

BANNER CORP
Form S-4
October 08, 2014

As filed with the Securities and Exchange Commission on October 8, 2014

Registration No. 333-_____

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

BANNER CORPORATION
(Exact name of registrant as specified in its charter)

Washington (State or other jurisdiction of incorporation or organization)	6021 (Primary Standard Industrial Classification Code Number)	91-1691604 (I.R.S. Employer Identification No.)
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10 S. First Avenue
Walla Walla, WA 99362
(509) 527-3636
(Address, Including Zip Code, and Telephone
Number,
Including Area Code, of Registrant's Principal
Executive Offices)

Albert H. Marshall
Senior Vice President and Secretary
Banner Corporation
10 S. First Avenue
Walla Walla, WA 99362
(509) 527-3636

With copies to:

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Breyer & Associates PC
8180 Greensboro Drive, Suite 785
McLean, Virginia 22102
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601 SW Second Avenue, Suite 2100
Portland, Oregon 97204-3158
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(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent for Service)

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable following the effectiveness of this Registration Statement, satisfaction or waiver of the other conditions to closing of the merger described herein, and consummation of the merger.

If the securities being registered on this Form are being offered in connection with formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated Filer
Non-accelerated filer	Smaller reporting company
(Do not check if a smaller reporting company)	

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)
Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

Calculation of Registration Fee

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price(2)	Amount of registration fee
Common Stock, \$0.01 par value	1,319,995 shares	N/A	\$49,692,937.42	\$5,775.00

- (1) Represents the maximum number of shares of common stock of Banner Corporation (“Banner”) estimated to be issuable upon completion of the merger described herein in exchange for shares of the common stock of Siuslaw Financial Group, Inc. (“Siuslaw”) that are currently outstanding or preferred stock that will convert to common stock in connection with this transaction. Pursuant to Rule 416, this registration statement also covers additional securities that may be issued as a result of stock splits, stock dividends or similar transactions.
- (2) Calculated in accordance with Rule 457(f) under the Securities Act of 1933, the proposed maximum offering price of \$49,692,937.42 is computed by subtracting \$5,800,017.13 (the estimated cash to be paid by Banner to holders of Siuslaw common stock) from \$55,492,954.55 (the market value of Siuslaw common stock) which is based on (A) \$13.55, which is the average of the high and low prices per share of Siuslaw common stock on the over the counter market on October 3, 2014, times (B) the maximum number of shares of Siuslaw common stock expected to be exchanged for the shares of Banner common stock being registered.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information contained in this proxy statement/prospectus is not complete and may be changed. A registration statement relating to the shares of Banner stock to be issued in the merger has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This proxy statement/prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY PROXY STATEMENT/PROSPECTUS
DATED _____, 2014, SUBJECT TO COMPLETION

Prospectus of Banner Corporation

Proxy Statement of Siuslaw Financial Group, Inc.

MERGER PROPOSED – YOUR VOTE IS VERY IMPORTANT

The boards of directors of Banner Corporation, or "Banner", and Siuslaw Financial Group, Inc., or "Siuslaw", have each approved a merger of our two companies. Under the merger agreement, Siuslaw will merge with and into Banner, with Banner as the surviving corporation. Each outstanding share of Siuslaw common stock, other than dissenting shares, will be converted into the right to receive, promptly following the completion of the merger, 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, which we refer to as "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 shareholders.

The number of shares of Banner common stock that Siuslaw shareholders will receive for the stock portion of the merger consideration is fixed, the market value of those shares will fluctuate with the market price of Banner common stock and will not be known at the time Siuslaw shareholders vote on the merger agreement. Based on the closing price of Banner's common stock of \$39.14 on the NASDAQ Global Select Market, or NASDAQ, on August 7, 2014, immediately prior to the public announcement of the merger agreement, the value of the per share merger consideration payable to Siuslaw shareholders was \$14.03. Based on the closing price of Banner's common stock of \$____ on NASDAQ on _____, 2014, the last trading day before the date of this proxy statement/prospectus, the value of the per share merger consideration payable to Siuslaw shareholders was \$____. We urge you to obtain current market quotations for Banner common stock (NASDAQ: trading symbol "BANR") and Siuslaw common stock (Over the Counter OTCQB: trading symbol "SFGP"). Based on the number of shares of Siuslaw common and preferred stock currently outstanding, the maximum number of shares of Banner common stock issuable in the merger is expected to be 1,319,995.

Siuslaw will hold a special meeting of its shareholders in connection with the merger. Siuslaw shareholders will be asked to vote to approve the merger agreement and related matters as described in the attached proxy statement/prospectus. Approval of the merger agreement by Siuslaw shareholders requires the affirmative vote of the holders of a majority of the outstanding shares of Siuslaw common and preferred stock voting together as a single class. References in this proxy statement/prospectus to Siuslaw stock and shareholders of Siuslaw includes outstanding shares of Siuslaw common and preferred stock and the holders of those shares.

The special meeting of Siuslaw shareholders will be held on _____, 2014.

Siuslaw's board of directors unanimously recommends that Siuslaw shareholders vote "FOR" approval of the merger proposal and "FOR" each of the other items to be considered at the special meeting.

This proxy statement/prospectus describes the special meeting, the documents related to the merger and other related matters. Please carefully read this entire proxy statement/prospectus, including "Risk Factors," beginning on page 13, for a discussion of the risks relating to the proposed merger. You also can obtain information about Banner from documents that it has filed with the Securities and Exchange Commission. On behalf of the board of directors of Siuslaw, thank you for your prompt attention to this important matter.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the shares of Banner stock to be issued in the merger or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The securities to be issued in the merger are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of Banner or Siuslaw, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

The date of this proxy statement/prospectus is _____, 2014, and is first being mailed or otherwise delivered to the shareholders of Siuslaw on or about _____, 2014.

Siuslaw Financial Group, Inc.
777 Highway 101
Florence, Oregon 97439
(541) 997-3486

Notice of Special Meeting of Siuslaw Financial Group, Inc. Shareholders

- Date: _____, 2014
- Time: 5:30 p.m., local time
- Place: Siuslaw Bank,

777 Highway 101,
Florence, Oregon

To Siuslaw Financial Group, Inc. Shareholders:

We are pleased to notify you of, and invite you to, a special meeting of shareholders (which we refer to as the “special meeting”). At the special meeting, you will be asked to vote on the following matters:

- the approval of the Agreement and Plan of Merger, dated as of August 7, 2014, by and between Banner and Siuslaw, pursuant to which Siuslaw will merge with and into Banner (which we refer to as the “merger proposal”);
- a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the merger proposal (which we refer to as the “adjournment proposal”); and
- any other matters properly brought before the special meeting or any adjournment or postponement of the special meeting.

Only holders of record of Siuslaw common and preferred stock (“Siuslaw stock”) as of the close of business on _____, 2014 are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting. Approval of the merger proposal requires the affirmative vote of holders of at least a majority of the outstanding shares of Siuslaw stock. The adjournment proposal will be approved if a majority of the votes cast on such proposal at the special meeting is voted in favor of that proposal.

Siuslaw’s board of directors has unanimously approved the merger agreement, has determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Siuslaw and its shareholders, and unanimously recommends that Siuslaw shareholders vote “FOR” the merger proposal, and “FOR” the adjournment proposal.

