commercial real estate portfolios are being proactively managed including loan by loan stress testing to identify potential problem assets

Nonaccrual loans as a % of total delinquent loans is approximately 87%

Credit issues remain concentrated in 1-4 family residential construction and land portfolios

LLR/NPLs

NCOs/Avg. Loans

NPAs/Assets

0.00%

0.50%

1.00%

1.50%

2.00%

2.50%

3.00%

3.50%

4.00%

Q1 2008

Q2 2008

Q3 2008

Q4 2008

Q1 2009

Q2 2009

Q3 2009

Q4 2009

Q1 2010

0%

10%

20%

30%

40%

50%

60%

70%

80%

90%

100%

Q1 2008

Q2 2008

Q3 2008

Q4 2008

Q1 2009

Q2 2009

Q3 2009

Q4 2009

Q1 2010

Most recent safety &
soundness FDIC exam
completed

Most recent
safety &
soundness FDIC
exam completed

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Positive Recent Credit Quality Trends

Credit quality began to stabilize late in 2009

Nonperforming loans decreased in the most recent quarter

OREO has increased as Banner has taken control of properties in order to move them
Surfacing of new problem loans has slowed over the last 6 months

Nonaccrual Loan Composition History
(000s)

Nonaccrual Composition

Q1 2008

Q2 2008

Q3 2008

Q4 2008

Q1 2009

Q2 2009

Q3 2009

Q4 2009

Q1 2010

Commercial RE

3,273

\$

5,907

\$

6,368

\$

12,879

\$

15,180

\$

7,244

\$

8,073

\$

7,300

\$

6,801

\$

Multifamily RE

-

-

-

-

-

-

-

-

968

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

-

Construction & Land

44,192

70,340

98,108

154,823

175,794

180,989

193,281

159,264

138,245

1-4 Family RE

2,869

5,526

6,583

8,649

21,900

15,167

18,107

14,614

19,777

Commercial business

3,114

6,875

6,905

8,617

7,500

10,508

15,070

21,640

19,353

Agricultural business

386

265

265

1,880

2,176

7,478

5,868

6,277

8,013

Consumer

40

-

427

130

275

2,058

-

3,923

3,387

Total Nonaccrual Loans

53,874

\$

88,913

\$

118,656

\$

186,978

\$
 223,793
 \$
 223,444
 \$
 240,399
 \$
 213,401
 \$
 195,949
 \$
 % of Gross Loans
 1.40%
 2.24%
 2.97%
 4.72%
 5.72%
 5.71%
 6.17%
 5.63%
 5.31%
 Credit Quality History
 (000s)
 Q1 2008
 Q2 2008
 Q3 2008
 Q4 2008
 Q1 2009
 Q2 2009
 Q3 2009
 Q4 2009
 Q1 2010
 Nonaccrual Loans
 \$53,874
 \$88,913
 \$118,656
 \$186,978
 \$223,793
 \$223,444
 \$240,399
 \$213,401
 \$195,949
 Nonaccrual Securities
 0
 0
 0
 0
 160
 0
 1,236

4,232
 3,000
 Restructured Loans
 2,026
 7,771
 15,514
 23,635
 27,550
 55,031
 55,161
 43,683
 45,471
 OREO & Repo'd Assets
 7,579
 11,397
 10,153
 21,886
 39,109
 57,197
 53,765
 77,802
 95,167
 30+ PD Loans
 32,889
 23,197
 18,587
 61,124
 111,677
 31,453
 21,242
 34,156
 51,328
 Noncurrent & Restructured Assets
 \$96,368
 \$131,278
 \$162,910
 \$293,623
 \$402,289
 \$367,125
 \$371,803
 \$373,274
 \$390,915
 % Change
 31.5%
 36.2%
 24.1%
 80.2%
 37.0%
 -8.7%
 1.3%

0.4%

4.7%

(1)

OREO includes real estate owned and repossessed assets held for sale

Note: All \$ s in 000s

Nonperforming Asset Composition 3/31/2010

Commercial RE

2.3%

1-4 Family RE

6.7%

Agricultural business

2.7%

Securities on

nonaccrual

1.0%

Consumer

1.2%

Commercial

business

6.6%

Multifamily RE

0.1%

OREO

(1)

32.4%

Construction & Land

47.0%

19

Asset Resolution is Critical

Over the last 4 quarters

Approximately \$50 million of OREO has been sold

OREO was sold at approximately 97% of carrying value

(000s)

Q1 2008

Q2 2008

Q3 2008

Q4 2008

Q1 2009

Q2 2009

Q3 2009

Q4 2009

Q1 2010

Balance, beginning of period

1,867

\$

7,572

\$

11,390

\$

10,147

\$

21,782

\$

38,951

\$

56,967

\$

53,576

\$

77,743

\$

New Foreclosures - Transfer in from loans

6,106

4,223

3,277

13,630

19,175

32,863

10,013

39,802

28,161

Additional investment in property values

55

137

229

227

1,039

1,624

1,689

1,712

752

Valuation adjustments (Provisions)

