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BANNER CORP  
Form 8-K  
January 27, 2004

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): January 27, 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 | (I.R.S. 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)

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits  
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(c) Exhibits

99.1 Press Release of Banner Corporation dated January 27, 2004.

Item 12. Results of Operations and Financial Condition  
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On January 27, 2004, Banner Corporation issued its earnings release for the third quarter ended December 31, 2003. A copy of the earnings release is attached hereto as Exhibit 99.1, which is incorporated herein by reference.

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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: January 27, 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

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BANNER CORPORATION FOURTH QUARTER NET INCOME INCREASES TO \$4.4 MILLION;  
-----

2003 PROFITS INCREASE 74% TO \$16.1 MILLION AS LOAN AND DEPOSIT PORTFOLIOS GROW  
-----

Walla Walla, WA January 27, 2004 Banner Corporation (Nasdaq: BANR), the parent of Banner Bank, today reported improved net interest income and growth in assets and deposits contributed to the increase in net income for the quarter and year ended December 31, 2003, compared to the quarter and year ended December 31, 2002. For all of 2003, net income increased 74% to \$16.1 million, or \$1.44 per diluted share, compared to \$9.3 million, or \$0.82 per diluted share, for 2002. For the fourth quarter of 2002, the Company reported a loss of \$1.6 million, or \$0.14 per diluted share, compared to net income of \$4.4 million, or \$0.39 per diluted share, for the fourth quarter of 2003.

"It is particularly encouraging to end 2003 with an improving net interest margin for the fourth quarter, compared to the third quarter. We also continued to grow our balance sheet, which allowed net interest income to increase compared to a year ago despite the margin pressure caused by an extended period of exceptionally low market interest rates," said D. Michael Jones, President and Chief Executive Officer. "And despite a disappointment in the most recent quarter, we have made important strides over the past year addressing asset quality."

Credit Quality

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Non-performing assets were \$31.6 million, or 1.20% of total assets, at December 31, 2003, a 25% reduction from \$42.2 million, or 1.86% of total assets, at December 31, 2002. The loan loss provision for the fourth quarter was \$1.4 million, level with the provision in the third quarter, and a substantial reduction from the \$10.0 million provision for the fourth quarter a year ago. At December 31, 2003, the allowance for loan losses totaled \$26.1 million, representing 1.51% of total loans outstanding, compared to \$26.2 million, or 1.55% of total loans, at September 30, 2003, and \$26.5 million, or 1.69% of total loans, at December 31, 2002. "Unfortunately, during the fourth quarter, we placed one large agricultural borrowing relationship on non-accrual status, which offset a significant amount of improvement with respect to other non-performing assets. Nonetheless, for the year, we made meaningful progress improving asset quality," said Jones. "We are committed to achieving and maintaining a high quality loan portfolio."

### Income Statement Review

Net interest margin increased 22 basis points to 3.57% for the quarter ended December 31, 2003, compared to 3.35% for the prior quarter. In the fourth quarter of 2002 the net interest margin was 3.86%. For the full year, the net interest margin was 3.53%, compared to 3.91% for the prior year. "After declining to a low point in the third quarter as a result of accelerated prepayments on mortgage-related assets, the yield on the securities portfolio rebounded to over 4%, while the cost of deposits and borrowing continued to decline. The combined effect contributed to the expansion in our fourth quarter net interest margin," said Jones. "While we expect continued pressure on the margin in the current low rate environment, this improvement is notable."

Revenues (net interest income before the provision for loan losses plus other operating income) for 2003 increased 6% to \$100.2 million, compared to \$94.2 million for 2002. For the fourth quarter, revenues increased to \$25.3 million, compared to \$25.1 million for the same quarter of 2002.

