

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Banner Corporation		2 Issuer's employer identification number (EIN) 91-1691064	
3 Name of contact for additional information Albert Marshall	4 Telephone No. of contact 509-527-3636	5 Email address of contact amarshall@bannerbank.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact P.O. Box 907		7 City, town, or post office, state, and Zip code of contact Walla Walla, WA 99362	
8 Date of action October 1, 2015	9 Classification and description see attachment		
10 CUSIP number 06652 V 208	11 Serial number(s) N/A	12 Ticker symbol BANR	13 Account number(s) N/A

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ See attachment

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ See attachment

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ See attachment

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attachment

Blank lines for listing applicable Internal Revenue Code sections and subsections.

18 Can any resulting loss be recognized? ▶ See attachment

Blank lines for providing information regarding resulting loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attachment

Blank lines for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ *Lloyd Baker* Date ▶ 11/16/2015

Print your name ▶ Lloyd Baker Title ▶ CFO

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	

Part I, Box 9: Classification and description:

The securities subject to reporting include all shares of Banner Corporation common stock and nonvoting common stock issued in exchange for the outstanding common stock of Starbuck Bancshares, Inc. as a result of the merger of Starbuck Bancshares, Inc. with and into Banner Corporation on October 1, 2015 (the "Merger").

Part II, Line 14: Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action:

On October 2, 2015, Banner Corporation (NASDAQ: BANR) ("Banner") and Starbuck Bancshares, Inc. ("Starbuck") announced the successful completion, as of October 1, 2015, of the previously announced merger. Under the merger agreement Starbuck merged with and into Banner with Banner as the surviving corporation. Under the terms of the merger agreement the equity holder of Starbuck received an aggregate of \$130 million in cash and 13.23 million shares of Banner common stock and nonvoting common stock. The share closing price of Banner common stock on the merger date was \$47.67 per share or a total value of \$630,674,100. The merger, including the consideration paid, is more fully described in the proxy/prospectus, which is included in the Registration Statement on Form S-4 that has been filed with the Securities and Exchange Commission.

Part II, Line 15 & 16: Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis and describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates:

Banner believes that the Merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code (IRC). Because the quantitative effect of the Starbuck merger on tax basis can vary from U.S. shareholder to U.S. shareholder, it cannot be expressed as a specific adjustment amount per share or as a percentage of old basis. In general, upon the receipt of Banner common stock and cash in exchange for a U.S. holder's Starbuck common stock, the holder's basis will either stay the same or be reduced, but it should not increase.

Generally, a U.S. holder's aggregate tax basis of the Banner common stock received by a U.S. holder of Starbuck common stock in the merger (shareholder received both cash and stock) will be the same as the aggregate basis of the Starbuck common stock for which it is exchanged, decreased by the amount of cash received in the merger and increased by the amount of gain recognized on the exchange, other than with respect to cash received instead of a fractional share in Banner common stock. The parties intend that cash consideration of \$122.4 million will be received in exchange for the first 16 shares of Starbuck common stock and 13.2 million Banner common stock shares will be received in exchange for the next 83 shares of Starbuck common stock and the final share of Starbuck common stock will be exchanged for the remaining merger consideration, comprising both the remaining portion of cash consideration and Banner common stock.

A shareholder who receives cash instead of a fractional share will be treated as having received the fractional share pursuant to the merger and then as having exchanged the fractional share of Banner

Banner Corporation
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities

common stock for cash in a redemption by Banner. In general, this deemed redemption will be treated as a sale or exchange and the shareholder will recognize gain or loss equal to the difference between (i) the amount of cash received and (ii) the portion of the basis of the shares of Starbuck stock allocable to such fractional interest.

The holding period of Banner common stock received by a U.S. holder of Starbuck common stock in the merger in exchange for such U.S. holder's shares of Starbuck common stock will include such U.S. holder's holding period of the Starbuck common stock for which it is exchanged.

Part II, Line 17: List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based:

Banner Corporation believes that its acquisition of Starbuck Bancshares, Inc. pursuant to the merger effected on October 1, 2015, qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Consequently, the federal income tax consequences to the Starbuck Bancshares, Inc. shareholders are determined under the Code Sections 354, 356, 358, 361, 1221 and 1223.

Part II, Line 18: Can any resulting loss be recognized:

In general, each Starbuck shareholder who received Banner common stock and cash for all of his or her Starbuck stock cannot recognize any loss. A Starbuck shareholder who received solely cash in exchange for all of his or her common stock or cash in lieu of a fractional shares may recognize loss if the amount of cash received is less than the tax basis in his or her Starbuck common stock or fractional share, as applicable.

Part II, Line 19: Provide any other information necessary to implement the adjustment, such as the reportable tax year:

- The merger occurred October 1, 2015. Therefore the tax effects of the merger should be reported by a U.S. shareholder in the tax year that includes the date October 1, 2015 (e.g. a calendar year shareholder would report the transaction on his or her federal income tax return filed for the 2015 calendar year).
- Characterization of recognized gain or loss: Any gain recognized by a U.S. shareholder holding Starbuck common stock will generally be ordinary or capital gain, and will generally be long-term capital gain if the U.S. shareholder held the Starbuck common stock surrendered for more than one year as of October 1, 2015.

The information contained herein is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the merger. In addition, this information does not address tax consequences which may vary depending on the individual circumstances of Starbuck

Banner Corporation
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities

shareholders, or any non-income tax or foreign, state or local tax consequences of the merger. Accordingly, Starbuck shareholders are urged to consult their own tax advisors with respect to their individual tax consequences of the merger. The information in this document does not constitute tax advice and is not intended or written to be used, and cannot be used, for the purposes of (i) avoiding penalties under the Internal Revenue Code of 1986, as amended, or (ii) promoting, marketing, or recommending any transaction or matter addressed herein.