-

(368)

-

(455)

(50)

(63)

(1,466)

(64)

(1,067)

Proceeds from the Sale of OREO

(444)

(174)

(4,230)

(1,976)

(3,094)

(16,112)

(13,439)

(10,064)

(9,814)

Disposition - Transfer to PP&E

-

-

-

-

-

-

-

(7,030)

-

Gain (Loss) on Sale of OREO

(12)

-

(519)

209

99

(296)

(188)

(189)

(701)

Balance, end of period

7,572

\$

11,390

\$

10,147

\$

21,782

\$

38,951

\$

56,967

\$

53,576

\$

77,743

\$

95,074

\$

OREO Summary

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3.
Capital Position

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Capital is Critical to the Strategy

Provides cushion to sustain the Company through prolonged downturn

Strengthens balance sheet position when external opportunities present themselves

(1)

Pro forma

capital

ratios

do

not

assume

exercise

of
the
overallotment
option.

Assumes

6.0%

total
offering

costs

and

20%

blended

risk

weighting

on

new

capital

(2)

See Appendix D and prospectus supplement for reconciliation of non-GAAP financial measures

Risk Based Capital Ratios (Holding Company)

Before and

After

\$150

million

Capital

Raise

(000s)

Actual

Pro Forma

Tang. Common Equity / Tang. Assets

(2)

6.1%

8.9%

Leverage Ratio

9.8%

12.5%

Tier 1 Ratio

11.7%

15.3%

Total Risk-Based Capital Ratio

12.9%

16.5%

Excess over 10% leverage

-

\$

116,003

\$

Excess over 12% Total Risk Based Capital

35,198

\$

173,125

\$

At 3/31/2010

(1)

22

Stress Tests

SCAP

Loss scenario based on loss
rates used in the SCAP more
adverse stress test determined

over life of portfolio, computed
as of Q4 2008 on possible loss
estimates to certain loan
categories

Note: Loss % based on loss rates (midpoint of range) from the Board of Governors of the Federal Reserve System study: Super

Note: Loss rates for 2009 are Banner Bank & Community Financial Corporation (CFC), a wholly owned subsidiary of Banner

Historical

Historical loss rate stress test
using 2009 Banner loss rates,
computed as of Q1 2010, and
then doubled to account for a
two-year period

(000s)

Balance

%

\$ Amt.

First Lien 1-4 Family

612,692

\$

3.50%

(21,444)

\$

Closed-End Jr Lien 1-4 Family

50,669

\$

23.50%

(11,907)

\$

Revolving 1-4 Family (HE lines)

153,327

\$

9.50%

(14,566)

\$

Commercial & Industrial

623,455

\$

6.50%

(40,525)

\$

Ag Production

148,290

\$

6.50%

(9,639)

\$

Commercial Real Estate

1,015,717

\$

8.00%

(81,257)
 \$
 Farm Real Estate
 55,764
 \$
 10.50%
 (5,855)
 \$
 Multifamily Real Estate
 151,815
 \$
 10.50%
 (15,941)
 \$
 Construction & Development
 1,047,055
 \$
 16.50%
 (172,764)
 \$
 Credit Cards & Consumer LOC
 22,605
 \$
 19.00%
 (4,295)
 \$
 Other Consumer (excl rev)
 68,752
 \$
 10.00%
 (6,875)
 \$
 Other
 18,372
 \$
 7.00%
 (1,286)
 \$
 Total
 3,968,513
 \$
 9.74%
 (386,354)
 \$
 Asset Category (Q4 2008)
 More Adverse Loss Scenario
 (000s)
 Balance
 %
 \$ Amt.

First Lien 1-4 Family

717,310

\$

2.08%

(14,920)

\$

Closed-End Jr Lien 1-4 Family

44,341

\$

2.30%

(1,020)

\$

Revolving 1-4 Family (HE lines)

171,471

\$

2.08%

(3,567)

\$

Commercial & Industrial

570,676

\$

3.70%

(21,115)

\$

Ag Production

124,799

\$

3.88%

(4,842)

\$

Commercial Real Estate

1,074,526

\$

0.00%

-

\$

Farm Real Estate

62,272

\$

3.22%

(2,005)

\$

Multifamily Real Estate

148,152

\$

0.00%

-

\$

Construction & Development

685,616

\$
14.96%
(102,568)
\$
Credit Cards & Consumer LOC
21,435
\$
6.24%
(1,338)
\$
Other Consumer (excl rev)
59,272
\$
3.82%
(2,264)
\$
Other
20,535
\$
1.18%
(242)
\$
Total
3,700,405
\$
4.16%
(153,881)
\$
Asset Category (Q1 2010)
Historical Loss Scenario

23

Capital Cushion Provides Room for Additional Loan Stress

SCAP Loss Estimates

(000s)

