

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

▶ 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 March 6, 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 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 ▶ [Handwritten Signature] Date ▶ 4/16/2015

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 issued in exchange for the outstanding common stock of Siuslaw Financial Group as a result of the merger of Siuslaw Financial Group with and into Banner Corporation on March 6, 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 March 9, 2015, Banner Corporation (NASDAQ: BANR) ("Banner") and Siuslaw Financial Group (OTCQB: SFGP) ("Siuslaw") announced the successful completion, as of March 6, 2015, of the previously announced merger. Under the merger agreement Siuslaw will merge with and into Banner with Banner as the surviving corporation. Under the terms of the merger agreement each outstanding share of Siuslaw common stock, other than dissenting shares, will be converted to 0.32231 of a share of Banner common stock and \$1.41622 in cash. In connection with the merger, each outstanding share of Siuslaw Series A preferred stock will automatically convert to one share of Siuslaw common stock immediately prior to the merger and holders thereof will receive the same merger consideration as the other Siuslaw common stockholders. 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: 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:

Because the quantitative effect of the Siuslaw 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 Siuslaw 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 Siuslaw common stock in the merger (including fractional shares of Banner common stock deemed received and redeemed as described below) will be the same as the aggregate basis of the Siuslaw common stock for which it is exchanged, decreased by the amount of cash received in the merger (other than cash received instead of a fractional share of Banner common stock), 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 (regardless of whether such gain is classified as capital gain or as dividend income).

The holding period of Banner common stock received by a U.S. holder of Siuslaw common stock in the merger in exchange for such U.S. holder's shares of Siuslaw common stock (including fractional shares of Banner common stock deemed received and redeemed as described below) will include such U.S. holder's holding period of the Siuslaw common stock for which it is exchanged.

Cash in Lieu of Fractional Shares of Banner Common Stock: A U.S. holder of Siuslaw common stock who receives cash instead of a fractional share of Banner common stock will be treated as having received the fractional share pursuant to merger and then as having exchanged the fractional share for cash in a redemption by Banner. As a result, such U.S. holder of Siuslaw common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in its fractional share interest as set forth above. The gain or loss recognized by the U.S. holders described in this paragraph will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the U.S. holder's holding period for the relevant shares is more than one year as of the date of the merger. The deductibility of capital losses is subject to limitations.

Part II, Line 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:

The aggregate basis of the Banner common stock received by a U.S. shareholder of Siuslaw common stock in the merger (including fractional shares of Banner common stock deemed received and redeemed) will be the same as the aggregate basis of the Siuslaw common stock for which it is exchanged, decreased by the amount of cash received in the merger (other than cash received instead of a fractional share of Banner common stock), 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 (regardless of whether such gain is classified as capital gain or as a dividend income).

See attached example.

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 Siuslaw Financial Group pursuant to the merger effected on March 6, 2015, qualifies as an 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 Siuslaw Financial Group common shareholders are determined under the Code Sections 354, 356, 358, 361, 1221 and 1223.

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

Gain (but not loss) will be recognized by a U.S. shareholder of Siuslaw common stock who receives shares of Banner common stock and cash in exchange for shares of Siuslaw common stock pursuant to the merger in an amount equal to the lesser of (i) the amount by which the sum of the fair market value of the Banner common stock and cash received by such U.S. shareholder of Siuslaw stock exceeds such U.S. shareholder's basis in its Siuslaw common stock and (ii) the amount of cash received by such holder of Siuslaw common stock.

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

Banner Corporation
Attachment to Form 8937
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- The merger occurred March 6, 2015. Therefore the tax effects of the merger should be reported by a U.S. shareholder in the tax year that includes the date March 6, 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 or loss (in the case of a loss, only with respect to the sale of a fractional share) recognized by a U.S. shareholder holding Siuslaw common stock will generally be capital gain or loss, and will generally be long-term capital gain or loss if the U.S shareholder held the Siuslaw common stock surrendered for more than one year as of March 6, 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 Siuslaw shareholders, or any non-income tax or foreign, state or local tax consequences of the merger. Accordingly, Siuslaw 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.

Banner Corporation
Form 8937 Line 16
EXAMPLE of BASIS CALCULATION

Assumptions:

Banner stock price per share	\$ 45.00
Siuslaw stock price per share	\$ 16.00
Siuslaw stock basis per share	\$ 10.00
Number of Siuslaw shares	1,001
Number of shares of Banner for each share of Siuslaw	0.32231
Cash consideration per share of Siuslaw stock	\$ 1.41622

Step 1:	Tax basis of Siuslaw stock 1001 shares * \$10.00/share)	<u>\$ 10,010.00</u>
Step 2:	Total consideration received by Siuslaw shareholder in merger Stock merger consideration (1001 shares * 0.32231 stock exchange rate * \$45.00) Plus: cash merger consideration (1001 shares * \$1.41622) Total consideration received	 \$ 14,518.45 <u>\$ 1,417.64</u> <u>\$ 15,936.09</u>
Step 3:	Taxable gain or loss realized in merger Total consideration received Less: tax basis of Siuslaw stock Total gain realized	 \$ 15,936.09 <u>\$ (10,010.00)</u> <u>\$ 5,926.09</u>
Step 4:	Taxable gain recognized in merger Taxable gain recognized (lesser of total gain realized or cash merger consideration)	 <u>\$ 1,417.64</u>
Step 5:	Total basis in Banner stock Tax basis of Siuslaw stock Less: cash merger consideration Plus: taxable gain recognized Basis of Banner stock (322.63231 shares)	 \$ 10,010.00 <u>\$ (1,417.64)</u> <u>\$ 1,417.64</u> <u>\$ 10,010.00</u>
Step 6:	Taxable gain or loss recognized on fractional share Cash paid in lieu of fractional share (0.63231 shares * \$45.00) Less: basis attributable to fractional share [(0.63231/322.63231)*10,010.00] Taxable gain recognized on fractional share	 \$ 28.45 <u>\$ (19.62)</u> <u>\$ 8.84</u>
Step 7:	Total basis in the remaining Banner stock Basis of Banner stock (322.63231 shares) Less: basis attributable to fractional share Basis in Banner stock (322 shares) Per share basis (\$9,990.38 / 322 shares)	 \$ 10,010.00 <u>\$ (19.62)</u> <u>\$ 9,990.38</u> \$ 31.03