Your vote is very important. We cannot complete the merger unless Siuslaw’s shareholders approve the merger proposal.

To ensure your representation at the special meeting, please complete and return the enclosed proxy card or submit your proxy via the Internet. Whether or not you expect to attend the special meeting in person, please vote promptly. If you hold your shares in street name through a bank, broker or other nominee and wish to vote your shares in person at the special meeting, then you must obtain a legal proxy from the holder of record authorizing you to do so by contacting your bank, broker or other nominee.

In connection with the merger, Siuslaw shareholders will have the opportunity to exercise dissenters’ rights in accordance with the procedures specified in the Oregon Revised Statutes (“ORS”) 60.554 through 50.594. A copy of these statutes are is included in the accompanying proxy statement/prospectus as Appendix C. Prior to the vote on the merger proposal, Siuslaw shareholders who wish to assert dissenters’ rights must notify Siuslaw of their intent to

dissent. For information on how Siuslaw shareholders may perfect their right to dissent on the merger proposal, see the section of this proxy statement/prospectus entitled “The Merger –Dissenters’ Rights of Siuslaw Shareholders” on page 50. A dissenting shareholder who follows the required procedures may receive cash

in an amount equal to the fair value of his or her shares of Siuslaw common stock, plus accrued interest, in lieu of the merger consideration provided for under the merger agreement. A shareholder who chooses to dissent pursuant to the applicable provisions of the ORS may provide the required notice specified therein to Siuslaw's principal executive offices at 777 Highway 101, Florence, Oregon 97439. For additional details about dissenters' rights, please refer to the "The Merger—Dissenters' Rights of Siuslaw Shareholders" and Appendix C in the accompanying proxy statement/prospectus.

We look forward to hearing from you.

By Order of the Board of Directors,

Johan Mehlum
Chairman and Chief Executive Officer
Siuslaw Financial Group, Inc.

Florence, Oregon
_____, 2014

YOUR VOTE IS VERY IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND PROMPTLY RETURN IT IN THE ENCLOSED ENVELOPE.

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Banner from documents filed with the Securities and Exchange Commission, or the SEC, that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain these documents through the SEC website at <http://www.sec.gov>, or by requesting them in writing or by telephone from Banner, as follows:

Banner Corporation
10 South First Avenue
Walla Walla, Washington 99362
Attention: Albert H. Marshall,
Senior Vice President and Corporate
Secretary
(509) 527-3636

You will not be charged for any of these documents that you request. To obtain timely delivery of these documents, you must request them no later than five business days before the special meeting. This means that Siuslaw shareholders requesting documents must do so by _____, 2014, in order to receive them before the special meeting.

You should rely only on the information contained in, or incorporated by reference into, this document. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this document. This document is dated _____, 2014, and you should assume that the information in this document is accurate only as of such date. You should assume that the information incorporated by reference into this document is accurate as of the date of the document that includes such information. Neither the mailing of this document to Siuslaw shareholders nor the issuance by Banner of shares of Banner stock in connection with the merger will create any implication to the contrary.

Information on the websites of Banner or Siuslaw, or any subsidiary of Banner or Siuslaw, is not part of this document or incorporated by reference herein. You should not rely on that information in deciding how to vote.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this document regarding Banner has been provided by Banner and information contained in this document regarding Siuslaw has been provided by Siuslaw.

See “Where You Can Find More Information” on page 79 for more details relating to Banner and “The Companies—Siuslaw” on page 64 for more details relating to Siuslaw.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following are some questions that you may have about the merger and the special meeting, and brief answers to those questions. We urge you to read carefully the entire proxy statement/prospectus because the information in this section does not provide all of the information that might be important to you with respect to the merger and the special meeting. Additional important information is contained in the documents incorporated by reference into this proxy statement/prospectus. See “Where You Can Find More Information” on page 79.

Unless the context otherwise requires, throughout this document, “Banner” refers to Banner Corporation, “Siuslaw” refers to Siuslaw Financial Group, Inc. and “we,” “us” and “our” refers collectively to Banner and Siuslaw.

Q: What is the merger?

A: Banner and Siuslaw have entered into an Agreement and Plan of Merger, dated as of August 7, 2014 (which we refer to as the “merger agreement”), pursuant to which Siuslaw will be merged with and into Banner, with Banner continuing as the surviving corporation (we refer to this transaction as the “merger”). Immediately following the merger, Siuslaw’s wholly owned subsidiary bank, Siuslaw Bank, will merge with Banner’s wholly owned subsidiary bank, Banner Bank (we refer to this transaction as the “bank merger”). A copy of the merger agreement is attached to this proxy statement/prospectus as Appendix A.

Q: Why am I receiving this proxy statement/prospectus?

A: We are delivering this document to you because you are a shareholder of Siuslaw and you are being asked to vote on the merger and the merger agreement at the special meeting of shareholders. This document is a proxy statement being used by Siuslaw’s board of directors to solicit proxies of its shareholders in connection with approval of the merger, approval of the adjournment of the meeting, if necessary, and any other matters properly presented at the meeting. This document is also a prospectus that is being delivered to Siuslaw shareholders because Banner is offering shares of its stock to Siuslaw shareholders in connection with the merger.

The merger cannot be completed unless the shareholders of Siuslaw approve the merger agreement (which we refer to as the “merger proposal”).

Q: In addition to the merger proposal, what else are Siuslaw shareholders being asked to vote on?

A: Siuslaw is soliciting proxies from holders of its stock with respect to one additional proposal; completion of the merger is not conditioned upon approval of this additional proposal:

- a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the merger proposal (which we refer to as the “adjournment proposal”).

Q: What will Siuslaw shareholders receive in the merger?

- A: Each outstanding share of Siuslaw stock (except for dissenting shares) will be converted into the right to receive, promptly following the completion of the merger, 0.32231 of a share of Banner common stock, and \$1.41622 in cash (which we refer to as the “merger consideration”). Immediately prior to the merger, each outstanding share of Siuslaw preferred stock will automatically convert to one share of Siuslaw common stock and each holder thereof will receive the same merger consideration as the other Siuslaw common shareholders. Banner will not issue any fractional shares of Banner common stock in the merger. Siuslaw shareholders who would otherwise be entitled to a fractional share of Banner common stock upon completion of the merger will instead receive an amount in cash equal to the fractional share interest multiplied by the average of the volume weighted closing price (rounded to the nearest one ten thousandth) of Banner common stock on NASDAQ for the ten trading days immediately preceding the fifth day before the closing date of the merger (which we refer to as the “average Banner common stock price”).

Although the number of shares of Banner common stock that holders of Siuslaw common stock will receive is fixed, the market value of the stock portion of the merger consideration will fluctuate with the market price of Banner common stock and will not be known at the time Siuslaw shareholders vote on the merger agreement.

Q: How does Siuslaw's board of directors recommend that I vote at the special meeting?

A: After careful consideration, Siuslaw's board of directors unanimously recommends that you vote "FOR" the merger proposal and "FOR" the adjournment proposal.

All of the directors and executive officers of Siuslaw have entered into voting agreements with Banner, pursuant to which they have agreed to vote all of their shares of Siuslaw common stock "FOR" the merger proposal. For more information regarding the voting agreements, please see the section entitled "The Merger Agreement—Voting Agreements" on page 63.