More Adverse

(1)

Possible Loss

(386,000)

\$

Excess Provision above 1.5%

40,000

Capital Impact

(346,000)

Future core earnings

(2)

68,000

DRIP / DPP proceeds

(3)

30,000

Net Charge-off Recapture

102,000

(4)

Pro Forma Capital Impact

(146,000)

\$

Risk Based Capital Ratio @ 3/31/2010

12.9%

Adjusted RBC Ratio

9.4%

Capital needed to remain above "well capitalized" (10%)

20,000

\$

Capital needed for 12% RBC ratio

93,000

\$

Leverage Ratio @ 3/31/2010

9.8%

Adjusted Leverage Ratio

6.8%

Capital needed to remain above "well capitalized" (5%)

-

\$

Capital needed for 10% leverage ratio

142,000

\$

(1)

Treasury's SCAP loss estimates were computed as of December 31, 2008 for a two year period ending December 31, 2010.

This analysis extends that termination point to December 31, 2011 (one year beyond the original termination point) given

(2)

Credit for future core earnings calculated through December 2011 using Q1 2010 pre-tax pre-provision earnings, excluding gain

(3)

Credit for DRIP/DPP proceeds calculated through December 2011 using Q1 2010 DRIP/DPP proceeds.

(4)

Includes impact of \$102 million in NCOs over the past 5 quarters ended 3/31/2010.

24
4.
Funding

25

Deposit Snapshot

Third largest WA-based commercial bank
ranked by deposits

Strong market share in stable, rural markets
Significant opportunities in higher growth,
metropolitan markets

Cost of Funds

0.00%

0.50%

1.00%

1.50%

2.00%
2.50%
3.00%
3.50%
Q1 2008
Q2 2008
Q3 2008
Q4 2008
Q1 2009
Q2 2009
Q3 2009
Q4 2009
Q1 2010
Deposit
Composition

Q1
2010
(1)
Deposit data as of 6/30/2009
Region
Total
Branches
in Region
Number of
BANR
Branches
in Region
Total
Deposits in
Region (\$000)
Total BANR
Deposits
in Region
(\$000)
BANR
Regional
Market
Share
Columbia Basin
230
25
\$9,102,925
\$1,590,208
17.5%
Puget Sound
891
29
69,021,046
1,176,928

1.7%

Eastern Washington

176

19

9,126,924

597,084

6.5%

Portland

523

9

30,554,342

263,281

0.9%

Boise/SW Idaho

226

7

8,661,742

158,131

1.8%

Region Totals

2,046

89

\$126,466,979

\$3,785,632

3.0%

Regional Deposit Market Share

(1)

Jumbo CDs

26.9%

Transaction

23.8%

MMDA &

Savings

26.9%

Retail CDs

22.4%

26

Core Deposit Summary

Opportunities with immature branch network

27 branches less than five years old

3 acquisitions since 2006

Significant
improvement

in

non-CD

deposit

accounts

21.5%
growth
year-over-year
Low reliance on wholesale funding
(000s)
Q1 2009
Q1 2010
\$ Change
% Change
Non-interest bearing
508,593
\$
549,291
\$
40,698
\$
8.0%
Interest bearing checking
307,741

366,786

59,045

19.2%
Regular savings accounts
490,239

577,704

87,465

17.8%
Money market accounts
301,857

459,811

157,954

52.3%
Total CDs
2,019,074

1,896,186

(122,888)

-6.1%
Total deposits

3,627,504

\$

3,849,778

\$

222,274

\$

6.1%

Total Non CD Deposits

1,608,430

\$

1,953,592

\$

345,162

\$

21.5%

Deposit Balances

Q1 2009 to Q1 2010

27

Area of Opportunity

Rate by Category

(1)

Interest bearing checking

0.56%

Savings

1.04%

Money market

1.27%

Retail CDs

2.52%

Jumbo CDs

2.51%

(1)

Weighted average rates for the last day of the month, ended March 31, 2010

Brokered Deposits

Public Funds

\$1.6 billion in CDs maturing over next four quarters

Cost of funds reduction of 173 bps over last 8 quarters ended 3/31/2010

Maturity

Total CDs

Maturity by Quarter

% of

Total

Weighted Avg Rate

by Quarter

Q2 2010

335,752,636

\$

17.7%

1.93%

Q3 2010

750,932,661

39.6%

2.70%

Q4 2010

263,328,917

13.9%

2.36%

Q1 2011

256,061,974

13.5%

2.47%

Q2 2011

75,661,294

4.0%

2.36%

Q3 2011

58,392,833

3.1%

2.61%

Q4 2011

29,092,568

1.5%
2.81%
Q1 2012
40,895,518

2.2%
2.42%
> Q1 2012
86,067,526

4.5%
3.74%
1,896,185,928

\$
100.0%

\$0
\$50
\$100
\$150
\$200
\$250
\$300
\$350
\$400
\$450

Q1 2008
Q2 2008
Q3 2008
Q4 2008
Q1 2009
Q2 2009
Q3 2009
Q4 2009
Q1 2010

\$0
\$50
\$100
\$150
\$200
\$250
\$300

Q1 2008
Q2 2008
Q3 2008
Q4 2008
Q1 2009
Q2 2009
Q3 2009
Q4 2009
Q1 2010

28
5.
Earnings Power

29

Core Earnings Strength

Net Interest Margin

Pre-tax, Pre-Provision Earnings

(1)