"As refinancing activity slows, mortgage banking operations are returning to more normal levels. While this decreases our other operating income, it also decreases related expenses," said Jones. For the quarter, income from mortgage banking operations, including loan servicing fees, was \$1.6 million, compared to \$3.1 million for the fourth quarter of 2002. Deposit fees and other service charges increased 24% for the quarter and year ended December 31, 2003, to \$1.8 million and \$7.2 million, respectively, compared to \$1.5 million and \$5.8 million for the same periods of 2002. Total other operating income for the quarter was \$3.8 million, compared to \$5.2 million for the same quarter last year. For 2003, other operating income grew 23% to \$19.6 million, compared to \$15.9 million for 2002.

(more)

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Other operating expense was \$17.7 million for the quarter ended December 31, 2003, compared to \$17.9 million for the third quarter of 2003 and \$18.0 million for the fourth quarter of 2002, in part reflecting the decline in mortgage banking activity. For 2003, other operating expense totaled \$69.9

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million, compared to \$60.4 million for the prior year. The ratio of other operating expense to average assets was 2.75% for the fourth quarter, compared to 2.84% for the third quarter of 2003 and 3.23% for the fourth quarter of 2002. For the year, the expense ratio was 2.86%, compared to 2.81% for 2002. Factors contributing to the higher annual operating expenses include the increase in branches and lending centers, substantially augmented lending staff, increases in compensation to real estate lenders due to their exceptional volumes, higher problem loan collection costs, and increased marketing expenditures.

### Balance Sheet Review

"While loan payoffs and sales reduced the balance of one- to four-family loans, our loan portfolio continued its overall growth," said Jones. "Commercial and multifamily real estate, construction and land development loans have grown 19% from a year ago and now account for 55% of the portfolio, compared to 50% of the portfolio at December 31, 2002. Commercial business and agricultural lending has increased 14% over the past twelve months and now represents 26% of the total portfolio." Net loans grew 10%, to \$1.7 billion at December 31, 2003, from \$1.6 billion a year ago, despite a \$49 million, or 14%, decline in one- to four-family loans. Excluding the one- to four-family loan portfolio, net loans increased 17% for the year.

Assets increased 16%, to \$2.6 billion at December 31, 2003, compared to \$2.3 billion a year earlier. Deposits grew 12%, to \$1.7 billion, compared to \$1.5 billion at December 31, 2002. "The growth of deposits, and the declining cost of these deposits, is a welcome sign of our success in attracting and retaining good quality customers," Jones added. Book value per share increased to \$18.37 at December 31, 2003, from \$17.64 per share a year earlier. Tangible book value totaled \$15.06 per share at December 31, 2003, compared to \$14.24 a year earlier.

On December 18, 2003, the company announced a 7% increase in its quarterly cash dividend to \$0.16 per share. The dividend was paid January 9, 2004, to shareholders of record on December 31, 2003.

### Conference Call

The company will host a conference call today, Tuesday, January 27, 2004, at 8:00 a.m. PST, to discuss the fourth quarter and full year results. The conference call can 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 567992 until Tuesday, February 3, 2004 or via the Internet at [www.fulldisclosure.com](http://www.fulldisclosure.com) through February 10, 2004.

### About the Company

Banner Corporation is the parent of Banner Bank, a commercial bank which operates a total of 42 branch offices and nine loan offices in 20 counties in Washington, Oregon and Idaho. Banner 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

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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, 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

(In thousands except share and per share data )