For a more complete description of Siuslaw's reasons for the merger and the recommendations of the Siuslaw board of directors, please see the section entitled "The Merger—Siuslaw's Reasons for the Merger; Recommendation of Siuslaw's Board of Directors" beginning on page 31.

Q: When and where is the special meeting?

A: The special meeting will be held at the Florence Office, Siuslaw Bank, 777 Highway 101, Florence, Oregon on _____, 2014, at 5:30 p.m. local time.

Q: What do I need to do now?

A: After you have carefully read this proxy statement/prospectus and have decided how you wish your shares to be voted, please promptly take the steps identified in the following sentences so that your shares are represented and voted at the special meeting. If you hold your shares in your name as a shareholder of record, you must complete, sign, date and mail your proxy card in the enclosed return envelope as soon as possible. Alternatively, you can provide your proxy directing how you want your shares voted through the internet. Information and applicable deadlines for providing your proxy through the internet is set forth in the enclosed proxy card instructions. If you hold your shares in "street name" through a bank or broker, you must direct your bank or broker how to vote in accordance with the instructions you have received from your bank or broker.

Q: Who is entitled to vote?

A: Holders of record of Siuslaw common stock and preferred stock at the close of business on _____, 2014, which is the date that the Siuslaw board of directors has fixed as the record date for the special meeting, are entitled to vote at the special meeting.

Q: What constitutes a quorum?

A: The presence at the special meeting, in person or by proxy, of holders of at least a majority of the outstanding shares of Siuslaw stock entitled to vote at the special meeting will constitute a quorum for the transaction of business. Abstentions and broker-nonvotes will be treated as shares that are present at the meeting for the purpose of determining the presence of a quorum.

Q: If my shares are held in "street name" through a bank, broker or other nominee, will my bank, broker or other nominee vote my shares for me?

A: No. Your bank, broker or other nominee cannot vote your shares without instructions from you. Please follow the voting instruction form provided by your bank, broker or other nominee. The effects of failing to instruct your bank, broker or other nominee how to vote your shares of Siuslaw stock on each of the proposals to be considered at the special meeting is described below.

2

Q: What is the vote required to approve each proposal at the special meeting?

A: Merger proposal: To approve the merger proposal, at least a majority of the Siuslaw stock outstanding and entitled to vote at the special meeting must be voted in favor of such proposal. If you mark "ABSTAIN" on your proxy, fail to submit a proxy or fail to vote in person at the special meeting or fail to instruct your bank or broker how to vote with respect to the merger proposal, it will have the same effect as a vote "AGAINST" the merger proposal.

Adjournment proposal: To approve the adjournment proposal, more shares of Siuslaw stock present in person or by proxy at the special meeting must be voted in favor of such proposal than shares voted against the adjournment proposal. If you mark "ABSTAIN" on your proxy, fail to submit a proxy or fail to vote in person at the special meeting or fail to instruct your bank or broker how to vote with respect to the adjournment proposal, it will have no effect on such proposal.

Other matters: To approve action on any other matter properly presented at the meeting, more shares of Siuslaw stock present in person or by proxy at the special meeting must be voted in favor of such matter than shares voted against the matter. We are not aware of any other matter that is expected to be brought before the meeting.

Q: Why is my vote important?

A: If you do not vote by proxy or in person at the special meeting, it will be more difficult for Siuslaw to obtain the necessary quorum to hold its special meeting. In addition, your failure to submit a proxy or vote in person, or failure to instruct your bank or broker how to vote, or abstention from voting will have the same effect as a vote "AGAINST" the merger proposal at the special meeting. The merger agreement must be approved by the affirmative vote of the holders of at least a majority of Siuslaw stock entitled to vote at the special meeting.

Q: What happens if I return my proxy but do not indicate how to vote my shares?

A: If you sign and return your proxy card, but do not provide instructions on how to vote your shares, your shares will be voted "FOR" approval of the merger proposal and adjournment proposal.

Q: Can I attend the special meeting and vote my shares in person?

A: Yes. All shareholders of Siuslaw, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Holders of record of Siuslaw stock can vote in person at the special meeting. If you wish to vote in person at the special meeting and if you are a shareholder of record, you should bring the enclosed proxy card and proof of identity. If you hold your shares in street name through a broker, or beneficially own your shares through another holder of record, you will need to bring with you and provide to the inspectors of election proof of identity and a letter from your bank, broker, nominee or other holder of record confirming your beneficial ownership of common stock as of the record date and authorization for you to vote such shares at the special meeting (a "legal proxy" from your holder of record). At the appropriate time during the special meeting, the shareholders present will be asked whether anyone wishes to vote in person. You should raise your hand at this time to receive a ballot to record your vote. Everyone who attends the special meeting must abide by the rules distributed at the meeting for the conduct of the meeting.

Q: Can I change my proxy or voting instructions?

- A: Yes. If you are a holder of record of Siuslaw stock, you may revoke your proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, (2) delivering a written revocation to Siuslaw's corporate secretary, (3) attending the special meeting in person and voting by ballot at the special meeting, or (4) voting by the internet at a later time. Attendance at the special meeting by itself will not automatically revoke your proxy. A revocation or later-dated proxy received by Siuslaw after the vote is taken at the special meeting will not affect your previously submitted proxy. Siuslaw's corporate secretary's mailing address is: Corporate Secretary, Siuslaw Financial Group, Inc., P.O. Box 280, Florence, Oregon 97439. If you hold your

shares in “street name” through a bank or broker, you should contact your bank or broker to change your voting instructions.

Q: Will Siuslaw be required to submit the proposal to approve the merger agreement to its shareholders even if Siuslaw’s board of directors has withdrawn, modified or qualified its recommendation?

A: Yes. Unless the merger agreement is terminated before the special meeting, Siuslaw is required to submit the proposal to approve the merger agreement to its shareholders even if Siuslaw’s board of directors has withdrawn or modified its recommendation.

Q: What are the U.S. federal income tax consequences of the merger to Siuslaw shareholders?

A: The merger is intended to qualify as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or Code. Assuming the merger qualifies as a reorganization, a U.S. holder of Siuslaw common stock generally will not recognize any gain or loss upon receipt of Banner common stock in exchange for Siuslaw common stock in the merger, and will recognize gain (but not loss) in an amount not to exceed any cash received as part of the merger consideration (except with respect to any cash received upon exercise of dissenters’ rights under Oregon law and in lieu of a fractional share of Banner common stock, as discussed below under “The Merger—Material U.S. Federal Income Tax Consequences of the Merger—Receipt of Only Cash Consideration Upon Exercise of Dissenters’ Rights and Cash Received Instead of a Fractional Share of Banner Common Stock” on page 49). It is a condition to the completion of the merger that Banner receive a written opinion from its counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

Q: Are Siuslaw shareholders entitled to dissenter’s rights?

A: Yes. Under Oregon law, Siuslaw shareholders have the right to dissent from the merger and receive cash for the fair value of their shares of Siuslaw stock. To perfect dissenters’ rights, a Siuslaw shareholder must send or deliver a notice to Siuslaw prior to the special meeting and must not vote in favor of the merger. Following the special shareholders meeting, Banner will deliver a written dissenters’ notice to all shareholders who have satisfied the statutory provisions described above. Dissenting shareholders who receive the notice must demand payment and satisfy certain other requirements. In any case, a shareholder electing to dissent must strictly comply with all the procedures required by Oregon law. These procedures are described later in this document, and a copy of the relevant provisions of Oregon law is attached as Appendix C. Note that if you return a signed proxy card without voting instructions or with instructions to vote “FOR” the merger proposal, agreement, your shares will be automatically voted in favor of the merger agreement and you will lose all dissenters’ rights available under Oregon law. For further information, see “The Merger—Dissenters’ Rights of Siuslaw Shareholder” on page 50.