NIM improved consistently, up 36 bps over the last three quarters, despite continued drag from NPAs

Loan yields are stable and cost of funds continues to decline

Disciplined expense control

2.00%

2.50%

3.00%

3.50%

4.00%

Q1 2008

Q2 2008

Q3 2008

Q4 2008

Q1 2009

Q2 2009

Q3 2009

Q4 2009

Q1 2010

(1)

Excludes goodwill impairment, OTTI losses, and net change in valuation of financial instruments carried at fair value (See Appendix A)

\$0

\$2

\$4

\$6

\$8

\$10

\$12

\$14

Q1 2008

Q2 2008

Q3 2008

Q4 2008

Q1 2009

Q2 2009

Q3 2009

Q4 2009

Q1 2010

0.00%

0.20%

0.40%

0.60%

0.80%

1.00%

1.20%

PTPP Earnings

PTPP as % of Avg. Assets

30

Performance Initiatives to Bolster Core Earnings

Comprehensive Portfolio Management

Continue

portfolio

review

process

to

quickly

detect

and

react

to
any
deteriorating
trends
Aggressively manage criticized and classified relationships
Aggressively
manage
NPAs
and
OREO
for
maximum
realization
of
asset
values
Systemic Revenue Enhancement
Maximize risk based pricing options for margin expansion
Enhance relationship profitability tools to improve client and banker revenue
contribution
Maximize product penetration and cross sell ratios through client relationship
strategies
Continuous product pricing/value review
Portfolio Mix Improvement and Market Share Expansion
Expand market share in newer/under penetrated markets with robust prospecting
and sales process for commercial and retail bankers
Expand market penetration with more wholesome C&I client relationships
Continue execution on core deposit growth initiatives

31
6.
Final Considerations

32

What has Changed Since December 2009 Roadshow

Two additional quarters of results that confirm:

Stabilization of credit quality

Improvement of core earnings

Further additions to the management team

Better visibility on regional economic conditions

\$150 million capital raise provides significant cushion

33

Relative Valuation

(1)

See prospectus supplement for reconciliation of non-GAAP financial measures

(2)

Pre-tax, pre-provision earnings (PTPP) represent last twelve months results and exclude goodwill impairment, OTTI losses, and

Negative results are displayed as NM

(3)

Peer Group A: Publicly-traded banks in WA, OR, ID & MT with total assets above \$1 billion who have raised over \$40 million

(4)

Peer Group B: Other publicly-traded banks in WA, OR, ID & MT with assets above \$1 billion

(5)

COLB results are adjusted for Q2 2010 offering

Source: SNL Financial

Banner's stock valuation

is well below both peer

groups on a price to

tangible book basis

Significant discount on

pre-tax, pre-provision

earnings multiple

Short interest of 17% of

total shares outstanding

has been an impediment

Mkt. Cap to

Current

Price as of

Mkt. Cap.

Price /

LTM PTPP

Dividend

Company Name

Ticker

State

6/16/2010

(\$M)

Tang. Book

(1)

Earnings

(2)

Yield

Peer Group A

(3)

Umpqua Holdings Corporation

UMPQ

OR

12.48

\$

1,429.1

\$

155.0%

10.7x

1.60%

Glacier Bancorp, Inc.

GBCI

MT

15.71

\$

1,129.7

\$

166.4%

7.1x

3.31%

Columbia Banking System, Inc.

(5)

COLB

WA

20.23

\$

794.5

\$

149.5%

12.9x

0.20%

First Interstate BancSystem, Inc.

FIBK

MT

15.81

\$

676.3

\$

138.3%

5.6x

2.85%

West Coast Bancorp

WCBO

OR

2.95

\$

276.5

\$

113.7%

NM

0.00%

Washington Banking Company

WBCO

WA

13.24

\$

202.6

\$

148.9%

10.4x

0.91%

Pacific Continental Corporation

PCBK

OR

10.59

\$

194.8

\$

134.2%

7.2x
0.38%
Heritage Financial Corporation
HFWA
WA
14.95
\$
165.7
\$
134.9%
8.3x
0.00%
Median
476.4
\$
143.6%
8.3x
0.65%
Peer Group B
(4)
PremierWest Bancorp
PRWT
OR
0.51
\$
51.2
\$
86.4%
3.8x
0.00%
Sterling Financial Corporation
STSA
WA
0.75
\$
39.2
\$
NM
0.7x
0.00%
Cascade Bancorp
CACB
OR
0.58
\$
16.3
\$
107.6%
NM
0.00%