|  | Quarters Ended |              |              | Year Ended   |              |
|--|----------------|--------------|--------------|--------------|--------------|
|  | Dec 31, 2003   | Sep 30, 2003 | Dec 31, 2002 | Dec 31, 2003 | Dec 31, 2002 |
| <b>INTEREST INCOME:</b>                              |                |              |              |              |              |
| Loans receivable                                     | \$ 28,711      | \$ 29,260    | \$ 30,492    | \$ 116,211   | \$ 116,211   |
| Mortgage-backed securities                           | 3,857          | 2,227        | 2,526        | 12,319       | 12,319       |
| Securities and cash equivalents                      | 3,221          | 3,035        | 2,615        | 11,911       | 11,911       |
|  | 35,789         | 34,522       | 35,633       | 140,441      | 140,441      |
| <b>INTEREST EXPENSE:</b>                             |                |              |              |              |              |
| Deposits   | 8,373          | 8,889        | 9,455        | 34,984       | 34,984       |
| Federal Home Loan Bank advances                      | 5,056          | 5,339        | 5,604        | 21,842       | 21,842       |
| Trust preferred securities                           | 674            | 446          | 467          | 2,233        | 2,233        |
| Other borrowings                                     | 226            | 188          | 226          | 789          | 789          |
|  | 14,329         | 14,862       | 15,752       | 59,848       | 59,848       |
| Net interest income before provision for loan losses | 21,460         | 19,660       | 19,881       | 80,593       | 80,593       |
| PROVISION FOR LOAN LOSSES                            | 1,400          | 1,400        | 10,000       | 7,300        | 7,300        |
| Net interest income after provision for loan losses  | 20,060         | 18,260       | 9,881        | 73,293       | 73,293       |
| <b>OTHER OPERATING INCOME:</b>                       |                |              |              |              |              |
| Loan servicing fees                                  | 368            | 241          | 475          | 1,056        | 1,056        |

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|  |            |            |            |            |       |
|--|------------|------------|------------|------------|-------|
| Deposit fees and other service charges                       | 1,832      | 1,895      | 1,473      | 7,224      |       |
| Mortgage banking revenues                                    | 1,217      | 2,924      | 2,674      | 9,447      |       |
| Gain (loss) on sale of securities                            | 45         | 15         | - -        | 63         |       |
| Miscellaneous  | 379        | 464        | 557        | 1,791      |       |
|  | -----      | -----      | -----      | -----      |       |
| Total other operating income                                 | 3,841      | 5,539      | 5,179      | 19,581     |       |
| OTHER OPERATING EXPENSE:                                     |            |            |            |            |       |
| Salary and employee benefits                                 | 11,737     | 12,495     | 10,505     | 47,032     |       |
| Less capitalized loan origination costs                      | (1,618)    | (2,028)    | (1,737)    | (7,196)    |       |
| Occupancy and equipment information / computer data services | 896        | 930        | 1,069      | 3,532      |       |
| Miscellaneous  | 4,254      | 4,024      | 5,883      | 16,933     |       |
|  | -----      | -----      | -----      | -----      |       |
| Total other operating expense                                | 17,676     | 17,868     | 17,979     | 69,876     |       |
|  | -----      | -----      | -----      | -----      |       |
| Income before provision for income taxes                     | 6,225      | 5,931      | (2,919)    | 22,998     |       |
| PROVISION FOR INCOME TAXES                                   | 1,821      | 1,778      | (1,362)    | 6,891      |       |
|  | -----      | -----      | -----      | -----      |       |
| NET INCOME   | \$ 4,404   | \$ 4,153   | \$ (1,557) | \$ 16,107  | \$    |
|  | =====      | =====      | =====      | =====      | ===== |
| Earnings per share   |            |            |            |            |       |
| Basic  | \$ 0.40    | \$ 0.38    | \$ (0.14)  | \$ 1.49    | \$    |
| Diluted  | \$ 0.39    | \$ 0.37    | \$ (0.14)  | \$ 1.44    | \$    |
| Cumulative dividends declared per common share               | \$ 0.16    | \$ 0.15    | \$ 0.15    | \$ 0.61    | \$    |
| Weighted average shares outstanding                          |            |            |            |            |       |
| Basic  | 10,885,611 | 10,842,791 | 10,738,460 | 10,830,365 | 10,   |
| Diluted  | 11,423,747 | 11,268,718 | 11,094,056 | 11,216,784 | 11,   |
| Shares repurchased during the period                         | 14,931     | 5,701      | 58,490     | 23,657     |       |
|  |            | (more)     |            |            |       |

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FINANCIAL CONDITION

(In thousands except share and per share data )

|        | Dec 31, 2003 | Sep 30, 2003 | Dec 31, 2002 |
|--------|--------------|--------------|--------------|
|        | -----        | -----        | -----        |
| ASSETS |              |              |              |
| -----  |              |              |              |