Q: If I am a holder of Siuslaw common or preferred stock in certificated form, should I send in my Siuslaw stock certificates now?

A: No. Please do not send in your Siuslaw stock certificates with your proxy. After the merger, an exchange agent will send you instructions for exchanging Siuslaw stock certificates for the merger consideration. See “The Merger Agreement—Exchange of Stock Certificates” on page 54.

Q: What should I do if I hold my shares of Siuslaw common or preferred stock in book-entry form?

- A: You are not required to take any special additional actions if your shares of Siuslaw stock are held in book-entry form. After the completion of the merger, an exchange agent will send you instructions for exchanging your shares for the merger consideration. See “The Merger Agreement—Exchange of Stock Certificates” on page 54.

Q: Whom may I contact if I cannot locate my Siuslaw stock certificate(s)?

A: If you are unable to locate your original Siuslaw stock certificate(s), you should contact OTR Transfer, Siuslaw's transfer agent, at (503) 225-0375.

Q: What should I do if I receive more than one set of voting materials?

A: Siuslaw shareholders may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold shares of Siuslaw stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold such shares. If you are a holder of record of Siuslaw stock and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this proxy statement/prospectus to ensure that you vote every share of Siuslaw stock that you own.

Q: When do you expect to complete the merger?

A: Banner and Siuslaw expect to complete the merger in the fourth quarter of 2014. However, neither Banner nor Siuslaw can assure you of when or if the merger will be completed. Siuslaw must obtain the approval of the merger agreement by its shareholders and the parties must obtain necessary regulatory approvals and satisfy certain other closing conditions.

Q: What happens if the merger is not completed?

A: If the merger is not completed, holders of Siuslaw stock will not receive any consideration for their shares in connection with the merger. Instead, Siuslaw will remain an independent company. In addition, if the merger agreement is terminated in certain circumstances, a termination fee may be required to be paid by Siuslaw. See "The Merger Agreement—Termination of the Merger Agreement" on page 61 for a complete discussion of the circumstances under which a termination fee would be required to be paid.

Q: Whom should I call with questions?

A: If you have any questions concerning the merger or this proxy statement/prospectus, would like additional copies of this proxy statement/prospectus, or need help voting your shares of Siuslaw stock, please contact Lonnie Iholts, Corporate Secretary, at (541) 997-3486, or Johan Mehlum, Chairman, at 541-342-4000.

Q: What if I sell my shares prior to closing the merger?

A: Unless you are the record or beneficial holder of shares as of the effective date of the merger, you will not receive merger consideration at the time the merger is completed.

Q: Will I continue to receive quarterly dividends on my Siuslaw stock?

A: The merger agreement provides that Siuslaw may declare and pay quarterly dividends in keeping with past practice. The merger agreement further provides that dividends for the quarter in which closing occurs will be declared and paid on the same dates that

Banner declares and pays its regular quarterly dividend so as to ensure that Siuslaw shareholders receive dividends consistent with past practice but do not receive dividends from both companies in the same quarter.

SUMMARY

This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. You should carefully read this entire document, including the appendices, and the other documents to which this document refers to fully understand the merger and the related transactions. A list of the documents incorporated by reference appears on page 79 under “Where You Can Find More Information.”

The Merger and the Merger Agreement (pages 29 and 53)

The terms and conditions of the merger are contained in the merger agreement, which is attached to this proxy statement/prospectus as Appendix A. We encourage you to read the merger agreement carefully, as it is the legal document that governs the merger.

In the merger, Siuslaw will merge with and into Banner, with Banner as the surviving corporation (we refer to this transaction as the “merger”). Immediately following the merger, Siuslaw’s wholly owned subsidiary bank, Siuslaw Bank, will merge with Banner’s wholly owned subsidiary bank, Banner Bank (we refer to this transaction as the “bank merger”).

In the Merger, Holders of Siuslaw Stock Will Receive Shares of Banner Common Stock and Cash (page 53)

If the merger is completed, each outstanding share of Siuslaw common stock will be converted into the right to receive, promptly following the completion of the merger, 0.32231 of a share of Banner common stock and \$1.41622 in cash (which we refer to as the “merger consideration”). Banner will not issue any fractional shares of Banner common stock, in the merger. Siuslaw shareholders who would otherwise be entitled to a fractional share of Banner common stock upon completion of the merger will instead receive an amount in cash equal to the fractional share interest multiplied by the average of the volume weighted closing price (rounded to the nearest one ten thousandth) of Banner common stock on NASDAQ for the ten trading days immediately preceding the fifth day before the closing date of the merger (which we refer to as the “average Banner common stock price”). Immediately prior to the merger, each outstanding share of Siuslaw preferred stock will automatically convert to one share of Siuslaw common stock and holders thereof will receive the same merger consideration as the other Siuslaw common shareholders. For example, if you hold 1,001 shares of Siuslaw stock, then for the stock portion of the merger consideration, you will receive 322 shares of Banner common stock and a cash payment instead of the 0.6323 fractional share of Banner common stock that you otherwise would have received ($1,001 \text{ shares} \times 0.32231 = 322.6323 \text{ shares}$), and for the cash portion of the merger consideration, you will receive a cash payment of \$1,417.64 ($1,001 \times \1.41622). Banner’s common stock is listed on NASDAQ under the symbol “BANR”. The following table shows the closing sale prices of Banner common stock and Siuslaw common stock as reported on NASDAQ and the Over the Counter OTCQB, respectively, on August 7, 2014, immediately prior to the public announcement of the merger agreement, and on _____, 2014, the last practicable trading day before the printing of this proxy statement/prospectus. This table also shows the implied value of the merger consideration payable for each share of Siuslaw stock, calculated by multiplying the closing price of Banner common stock on those dates by the exchange ratio of 0.32231 for the stock portion of the merger consideration, and adding to that amount \$1.41622 for the cash portion of the merger consideration.

Date	Banner Closing Price	Siuslaw Closing Price	Implied Value of Merger Consideration for One Share of Siuslaw Common Stock
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August 7, 2014	\$39.14	\$8.85	\$14.03	
_____, 2014	\$	\$		\$

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Siuslaw Will Hold its Special Meeting on _____, 2014 (page 25)

The special meeting of Siuslaw shareholders will be held on _____, 2014, at 5:30 p.m. local time, at the Florence Office, Siuslaw Bank, 777 Highway 101, Florence, Oregon. At the special meeting, holders of Siuslaw stock will be asked to:

- approve the merger agreement (which we refer to as the “merger proposal”);
- approve a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the merger proposal (which we refer to as the “adjournment proposal”); and
- consider and vote on any other matters that may properly come before the special meeting.

Only holders of record of Siuslaw stock at the close of business on _____, 2014 will be entitled to vote at the special meeting. Each share of Siuslaw stock is entitled to one vote on each proposal to be considered at the special meeting. As of the record date, there were 4,095,421 shares of Siuslaw stock, consisting of 3,992,937 shares of common stock and 102,484 shares of Siuslaw preferred stock, entitled to vote at the special meeting. As of the record date, the directors and executive officers of Siuslaw and their affiliates beneficially owned and were entitled to vote approximately 985,000 shares of Siuslaw common stock representing approximately 24.7% of the shares of Siuslaw common stock outstanding on that date, which shares are subject to the voting agreements described below.