Cascade Financial Corporation

CASB

WA

1.25

\$

15.3

\$

28.2%

1.0x

0.00%

AmericanWest Bancorporation

AWBC

WA

0.23

\$

4.0

\$

NM

NM

0.00%

Median

16.3

\$

86.4%

1.0x

0.00%

Banner Corporation

BANR

WA

3.64

\$

85.7

\$

29.9%

2.4x

1.10%

34

Key Considerations

Large, diversified platform with strong presence in stable markets and opportunities in growth markets

Diversified loan portfolio with stable/improving credit quality trends

Opportunities to continue to grow core earnings through improving funding mix and cost

Strong additions to management team

Capital provides cushion to weather prolonged downturn and fund future growth at the appropriate time

35

A.

Loan Breakdown and Credit Metrics

36
Largest Lending Relationships
Balance
3/31/10
1
Coml
RE / Animal Feed Products
Pass
\$38,563,481
\$36,404,817
2
Homebuilder

Substandard

20,468,995

20,468,995

3

Investment Banking

Pass

20,000,000

-

4

Individual -

various investments

Pass

20,000,000

20,000,000

5

Operator of Skilled nursing facilities

Substandard

19,650,885

19,606,226

\$96,480,038

6

Homebuilder and Res A&D

Substandard

19,201,635

19,201,635

7

Comml

RE -

multifamily and other

Pass

18,554,250

12,913,648

8

Homebuilder

Substandard

18,081,816

18,081,816

9

Coml

RE multifamily

Pass

17,370,525

17,370,525

10

Homebuilder

Substandard

16,551,095

12,144,760

\$176,192,423

11

Comml

RE and Comml

A&D

Pass

16,138,771

15,932,381

12

Homebuilder

Pass

15,913,000

12,465,873

13

Comml

RE -

Office

Pass

15,898,818

15,898,818

14

Comml

RE retail grocery (owner occupied)

Pass

15,195,406

14,515,562

15

Comml

RE -

mini storage

Pass

15,154,893

13,335,489

\$248,340,546

16

Hospital

Pass

15,119,276

15,119,276

17

Native Am. Casion

& associated hotel

Pass

15,000,000

13,255,813

18

Drilling contractor

Pass

13,507,962

9,695,314

19

Seafood Processing

Pass
13,437,500
11,950,165
20
Homebuilder and Res A&D
Substandard
13,380,918
12,759,461
\$311,120,576
21
Comml
RE -
mixed use
Pass
13,357,490
11,179,279
22
Comml
RE -
mixed use
Pass
13,320,955
13,222,277
23
Comml
RE -
health club (owner occupied)
Pass
13,136,212
13,136,212
24
Homebuilder and Res A&D
Pass
12,788,288
7,306,931
25
Food Processing
Pass
12,000,000
1,298,824
\$421,792,173
\$357,264,097
Total Loan Portfolio
3,688,856,691
\$
Top 20 Relationships
represent 8.43% of all
loans
Top 25 Relationships
represent 9.68% of all

loans

Top 15 Relationships
represent 6.73% of all
loans

Top 25
Relationships

Top 5 Relationships
represent 2.62% of all
loans

Top 10 Relationships
represent 4.78% of all
loans

Business

Risk Rating

Commitment

Amount

37

Loan and Credit Quality Comparison

Note: Data as of March 31, 2010; Percentages in table are expressed as a percentage of the total loan portfolio balances.

54% of Q1 2010 NCOs were related to construction & development loans

(000s)

Loan Category

\$

%

\$

%

\$

%

\$
%
\$
%

Commercial real estate owner occupied

515,542

\$
14.0%

30,609

\$
5.9%

3,663

\$
0.7%

-

\$
0.0%

8,465

1.6%

Commercial real estate investment property

557,134

15.1%

36,842

6.6%

3,138

0.6%

92

0.0%

12,244

2.2%

Multifamily real estate

147,659

4.0%

840
0.6%
373
0.3%
-
0.0%
2,024
1.4%
Commercial construction
83,879
2.3%
9,622
11.5%
1,552
1.9%
-
0.0%
1,552
1.9%
Multifamily construction
61,924
1.7%
11,282
18.2%
11,283
18.2%