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|                                |              |              |              |
|--------------------------------|--------------|--------------|--------------|
| Cash and due from banks        | \$ 77,298    | \$ 72,320    | \$ 132,910   |
| Securities available for sale  | 674,942      | 592,830      | 421,222      |
| Securities held to maturity    | 27,232       | 12,528       | 13,253       |
| Federal Home Loan Bank stock   | 34,693       | 34,262       | 32,831       |
| Loans receivable:              |              |              |              |
| Held for sale                  | 15,912       | 23,593       | 39,366       |
| Held for portfolio             | 1,711,013    | 1,668,392    | 1,534,100    |
| Allowance for loan losses      | (26,060)     | (26,161)     | (26,539)     |
|                                | -----        | -----        | -----        |
|                                | 1,700,865    | 1,665,824    | 1,546,927    |
| Accrued interest receivable    | 13,410       | 13,944       | 13,689       |
| Real estate held for sale, net | 2,967        | 6,849        | 6,062        |
| Property and equipment, net    | 22,818       | 22,074       | 20,745       |
| Goodwill and other intangibles | 36,513       | 36,563       | 36,714       |
| Deferred income tax asset, net | 1,941        | 1,391        | 2,786        |
| Bank owned life insurance      | 33,669       | 33,218       | 31,809       |
| Other assets                   | 8,965        | 10,563       | 4,224        |
|                                | -----        | -----        | -----        |
|                                | \$ 2,635,313 | \$ 2,502,366 | \$ 2,263,172 |
|                                | =====        | =====        | =====        |

LIABILITIES

-----

Deposits:

|                      |            |            |            |
|----------------------|------------|------------|------------|
| Non-interest-bearing | \$ 205,656 | \$ 203,396 | \$ 200,500 |
| Interest-bearing     | 1,465,284  | 1,502,324  | 1,297,278  |
|                      | -----      | -----      | -----      |
|                      | 1,670,940  | 1,705,720  | 1,497,778  |

Borrowings:

|   |         |         |         |
|---|---------|---------|---------|
| Advances from Federal Home Loan Bank Trust preferred securities | 612,552 | 461,552 | 465,743 |
| Other borrowings  | 56,703  | 55,000  | 40,000  |
|   | 69,444  | 58,764  | 41,202  |
|   | -----   | -----   | -----   |
|   | 738,699 | 575,316 | 546,945 |

|  |           |           |           |
|--|-----------|-----------|-----------|
| Accrued expenses and other liabilities | 18,444    | 19,139    | 24,700    |
| Deferred compensation                  | 4,252     | 4,006     | 3,372     |
| Income taxes payable                   | 178       | - -       | - -       |
|  | -----     | -----     | -----     |
|  | 2,432,513 | 2,304,181 | 2,072,795 |

STOCKHOLDERS' EQUITY

-----

|   |         |         |         |
|---|---------|---------|---------|
| Common stock and additional paid in capital   | 123,375 | 121,383 | 120,554 |
| Retained earnings   | 80,286  | 77,411  | 70,813  |
| Accumulated other comprehensive income  | 3,191   | 4,166   | 3,488   |
| Unearned shares of common stock issued to Employee Stock Ownership Plan (ESOP) trust: at cost | (3,589) | (4,264) | (4,262) |
| Net carrying value of stock   |         |         |         |

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|                                     |              |              |              |
|-------------------------------------|--------------|--------------|--------------|
| related deferred compensation plans | (463)        | (511)        | (216)        |
|                                     | -----        | -----        | -----        |
|                                     | 202,800      | 198,185      | 190,377      |
|                                     | -----        | -----        | -----        |
|                                     | \$ 2,635,313 | \$ 2,502,366 | \$ 2,263,172 |
|                                     | =====        | =====        | =====        |