Concurrent with the execution of the merger agreement, each of Siuslaw’s directors and executive officers entered into a voting agreement with Banner under which he or she generally has agreed (1) to vote or cause to be voted in favor of the merger proposal, all shares of Siuslaw common stock over which he or she is the record or beneficial owner and (2) subject to limited exceptions, not to sell or otherwise dispose of shares of Siuslaw common stock he or she beneficially owned as of the date of the voting agreement until after the approval of the merger proposal by the shareholders of Siuslaw. For additional information regarding the voting agreements, see “The Merger Agreement—Voting Agreements” on page 63.

To approve the merger proposal, at least a majority of the shares of Siuslaw stock outstanding and entitled to vote at the special meeting must be voted in favor of such proposal. To approve the the adjournment proposal, more shares of Siuslaw stock present in person or by proxy at the special meeting must be voted in favor of such proposal than shares voted against the adjournment proposal. If you mark “ABSTAIN” on your proxy, fail to submit a proxy or fail to vote in person at the special meeting or fail to instruct your bank or broker how to vote with respect to the merger proposal, it will have the same effect as a vote “AGAINST” the merger proposal. If you mark “ABSTAIN” on your proxy, fail to submit a proxy or fail to vote in person at the special meeting or fail to instruct your bank or broker how to vote with respect to the adjournment proposal, it will have no effect on the adjournment proposal.

Siuslaw’s Board of Directors Unanimously Recommends that Siuslaw Shareholders Vote “FOR” the Approval of the Merger Proposal and the Other Proposals Presented at the Special Meeting (page 25)

After careful consideration, Siuslaw’s board of directors has determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Siuslaw and its shareholders and has unanimously approved the merger agreement. Siuslaw’s board of directors unanimously recommends that shareholders vote “FOR” the approval of the merger proposal and “FOR” any other proposal presented at the special meeting. For the factors considered by Siuslaw’s Board of Directors in reaching its decision to approve the merger agreement, see “The Merger—Siuslaw’s Reasons for the Merger; Recommendation of Siuslaw’s Board of Directors” on page 31.

Opinion of Siuslaw’s Financial Advisor (page 35 and Appendix B)

In connection with its consideration of the merger, on August 7, 2014, the Siuslaw board of directors received financial advice and presentations regarding the financial aspects of the merger from Sandler O'Neill & Partners, L.P. (which we refer to as "Sandler"), and on August 7, 2014, received Sandler's oral opinion, which

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opinion was confirmed by delivery of a written opinion, dated August 7, 2014, to the effect that, as of such date and based upon and subject to the various factors, assumptions and limitations set forth in its opinion, the merger consideration was fair, from a financial point of view, to the holders of Siuslaw common stock. The full text of Sandler's written opinion is attached as Appendix B to this proxy statement/prospectus. You should read the entire opinion for a discussion of, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Sandler in rendering its opinion. Sandler's written opinion is addressed to the Siuslaw board of directors, is directed only to the merger consideration to be received by the Siuslaw common shareholders and does not constitute a recommendation to any Siuslaw shareholder as to how such shareholder should vote with respect to the merger or any other matter.

Material U.S. Federal Income Tax Consequences of the Merger (page 46)

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code. Assuming the merger qualifies as a reorganization, a U.S. holder of Siuslaw stock generally will not recognize any gain or loss upon receipt of Banner common stock in exchange for Siuslaw stock in the merger, and will recognize gain (but not loss) in an amount not to exceed any cash received as part of the merger consideration (except with respect to any cash received upon exercise of dissenters' rights under Oregon law and in lieu of a fractional share of Banner common stock, as discussed under "The Merger—Material U.S. Federal Income Tax Consequences of the Merger—Receipt of Only Cash Consideration Upon Exercise of Dissenters' Rights and Cash Received Instead of a Fractional Share of Banner Common Stock" on page 49). It is a condition to the completion of the merger that Banner receive a written opinion from its counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

For further information, see "The Merger—Material U.S. Federal Income Tax Consequences of the Merger" on page 46.

The U.S. federal income tax consequences described above may not apply to all holders of Siuslaw stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your independent tax advisor for a full understanding of the particular tax consequences of the merger to you.

Holders of Siuslaw Stock Have Dissenters' Rights in Connection with the Merger (see page 50)

Under Oregon law, Siuslaw shareholders have the right to dissent from the merger and receive cash equal to the fair value of their Siuslaw shares instead of receiving the merger consideration. To perfect dissenters' rights, a Siuslaw shareholder must send or deliver a notice to Siuslaw prior to the special meeting and must not vote in favor of the merger. Following the special shareholders meeting, Banner will deliver a written dissenters' notice to all shareholders who have satisfied the statutory provisions described above. Dissenting shareholders who receive the notice must demand payment and satisfy certain other requirements. A shareholder electing to dissent must strictly comply with all the procedures required by Oregon law. Please read "The Merger—Dissenters' Rights of Siuslaw Shareholders" on page 50 and Appendix C to this proxy statement/prospectus for additional information.

Siuslaw's Executive Officers and Directors Have Financial Interests in the Merger that Differ from Your Interests (page 51)

Siuslaw shareholders should be aware that some of Siuslaw's directors and executive officers have interests in the merger and have arrangements that are different from, or in addition to, those of Siuslaw shareholders generally. Siuslaw's directors and executive officers will be entitled to indemnification by Banner with respect to claims arising from matters occurring at or prior to the effective time of the merger and to coverage under a directors' and officers' liability insurance policy for four years after the merger. At Siuslaw's option, Siuslaw may, in lieu of the foregoing (or, if requested by Banner, Siuslaw shall) purchase prior to the effective time of the merger, a prepaid "tail" policy providing single limit equivalent coverage to that described in the preceding sentence for a premium not to exceed an

amount equal to 200% of the annual premium most recently paid by Siuslaw for its current officers' and directors' liability insurance policy. In addition, Banner has agreed to assume and honor all obligations under existing salary continuation agreements with Siuslaw's Chairman of the Board Johan Mehlum, Chief Executive Officer Lonnie Iholts, and Chief Financial Officer Carl Hultenberg, and in the case of Messrs.

Iholts and Mehlum, deferred compensation and split-dollar life insurance agreements. Banner also will honor the deferred compensation agreement with Director F. David Crowell. In addition, Messrs. Mehlum, Iholts and Hultenberg will receive an additional cash bonus in anticipation of the transaction and in lieu of other severance to be paid to employees under Siuslaw's severance plan. Each of Siuslaw's directors and Messrs. Mehlum, Iholts and Hultenberg entered into a non-solicitation agreement with Banner, which prohibits the individual from soliciting employees to terminate employment by Banner, or from engaging in the sale or marketing of any financial institution products or services, insurance products, investment products (other than real estate investment products), investment advisory services (other than real estate advisory services) or investment brokerage services to customers of Siuslaw or Banner for a period of two years following completion of the merger. Siuslaw's board of directors was aware of these interests and considered these interests, among other matters, when making its decision to approve the merger agreement, and in recommending that Siuslaw shareholders vote in favor of approving the merger agreement.