-

0.0%

11,282

18.2%

One- to four-family construction

213,438

5.8%

75,353

35.3%

32,241

15.1%

1,776

0.8%

34,525

16.2%

Residential land and land development

256,607

7.0%

126,991

49.5%

78,972

30.8%

5,361

2.1%

74,075

28.9%

Commercial land and land development

48,194

1.3%

17,347

36.0%

14,197

29.5%

200

0.4%

16,368

34.0%

Commercial business

616,396

16.7%

59,595

9.7%

19,353

3.1%

3,494

0.6%

27,928

4.5%

Agricultural business including secured by farmland

187,207

5.1%

14,505

7.7%

8,013

4.3%

2

0.0%

9,549

5.1%

One- to four-family real estate

697,565

18.9%

33,153

4.8%

19,777

2.8%

1,031

0.1%

19,598

2.8%

Consumer

303,312

8.2%

6,237

2.1%

3,448

1.1%

1,580

0.5%

7,939

2.6%

Total loans outstanding

3,688,857

\$

100.0%

422,376

\$

11.5%

196,010

\$

5.3%

13,536

\$

0.4%

225,549

\$

6.1%

Past Due

Balances

Classified

NPL

Q1 2010 NCOs

38

Breakdown

Construction & Development

Highest priority is continuing to reduce this portfolio

Creative loan programs have aided in reducing this portfolio

Performing vs. Non-Performing

Net Charge-offs

Note: Information as of 3/31/2010; dollars in millions

Puget Sound

Loans: \$217 million

NPLs: \$65 million
Portland
Loans: \$238 million
NPLs: \$47 million
Columbia Basin
Loans: \$100 million
NPLs: \$15 million
Eastern WA
Loans: \$65 million
NPLs: \$7 million
Boise/SW Idaho
Loans: \$44 million
NPLs: \$4 million
\$0
\$5
\$10
\$15
\$20
\$25
\$30
Q1
2008
Q2
2008
Q3
2008
Q4
2008
Q1
2009
Q2
2009
Q3
2009
Q4
2009
Q1
2010
C&D Concentrations
Amount
% of Total
Residential A&D
\$129
19%
Residential improved lots
77
12%
Residential unimproved
51
8%

Commercial A&D
9
1%
Improved land
20
3%
Unimproved land
19
3%
Commercial construction
84
13%
Multifamily construction
62
9%
1-4 family construction
213
32%
Total
\$664
\$0
\$200
\$400
\$600
\$800
\$1,000
\$1,200
\$1,400
Q1
2008
Q2
2008
Q3
2008
Q4
2008
Q1
2009
Q2
2009
Q3
2009
Q4
2009
Q1
2010
Performing Loans
Non-Accrual Loans

39
Breakdown
Commercial Real Estate
Less than 15% of CRE portfolio matures in next
three years
Very
low
delinquency
rate
on
NOO
CRE

2.0%

Note: Information as of 3/31/2010; dollars in millions

Columbia Basin

Loans: \$293 million

NPLs: \$4 million

Eastern WA

Loans: \$242 million

NPLs: \$400 thousand

Boise/SW Idaho

Loans: \$81 million

NPLs: \$0

Portland

Loans: \$99 million

NPLs: \$300 thousand

Puget Sound

Loans: \$506 million

NPLs: \$2 million

Net Charge-offs

Performing vs. Non-Performing

CRE Concentrations

Amount

% of Total

Amount

% of Total

Office

\$86

17%

\$151

21%

Retail

85

16%

120

17%

Warehouse/Industrial

131

26%

45

6%

Multifamily

0

0%

147

21%

Healthcare

52

10%

40

5%

Hotel/motel
0
0%
48
7%
C-Store/Service Station
42
8%
4
1%
Other
89
17%
82
12%
Islander's CRE
31
6%
68
10%
Total
\$516
\$705
Owner Occupied
Non-Owner Occupied
\$0
\$200
\$400
\$600
\$800
\$1,000
\$1,200
Q1
2008
Q2
2008
Q3
2008
Q4
2008
Q1
2009
Q2
2009
Q3
2009
Q4
2009
Q1
2010

Performing Loans
Non-Accrual Loans
(\$5)
\$0
\$5
\$10
\$15
\$20
\$25
\$30
Q1
2008
Q2
2008
Q3
2008
Q4
2008
Q1
2009
Q2
2009
Q3
2009
Q4
2009
Q1
2010

40

Breakdown

Commercial

&

Industrial

Note: Information as of 3/31/2010; dollars in millions

\$18 million of loans were outside of our core market, including \$5 million of NPLs

Well diversified C&I portfolio, both by
geography and borrower type/size

Normal charge-off experience over the past
few years

Eastern WA

Loans: \$122 million

NPLs: \$2 million

Boise/SW Idaho

Loans: \$64 million

NPLs: \$700 thousand

Columbia Basin

Loans: \$141 million

NPLs: \$700 thousand

Portland

Loans: \$36 million

NPLs: \$400 thousand

Puget Sound

Loans: \$235 million

NPLs: \$12 million

Net Charge-offs

Performing vs. Non-Performing

\$0

\$5

\$10

\$15

\$20

\$25

\$30

Q1

2008

Q2

2008

Q3

2008

Q4

2008

Q1

2009

Q2

2009

Q3

2009

Q4

2009

Q1

2010

C&I Concentrations

Amount

% of Total

Manufacturing

\$102

17%

RE, rental & leasing

94

15%
Construction
76
13%
Finance & Insurance
67
11%
Health care
49
8%
Wholesale Trade
50
8%
Retail Trade
42
7%
Transportation/Warehousin
24
3%
Other
112
18%
Total
\$616
\$0
\$100
\$200
\$300
\$400
\$500
\$600
\$700
\$800
Q1
2008
Q2
2008
Q3
2008
Q4
2008
Q1
2009
Q2
2009
Q3
2009
Q4
2009
Q1

2010
Performing
Loans
Non-Accrual
Loans

41

Breakdown

Residential Real Estate

Large portfolio provides some stability in
tough operating markets

Most of the NCOs are mark to market
charges associated with the Great N.W.