Shares Issued:

|  |            |            |            |
|--|------------|------------|------------|
| Shares outstanding at end of period                                | 11,473,331 | 11,415,636 | 11,306,977 |
| Less unearned ESOP shares at end of period                         | 434,299    | 515,960    | 515,707    |
|  | -----      | -----      | -----      |
| Shares outstanding at end of period excluding unearned ESOP shares | 11,039,032 | 10,899,676 | 10,791,270 |
|  | =====      | =====      | =====      |
| Book value per share (1)   | \$ 18.37   | \$ 18.18   | \$ 17.64   |
| Tangible book value per share (1)                                  | \$ 15.06   | \$ 14.83   | \$ 14.24   |
| Consolidated Tier 1 leverage capital ratio                         | 8.67%      | 8.64%      | 8.77%      |

(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 held for sale ):            | Dec 31, 2003 | Sep 30, 2003 | Dec 31, 2002 |
|---|--------------|--------------|--------------|
| -----   | -----        | -----        | -----        |
| Secured by real estate:                             |              |              |              |
| One- to four-family                                 | \$ 275,197   | \$ 274,723   | \$ 329,314   |
| Consumer secured by one to four-family              | 31,277       | 28,243       | 26,195       |
|   | -----        | -----        | -----        |
| Total one to four-family                            | 306,474      | 302,966      | 355,509      |
| Commercial  | 455,964      | 433,800      | 379,099      |
| Multifamily   | 89,072       | 76,397       | 72,333       |
| Construction and land                               | 398,954      | 392,819      | 339,516      |
| Commercial business                                 | 321,671      | 326,368      | 285,231      |
| Agricultural business including secured by farmland | 118,903      | 122,890      | 102,626      |
| Consumer  | 35,887       | 36,745       | 39,152       |
|   | -----        | -----        | -----        |
| Total loans outstanding                             | \$1,726,925  | \$1,691,985  | \$1,573,466  |
|   | =====        | =====        | =====        |



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| NON-PERFORMING ASSETS:                         | Dec 31, 2003 | Sep 30, 2003 | Dec 31, 2002 |
|--|--------------|--------------|--------------|
| -----  | -----        | -----        | -----        |
| Loans on non-accrual status                    | \$ 28,010    | \$ 23,209    | \$ 34,249    |
| Accruing loans greater than 90 days delinquent | 421          | 1,227        | 1,859        |
|  | -----        | -----        | -----        |
| Total non-performing loans                     | 28,431       | 24,436       | 36,108       |
| Real estate owned ( REO ) /Repossessed assets  | 3,132        | 7,164        | 6,062        |
|  | -----        | -----        | -----        |
| Total non-performing assets                    | \$ 31,563    | \$ 31,600    | \$ 42,170    |
|  | =====        | =====        | =====        |
| <br>Total non-performing assets / Total assets | <br>1.20%    | <br>1.26%    | <br>1.86%    |

| CHANGE IN THE ALLOWANCE FOR LOAN LOSSES:            | Quarters Ended |              |              | Year Ended   |       |
|---|----------------|--------------|--------------|--------------|-------|
|   | Dec 31, 2003   | Sep 30, 2003 | Dec 31, 2002 | Dec 31, 2003 | Dec   |
| -----   | -----          | -----        | -----        | -----        | ----- |
| Balance at beginning of period                      | \$ 26,161      | \$ 26,075    | \$ 19,150    | \$ 26,539    | \$    |
| Acquisitions / ( divestitures )                     | --             | --           | --           | --           | --    |
| Provision for loan losses                           | 1,400          | 1,400        | 10,000       | 7,300        | --    |
| Recoveries  | 155            | 566          | 208          | 1,075        | --    |
| Charge-offs   | (1,656)        | (1,880)      | (2,819)      | (8,854)      | (     |
|   | -----          | -----        | -----        | -----        | ----- |
| Net ( charge-offs ) recoveries                      | (1,501)        | (1,314)      | (2,611)      | (7,779)      | (     |
|   | -----          | -----        | -----        | -----        | ----- |
| Balance at end of period                            | \$ 26,060      | \$ 26,161    | \$ 26,539    | \$ 26,060    | \$    |
|   | =====          | =====        | =====        | =====        | ===== |
| Net charge-offs / Average loans outstanding         | 0.09%          | 0.08%        | 0.16%        | 0.47%        | --    |
| Allowance for loan losses / Total loans outstanding | 1.51%          | 1.55%        | 1.69%        | 1.51%        | --    |