For a more complete description of these interests, see "The Merger—Interests of Siuslaw Directors and Executive Officers in the Merger" on page 51.

Regulatory Approvals

Under applicable law, the merger must be approved by the Board of Governors of the Federal Reserve System, or Federal Reserve Board, and the bank merger must be approved by the Federal Deposit Insurance Corporation, or "FDIC", the Washington State Department of Financial Institutions, Division of Banks, or "DFI", and the Oregon Division of Finance and Corporate Securities, or "Oregon Divison". The U.S. Department of Justice may also review the impact of the merger and the bank merger on competition.

We have filed all of the required applications, and will be requesting a waiver from the Federal Reserve Board of its application requirements that would apply to this merger. We received approval for the bank merger from the DFI on September 22, 2014. There can be no assurance that the regulatory approvals received will not contain a condition or requirement that results in a failure to satisfy the conditions to closing set forth in the merger agreement. See "The Merger Agreement—Conditions to Completion of the Merger" on page 60.

Conditions that Must be Satisfied or Waived for the Merger to Occur (page 60)

As more fully described in this proxy statement/prospectus and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permitted, waived. These conditions include:

- the approval of the merger proposal by Siuslaw shareholders;
- the authorization for listing on NASDAQ of the shares of Banner common stock to be issued in the merger;
- the receipt of all required regulatory approvals without the imposition of any unduly burdensome conditions upon Banner following the merger or upon Banner Bank following the bank merger;
- the effectiveness of the registration statement on Form S-4 of which this proxy statement/prospectus is a part;
- the absence of any stop order, injunction, decree or law preventing or making illegal the completion of the merger or the bank merger;
- subject to the standards set forth in the closing conditions in the merger agreement, the accuracy of the representations and warranties of Banner and Siuslaw on the date of the merger agreement and the closing date of the merger;

- performance in all material respects by each of Banner and Siuslaw of its obligations under the merger agreement;
 - receipt by Siuslaw of third party consents to the merger;

- receipt by Banner of an opinion from its counsel as to certain U.S. federal income tax matters; and
- as an additional condition to Banner's obligation to complete the merger, the shares of Siuslaw common stock whose holders have perfected dissenters' rights under Oregon law shall be less than ten percent of the total number of outstanding shares of Siuslaw common stock.

We expect to complete the merger in the fourth quarter of 2014. No assurance can be given, however, as to when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Non-Solicitation (page 51)

Siuslaw has agreed that it generally will not solicit or encourage any inquiries or proposals regarding any acquisition proposals by third parties. Siuslaw may respond to an unsolicited proposal if the board of directors of Siuslaw determines that the proposal constitutes or is reasonably likely to result in a transaction that is more favorable from a financial point of view to Siuslaw's shareholders than the merger and that the board's failure to respond would result in a violation of its fiduciary duties. Siuslaw must promptly notify Banner if it receives any acquisition proposals.

Termination of the Merger Agreement (page 61)

The merger agreement can be terminated at any time prior to completion of the merger in the following circumstances:

- by mutual written consent of Banner and Siuslaw;
- by either Banner or Siuslaw if any governmental entity that must grant a requisite regulatory approval has denied approval of the merger or bank merger and such denial has become final and non-appealable or any governmental entity of competent jurisdiction has issued a final non-appealable order, injunction or decree permanently enjoining or otherwise prohibiting or making illegal the consummation of the merger or bank merger, unless the failure to obtain a requisite regulatory approval is due to the failure of the party seeking to terminate the merger agreement to perform or observe its covenants and agreements under the merger agreement;
- by either Banner or Siuslaw if the merger has not been completed on or before March 31, 2015 (which we refer to as the "termination date"), unless the failure of the merger to be completed by that date is due to the failure of the party seeking to terminate the merger agreement to perform or observe its covenants and agreements under the merger agreement;
- by either Banner or Siuslaw (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement) if there is a breach of any of the covenants or agreements or any of the representations or warranties set forth in the merger agreement on the part of the other party which either individually or in the aggregate would constitute, if occurring or continuing on the closing date the merger, the failure of a closing condition of the terminating party and which is not cured within 20 days following written notice to the party committing such breach, or by its nature or timing cannot be cured during such period (or such fewer days as remain prior to the termination date);
- by Banner, if the board of directors of Siuslaw fails to recommend in this proxy statement/prospectus that its shareholders approve the merger proposal, or the Siuslaw board withdraws, modifies or makes or causes to be made any third party or public communication proposing or announcing an intention to modify or withdraw such recommendation in any manner adverse to Banner, or Siuslaw materially breaches any of its obligations relating to

third party acquisition proposals;

- by either Banner or Siuslaw, if Siuslaw does not obtain shareholder approval of the merger proposal at the special meeting; or

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- by Siuslaw prior to Siuslaw obtaining shareholder approval of the merger proposal in order to enter into a definitive acquisition agreement with respect to a superior proposal. A superior proposal means a third party unsolicited tender or exchange offer, merger or consolidation or other business combination involving Siuslaw or Siuslaw Bank or any third party unsolicited proposal to acquire at least a majority of the voting power in, or at least a majority of the fair market value of the business, assets or deposits of, Siuslaw or Siuslaw Bank that the board of directors of Siuslaw concludes in good faith is more favorable to the shareholders of Siuslaw than the merger proposal after considering a variety of factors and the advice of outside advisors

Termination Fee (page 61)

Set forth below are the termination events that would result in Siuslaw being obligated to pay Banner a \$2.3 million termination fee.

- a termination by Banner based on (i) the board of directors of Siuslaw either failing to continue its recommendation that the Siuslaw shareholders approve the merger proposal or adversely changing such recommendation or (ii) Siuslaw materially breaching the provisions of the merger agreement relating to third party acquisition proposals;
- a termination by Siuslaw prior to it obtaining shareholder approval of the merger proposal in order to enter into a definitive acquisition agreement with respect to a superior proposal; or
- a termination by either party as a result of the failure of Siuslaw's shareholders to approve the merger proposal and if, prior to such termination, there is publicly announced a proposal for a tender or exchange offer, for a merger or consolidation or other business combination involving Siuslaw or Siuslaw Bank or for the acquisition of a majority of the voting power in, or a majority of the fair market value of the business, assets or deposits of, Siuslaw or Siuslaw Bank and, within one year of the termination, Siuslaw or Siuslaw Bank either enters into a definitive agreement with respect to an acquisition proposal or consummates an acquisition proposal.

In the event of a willful and material breach of the merger agreement by Siuslaw that would entitle Banner to the termination fee, Banner is not required to accept the termination fee from Siuslaw and may pursue alternate relief against Siuslaw.

The Rights of Siuslaw Shareholders Will Change as a Result of the Merger (page 68)

The rights of Siuslaw shareholders will change as a result of the merger due to differences in Banner's and Siuslaw's governing documents. The rights of Siuslaw shareholders are governed by Oregon law and Banner's shareholders are governed by Washington law and by Siuslaw's and Banner's respective articles of incorporation and bylaws, each as amended to date. Upon the completion of the merger, Siuslaw shareholders will become shareholders of Banner, as the continuing legal entity in the merger, and the rights of Siuslaw shareholders will therefore be governed by Washington law and by Banner's articles of incorporation and bylaws.