Home Rush

Note: Information as of 3/31/2010; dollars in millions

\$1 million of loans were outside of our core market, including no NPLs

Eastern WA

Loans: \$63 million

NPLs: \$2 million
Boise/SW Idaho
Loans: \$37 million
NPLs: \$1 million
Columbia Basin
Loans: \$220 million
NPLs: \$4 million
Portland
Loans: \$221 million
NPLs: \$9 million
Puget Sound
Loans: \$350 million
NPLs: \$6 million
\$0
\$5
\$10
\$15
\$20
\$25
\$30
Q1
2008
Q2
2008
Q3
2008
Q4
2008
Q1
2009
Q2
2009
Q3
2009
Q4
2009
Q1
2010
1-4 Family Concentrations
Amount
% of Total
1-4 Family 1st liens
\$698
78%
1-4 Family Jr. Liens
171
19%
1-4 Family Home Equity LOCs
23
3%

Total
\$892
Net Charge-offs
Performing vs. Non-Performing
\$0
\$200
\$400
\$600
\$800
\$1,000
Q1
2008
Q2
2008
Q3
2008
Q4
2008
Q1
2009
Q2
2009
Q3
2009
Q4
2009
Q1
2010
Performing Loans
Non-Accrual Loans

42

Breakdown

Farm & Agriculture

Diversified production agriculture portfolio

geographically diversified in the Columbia

Basin and Southern Idaho

Overall good credit quality as industry

fundamentals have been strong

substandard loans total \$14.5 million

Note: Information as of 3/31/2010; dollars in millions

Ag Concentrations

Amount

% of Total
Field Crops

\$57

30%

Grains

28

15%

Livestock

39

21%

Dairies

27

15%

Potato

14

7%

Wineries

5

3%

Other

17

9%

Total

\$187

Eastern WA

Loans: \$3 million

NPLs: \$0

Boise/SW Idaho

Loans: \$53 million

NPLs: \$6 million

Columbia Basin

Loans: \$121 million

NPLs: \$2 million

Portland

Loans: \$2 million

NPLs: \$0

Puget Sound

Loans: \$8 million

NPLs: \$0

Performing vs. Non-Performing

Net Charge-offs

\$0

\$50

\$100

\$150

\$200

\$250

Q1

2008

Q2

2008
Q3
2008
Q4
2008
Q1
2009
Q2
2009
Q3
2009
Q4
2009
Q1
2010
Performing Loans
Non-Accrual Loans
(\$5)
\$0
\$5
\$10
\$15
\$20
\$25
\$30
Q1
2008
Q2
2008
Q3
2008
Q4
2008
Q1
2009
Q2
2009
Q3
2009
Q4
2009
Q1
2010

43

Breakdown

Consumer

Small portfolio of credit cards, car loans, and
boat & RV loans

Charge-offs are at low levels

Eastern WA

Loans: \$11 million

NPLs: \$0

Boise/SW Idaho

Loans: \$6 million

NPLs: \$0

Columbia Basin

Loans: \$39 million

NPLs: \$0

Portland

Loans: \$6 million

NPLs: \$100 thousand

Puget Sound

Loans: \$47 million

NPLs: \$400 thousand

Note: Information as of 3/31/2010; dollars in millions

\$0

\$5

\$10

\$15

\$20

\$25

\$30

Q1

2008

Q2

2008

Q3

2008

Q4

2008

Q1

2009

Q2

2009

Q3

2009

Q4

2009

Q1

2010

Cons. Concentrations

Amount

% of Total

Credit Cards

\$17

16%

Other Cons Revolv

11

10%

Other Cons Loans

81

74%

Total

\$109

Net Charge-offs

Performing vs. Non-Performing

\$0
\$25
\$50
\$75
\$100
\$125
\$150
Q1
2008
Q2
2008
Q3
2008
Q4
2008
Q1
2009
Q2
2009
Q3
2009
Q4
2009
Q1
2010
Performing Loans
Non-Accrual Loans

44

B.