(more)

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

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| OPERATING PERFORMANCE:                                 | Quarters Ended |              |              | Year Ended   |              |
|--|----------------|--------------|--------------|--------------|--------------|
|  | Dec 31, 2003   | Sep 30, 2003 | Dec 31, 2002 | Dec 31, 2003 | Dec 31, 2002 |
| Average loans  | \$ 1,701,335   | \$ 1,698,796 | \$ 1,589,608 | \$ 1,654,344 | \$ 1,589,608 |
| Average securities and deposits                        | 685,836        | 628,485      | 454,671      | 625,804      | 454,671      |
| Average non-interest-earning assets                    | 167,042        | 170,972      | 162,595      | 163,481      | 162,595      |
| Total average assets                                   | \$ 2,554,213   | \$ 2,498,253 | \$ 2,206,874 | \$ 2,443,629 | \$ 2,206,874 |
| Average deposits                                       | \$ 1,678,097   | \$ 1,691,159 | \$ 1,481,623 | \$ 1,619,297 | \$ 1,481,623 |
| Average borrowings                                     | 654,057        | 586,894      | 515,612      | 609,356      | 515,612      |
| Average non-interest-earning liabilities               | 22,407         | 23,470       | 14,582       | 18,735       | 14,582       |
| Total average liabilities                              | 2,354,561      | 2,301,523    | 2,011,817    | 2,247,388    | 2,011,817    |
| Total average equity                                   | 199,652        | 196,730      | 195,057      | 196,241      | 195,057      |
| Total average liabilities and equity                   | \$ 2,554,213   | \$ 2,498,253 | \$ 2,206,874 | \$ 2,443,629 | \$ 2,206,874 |
| Interest rate yield on loans                           | 6.70%          | 6.83%        | 7.61%        | 7.02%        | 7.61%        |
| Interest rate yield on securities and deposits         | 4.09%          | 3.32%        | 4.49%        | 3.87%        | 4.49%        |
| Interest rate yield on interest-earning assets         | 5.95%          | 5.89%        | 6.92%        | 6.16%        | 6.92%        |
| Interest rate expense on deposits                      | 1.98%          | 2.09%        | 2.53%        | 2.16%        | 2.53%        |
| Interest rate expense on borrowings                    | 3.61%          | 4.04%        | 4.85%        | 4.08%        | 4.85%        |
| Interest rate expense on interest-bearing liabilities  | 2.44%          | 2.59%        | 3.13%        | 2.69%        | 3.13%        |
| Interest rate spread                                   | 3.51%          | 3.30%        | 3.79%        | 3.47%        | 3.79%        |
| Net interest margin                                    | 3.57%          | 3.35%        | 3.86%        | 3.53%        | 3.86%        |
| Other operating income / Average assets                | 0.60%          | 0.88%        | 0.93%        | 0.80%        | 0.93%        |
| Other operating expense / Average assets               | 2.75%          | 2.84%        | 3.23%        | 2.86%        | 3.23%        |
| Efficiency ratio ( other operating expense / revenue ) | 69.86%         | 70.91%       | 71.74%       | 69.75%       | 71.74%       |
| Return on average assets                               | 0.68%          | 0.66%        | (0.28%)      | 0.66%        | (0.28%)      |
| Return on average equity                               | 8.75%          | 8.38%        | (3.17%)      | 8.21%        | (3.17%)      |
| Average equity / Average assets                        | 7.82%          | 7.87%        | 8.84%        | 8.03%        | 8.84%        |

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