See "Comparison of Shareholder Rights" on page 68 for a description of the material differences in shareholder rights under each of the Banner and Siuslaw governing documents.

Information About the Companies (page 64)

Banner Corporation

Banner is a bank holding company incorporated in the State of Washington. It is primarily engaged in the business of planning, directing and coordinating the business activities of its wholly-owned subsidiaries, Banner Bank and Islanders Bank. Banner Bank is a Washington-chartered commercial bank that conducts business from its main office in Walla Walla, Washington and, as of June 30, 2014, its 90 branch offices, including 60 offices located in Washington, 21 offices located in Oregon and nine offices located in Idaho. Islanders Bank is also a Washington-chartered commercial bank that conducts business from three locations in San Juan County, Washington. Banner is subject to regulation by the the Federal Reserve Board.

Banner's principal office is located at 10 South First Avenue, Walla Walla, Washington 99362, and its telephone number is (509) 527-3636. Banner's common stock is listed on NASDAQ under the symbol "BANR."

As of June 30, 2014, on a consolidated basis, Banner had total assets of \$4.75 billion, deposits of \$3.92 billion, and shareholders' equity of \$563.01 million.

Additional information about Banner and its subsidiaries is included in documents incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information" on page 79.

Siuslaw Financial Group, Inc.

Siuslaw Financial Group, Inc. is headquartered in Florence, Oregon and is the parent company of Siuslaw Bank, a state-chartered commercial bank and member of the Federal Reserve System, which was organized in 1963 and opened in 1964 and operates ten branch offices in Lane County, including a significant presence in the greater Eugene, Oregon market. At June 30, 2014, Siuslaw had \$360 million in assets, \$242 million in loans and \$309 million in deposits.

Siuslaw's principal office is located at 777 Highway 101, Florence, Oregon, 97439, and its telephone number is (541) 997-3486. Siuslaw's common stock is listed on the Over the Counter OTCQB under the symbol "SFGP."

For additional information about Siuslaw and its subsidiaries, see "The Companies—Siuslaw" on page 64.

Siuslaw Shareholders Should Wait to Surrender Their Stock Certificates Until After the Merger

To receive your merger consideration, you will need to surrender your Siuslaw stock certificates. If the merger is completed, the exchange agent appointed by Banner will send you written instructions for exchanging your stock certificates. The exchange agent will be Computershare Trust Company, N.A., Banner's stock transfer agent, or an unrelated bank or trust company reasonably acceptable to Siuslaw.

Please do not send in your certificates until you receive these instructions.

Risk Factors (page 13)

You should consider all the information contained in or incorporated by reference into this proxy statement/prospectus in deciding how to vote for the proposals presented in the proxy statement/prospectus. In particular, you should consider the factors under "Risk Factors" on page 13.

RISK FACTORS

In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the caption “Cautionary Statement Regarding Forwarding-Looking Statements” on page 17 and the discussion under “Risk Factors” in Banner’s Annual Report on Form 10-K for the year ended December 31, 2013, you should carefully consider the following risk factors in deciding how to vote your shares. You should also consider the other documents incorporated by reference into this proxy statement/prospectus. See “Where You Can Find More Information” on page 79.

Because the market price of Banner common stock will fluctuate, holders of Siuslaw stock cannot be certain of the market value of the stock portion of the merger consideration they will receive.

Upon completion of the merger, each outstanding share of Siuslaw stock will be converted into the right to receive 0.32231 of a share of Banner common stock and \$1.41622 in cash. Although the number of shares of Banner common stock that holders of Siuslaw stock will receive is fixed, the market value of the stock portion of the merger consideration will fluctuate with the market price of Banner common stock. Accordingly, any change in the market price of Banner common stock prior to the completion of the merger will affect the market value of the stock portion of the merger consideration that holders of Siuslaw stock will receive upon completion of the merger, and there will be no adjustment to the merger consideration for changes in the market price of either shares of Banner common stock or shares of Siuslaw stock. Stock price changes may result from a variety of factors that are beyond the control of Banner and Siuslaw, including, but not limited to, general market and economic conditions, changes in our respective businesses, operations and prospects and regulatory considerations. Therefore, if you are a holder of Siuslaw stock, you will not know at the time of the special meeting the precise market value of the merger consideration you will receive at the effective time of the merger. You should obtain current market quotations for shares of Banner common stock and for shares of Siuslaw stock.

The market price of Banner common stock after the merger may be affected by factors different from those affecting the shares of Siuslaw or Banner currently.

Upon completion of the merger, holders of Siuslaw stock will become holders of Banner common stock. Banner’s business differs in important respects from that of Siuslaw, and, accordingly, the results of operations of the combined company and the market price of Banner common stock after the completion of the merger may be affected by factors different from those currently affecting the independent results of operations of each of Banner and Siuslaw. For a discussion of the businesses of Banner and of some important factors to consider in connection with those businesses, see the documents incorporated by reference in this proxy statement/prospectus and referred to under “Where You Can Find More Information” on page 79.

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger.

Before the merger and the bank merger may be completed, Banner and Siuslaw must obtain approvals from the Federal Reserve Board (or a waiver), the FDIC, the DFI and the Oregon Division. Banner received approval for the bank merger from the DFI on September 22, 2014. Other approvals, waivers or consents from regulators may also be required. An adverse development in either party’s regulatory standing or other factors could result in an inability to obtain approvals or delay their receipt. These regulators may impose conditions on the completion of the merger or the bank merger or require changes to the terms of the merger or the bank merger. Such conditions or changes could have the effect of delaying or preventing completion of the merger or the bank merger or imposing additional costs on or limiting the revenues of the combined company following the merger and the bank merger, any of which might have an adverse effect on the combined company following the merger. See “The Merger—Regulatory Approvals” on page 50.

Siuslaw's shareholders will have less influence as shareholders of Banner than as shareholders of Siuslaw.

Siuslaw's shareholders currently have the right to vote in the election of the board of directors of Siuslaw and on other matters affecting Siuslaw. Following the merger, the shareholders of Siuslaw as a group will own approximately 6.3% of Banner. When the merger occurs, each Siuslaw shareholder, other than those that exercise

dissenters' rights, will become a shareholder of Banner with a percentage ownership of the combined organization much smaller than such shareholder's percentage ownership of Siuslaw. In addition, no member of Siuslaw's board of directors will join Banner's board of directors following the merger. Because of this, Siuslaw's shareholders will have less influence on the management and policies of Banner than they now have on the management and policies of Siuslaw.

The fairness opinion obtained by Siuslaw from its financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion.

Sandler, Siuslaw's financial advisor in connection with the merger, has delivered to the board of directors of Siuslaw its opinion dated as of August 7, 2014, that as of such date, and based upon and subject to the factors and assumptions set forth therein, the merger consideration to be paid to the holders of the outstanding shares of Siuslaw common stock pursuant to the merger agreement was fair from a financial point of view to such holders. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of Banner or Siuslaw, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinion is based, may materially alter or affect the relative values of Banner and Siuslaw. The fairness opinion will not be updated as of the date of the mailing of the proxy statement.

Siuslaw will be subject to business uncertainties and contractual restrictions while the merger is pending.