Non-Interest Income and Expense

45

Other Revenue Opportunities

Account acquisition and retention yielding consistent service charge income

Core competency in mortgage banking

(000s)

\$

%

Non-Interest Income

Q1 2009

Q1 2010

Change

Change

Deposit fees and other service charges

4,936

\$

5,169

\$

233

\$

4.7%

Net change in valuation of financial instruments
carried at fair value

(3,253)

677

3,930

NM

Mortgage banking operations

2,715

948

(1,767)

-65.1%

Loan servicing fees

(270)

313

583

NM

Miscellaneous

520

617

97

18.7%

Total non-interest income

4,648

\$

7,724

\$

3,076

\$

66.2%

46

Control Over Non-Interest Expense

Core non-interest
expense items decreased
5.1% in Q1 2010

Salary and employee
benefits declined by 3.4%,
partially due to a
decrease in headcount

Professional fees, FDIC
deposit insurance and
OREO costs increased by

\$3.2 million in Q1 2010

(000s)

\$

%

Non-Interest Expense

Q1 2009

Q1 2010

Change

Change

Core

non-interest

expense

items

Salary & employee benefits

15,485

\$

14,954

\$

(531)

\$

-3.4%

Occupancy & equipment

6,054

5,604

(450)

-7.4%

Information/computer data services

1,534

1,506

(28)

-1.8%

Payment and card processing expenses

1,453

1,424

(29)

-2.0%

Advertising and marketing

1,832

1,950

118

6.4%

State business and use taxes

540

480

(60)

-11.1%

Amortization of core deposit intangibles

690

644

(46)

-6.7%
Miscellaneous
2,891
2,376
(515)
-17.8%
Total core non-interest expense items
30,479
28,938
(1,541)
-5.1%
Other
non-interest
expense
items
Professional services
1,194
1,287
93
7.8%
FDIC deposit insurance
1,497
2,132
635
42.4%
Real estate operations
623
3,058
2,435
390.9%
Total other non-interest expense items
3,314
6,477
3,163
95.4%
Total non-interest expense
33,793
\$
35,415
\$
1,622
\$
4.8%

47
C.
Demographic Information

48

Demographics by Region

Population

Income

BANR operates in attractive regions; all of the regions BANR serves have higher projected population and income growth rates than the national average

Source: SNL Financial as of May 5, 2010

Region

Avg. Median HH

Income 2009

Avg. HH Inc. Change

2000 - 2009

Avg. Projected
HH Inc. Change
2009 - 2014

Columbia Basin
\$47,146
28.1%
5.3%

Puget Sound
60,253
29.5%
5.5%

Eastern WA
46,611
30.4%
6.3%

Portland
63,290
30.5%
5.2%

Boise / SW Idaho
52,579
35.1%
6.4%

US
\$54,719
29.8%
4.1%

Region
Total Population
2009 (actual)
Avg. Population
Change
2000 - 2009

Avg. Projected
Pop. Change
2009 - 2014

Columbia Basin
783,768
11.8%
4.9%

Puget Sound
3,034,960
14.8%
6.6%

Eastern WA
528,589
7.0%
3.4%

Portland
2,074,245

17.2%

7.7%

Boise / SW Idaho

654,865

30.2%

13.0%

US

309,731,508

10.1%

4.6%

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D.

Reconciliation of Non-GAAP Financial Measures

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Reconciliation of Non-GAAP Financial Measures
Tangible Equity, Tangible Common Equity and Tangible Assets
Normalized Pre-Tax, Pre-Provision Earnings

(000s)

At March 31,

2010

Reconciliation of non-GAAP financial measures:

Stockholders' equity

\$406,724

Goodwill

0

Other intangible assets, net
 10,426
 Tangible equity
 \$396,298
 Preferred equity
 117,805
 Tangible common equity
 \$278,493
 Total assets
 \$4,581,711
 Goodwill
 0
 Other intangible assets, net
 10,426
 Tangible assets
 \$4,571,285
 (000s)
 Q1 2008
 Q2 2008
 Q3 2008
 Q4 2008
 Q1 2009
 Q2 2009
 Q3 2009
 Q4 2009
 Q1 2010
 Income (Loss) Before Provision For Income Taxes
 \$5,343
 (\$54,610)
 (\$2,338)
 (\$83,473)
 (\$16,186)
 (\$26,989)
 (\$11,824)
 (\$7,818)
 (\$3,541)
 ADD: Provision for Loan Losses
 6,500
 15,000
 8,000
 33,000
 22,000
 45,000
 25,000
 17,000
 14,000
 LESS: Net Change in Valuation Of Financial Instruments Carried At Fair Value
 823
 649
 (6,056)

13,740
(3,253)
11,211
5,982
(1,411)
1,908
ADD: Other-Than-Temporary Impairment Losses
0
0
0
0
0
(162)
(1,349)
0
(1,231)
ADD: Goodwill Write-Off
0
50,000
0
71,121
0
0
0
0
0
Normalized Pre-Tax, Pre-Provision Earnings
\$11,020
\$9,741
\$11,718
\$6,908
\$9,067
\$6,962
\$8,543
\$10,593
\$9,782