



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Banner Corporation

Person to be contacted regarding this report:	Lloyd W. Baker, EVP/CFO
UST Sequence Number:	0063
CPP Funds Received:	124,000,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Nov 21, 2008
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	2126977
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	28489
City:	Walla Walla
State:	Washington

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The stronger capital position added to our ability to fund credit-worthy borrowers. We specifically increased our advertising directed at lending programs, including small business loans and special low rate financing for purchasers of new construction homes that our builders were marketing.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Residential mortgage loans, including special low rate financing for purchasers of newly constructed homes that were being marketed by our builders; Small and mid-sized business loans; Agricultural business loans; and Consumer loans.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The additional capital allowed us to purchase local municipal notes and bonds that we likely would not otherwise have purchased.

<input checked="" type="checkbox"/>	Make other investments	We invested in fixed assets for four new branches in 2009 that we likely would not have opened without the capital infusion.
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	Our reserves for loan losses were increased by \$20 million in 2009, from 1.90% of total loans at December 31, 2008 to 2.51% of total loans at December 31, 2009.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	Our net charge-offs were \$89 million for the year ended December 31, 2009 compared to \$33 million for the year ended December 31, 2008.
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

While our loan totals were down for the year ended December 31, 2009 largely because of weak demand in the recessionary environment, we likely would have further curtailed new loan originations without the CPP capital infusion. We also likely would have reduced our staffing and implemented other expense reduction strategies designed to conserve capital to meet regulatory guidelines.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The capital infusion from the CPP funds allowed us to initiate an aggressive marketing campaign to assist our builders to sell their existing inventory of newly constructed homes by providing significant media advertising support and special low interest rate financing for home purchasers. This "Great Northwest Home Rush" campaign received national attention as an example of the positive use of TARP funding and provided meaningful stimulus to sales. The additional capital also allowed us to continue to aggressively pursue and fund loans and bonds from local municipalities and other governmental entities, including housing authorities serving low and moderate income families. Further, we opened four new branch locations in 2009, including the construction of a new two story office building in downtown Everett, Washington. Without the CPP funding, all of this loan, investment and branching activity would likely have been curtailed in 2009 in an effort to limit growth and conserve capital to meet regulatory capital guidelines.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.



According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.