Banner and Siuslaw have operated and, until the completion of the merger, will continue to operate, independently. Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Siuslaw and consequently on Banner. These uncertainties may impair Siuslaw's ability to attract, retain or motivate key personnel until the merger is consummated, and could cause customers and others that deal with Siuslaw to seek to change existing business relationships with Siuslaw. Retention of certain employees may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future roles with Banner. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with Banner, Banner's business following the merger could be harmed. In addition, the merger agreement restricts Siuslaw from making certain acquisitions and taking other specified actions until the merger occurs without the consent of Banner. These restrictions may prevent Siuslaw from pursuing attractive business opportunities that may arise prior to the completion of the merger. Please see the section entitled "The Merger Agreement—Conduct of Business Pending the Merger" on page 55 for a description of the restrictive covenants to which Siuslaw is subject.

Banner may fail to realize all of the anticipated benefits of the merger.

The success of the merger will depend on, among other things, Banner's ability to realize anticipated cost savings and to combine the businesses of Banner and Siuslaw in a manner that does not materially disrupt the existing customer relationships of our companies or result in decreased revenues from our customers. If Banner is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully, if at all, or may take longer to realize than expected.

It is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Banner and Siuslaw during the transition period and on the combined company following completion of the merger.

The value of Banner common stock after the merger may be affected by factors different from those currently affecting the values of Banner common stock or Siuslaw stock.

The \$2.3 million termination fee and the restrictions on solicitation contained in the merger agreement may discourage others from trying to acquire Siuslaw.

Until the completion of the merger, with some exceptions, Siuslaw is prohibited from soliciting, initiating, encouraging or participating in any discussion of or otherwise considering any inquiries or proposals that may lead to an acquisition proposal, such as a merger or other business combination transaction, with any person other than Banner. In addition, Siuslaw has agreed to pay a \$2.3 million termination fee to Banner in specified circumstances including involving Siuslaw's failure to abide by certain obligations not to solicit acquisition proposals. These provisions could discourage other companies from trying to acquire Siuslaw even though those other companies might be willing to offer greater value to Siuslaw's shareholders than Banner has offered in the merger. The payment of the termination fee could also have an adverse effect on Siuslaw's financial condition. See "The Merger Agreement—Agreement Not to Solicit Other Offers" and "The Merger Agreement—Termination of the Merger Agreement" on pages 57 and 61, respectively.

Siuslaw's executive officers and directors have financial interests in the merger that are different from, or in addition to, the interests of Siuslaw shareholders.

Executive officers of Siuslaw negotiated the terms of the merger agreement with Banner, and Siuslaw's board of directors unanimously approved and recommended that Siuslaw shareholders vote to approve the merger agreement. In considering these facts and the other information contained in this proxy statement/prospectus, you should be aware that certain Siuslaw executive officers and directors have financial interests in the merger that are different from, or in addition to, the interests of Siuslaw's shareholders generally. Siuslaw's directors and executive officers will be entitled to indemnification by Banner with respect to claims arising from matters occurring at or prior to the effective time of the merger and to coverage under a directors' and officers' liability insurance policy for four years after the merger. In addition, Banner has agreed to assume and honor all obligations under existing salary continuation agreements with Siuslaw's Chairman of the Board Johan Mehlum, Chief Executive Officer Lonnie Iholts, and Chief Financial Officer Carl Hultenberg, and in the case of Messrs. Iholts and Mehlum, deferred compensation and split-dollar life insurance agreements. Banner also will honor the deferred compensation agreement with Director F. David Crowell. In addition, Messrs. Mehlum, Iholts and Hultenberg will receive an additional cash bonus in anticipation of the transaction and in lieu of other severance to be paid to employees under Siuslaw's severance plan.

In addition, pursuant to the merger agreement, each director and executive officer of Siuslaw and Siuslaw Bank has delivered to Banner an executed voting agreement and an executed non-solicitation agreement, each in the form attached as an exhibit to the merger agreement for no additional consideration.

For a more complete description of these interests, see "The Merger—Interests of Siuslaw Executive Officers and Directors in the Merger" on page 51.

The merger is subject to closing conditions, including Siuslaw shareholder approval that, if not satisfied or waived, will result in the merger not being completed, which may result in material adverse consequences to Siuslaw's business and operations.

The merger is subject to closing conditions, including the approval of Siuslaw shareholders that, if not satisfied, will prevent the merger from being completed. All executive officers and directors of Siuslaw have agreed to vote their shares of Siuslaw common stock in favor of approval of the merger agreement. If the merger is not completed, Siuslaw's business and operations could be adversely affected by the loss of employees and customers, the costs incurred in pursuing the transaction, and potential reputational harm. In addition to the required approvals and consents from governmental entities and the approval of Siuslaw shareholders, the merger is subject to other conditions beyond Banner's and Siuslaw's control that may prevent, delay or otherwise materially adversely affect its

completion. Neither Banner nor Siuslaw can predict whether and when these other conditions will be satisfied. See “The Merger Agreement — Conditions to Completion of the Merger” on page 60.

Banner has various provisions in its articles of incorporation that could impede a takeover of Banner.

Provisions in Banner’s articles of incorporation and bylaws, the corporate law of the State of Washington and federal regulations could delay, defer or prevent a third party from acquiring Banner, despite the possible benefit

to its shareholders, or otherwise adversely affect the market price of any class of our equity securities, including Banner common stock. These provisions include: limitations on voting rights of beneficial owners of more than 10% of Banner common stock, supermajority voting requirements for certain business combinations with any person who owns 10% or more of Banner's outstanding common stock; the election of directors to staggered terms of three years; advance notice requirements for nominations for election to its board of directors and for proposing matters that shareholders may act on at shareholder meetings; a requirement that only directors may fill a vacancy on its board of directors; supermajority voting requirements to remove any of its directors and the other provisions described under "Description of Banner's Capital Stock—Other Anti-Takeover Provisions" on page 68. In addition, Banner is subject to Washington laws, including one that prohibits it from engaging in a significant business combination with any shareholder who acquires 10% or more of its voting stock for a period of five years from the date of that acquisition unless certain conditions are met. Additionally, Banner's articles of incorporation authorize its board of directors to issue preferred stock and preferred stock could be issued as a defensive measure in response to a takeover proposal. These provisions may discourage potential takeover attempts, discourage bids for Banner's common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, Banner's common stock. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors other than the candidates nominated by Banner's board of directors.

If the merger is not completed, Banner and Siuslaw will have incurred substantial expenses without realizing the expected benefits of the merger.

Each of Banner and Siuslaw has incurred and will incur substantial expenses in connection with the due diligence, negotiation and completion of the transactions contemplated by the merger agreement, as well as the costs and expenses of preparing, filing, printing and mailing this proxy statement/prospectus and all filing fees paid to the SEC in connection with the merger. If the merger is not completed, Banner and Siuslaw would have to recognize these expenses without realizing the expected benefits of the merger.

The shares of Banner common stock to be received by holders of Siuslaw stock for the stock portion of the merger consideration will have different rights from the shares of Siuslaw stock.

Upon completion of the merger, Siuslaw shareholders will become Banner shareholders and their rights as shareholders will continue to be governed by the Washington Business Corporation Act and will also be governed by Banner's articles of incorporation and bylaws. The rights associated with Siuslaw common stock are different from the rights associated with Banner common stock. See "Comparison of Shareholder Rights" on page 68 for a discussion of the different rights associated with Banner common stock and Siuslaw common stock.

Risk Factors Relating to Banner and Banner's Business.

Banner is, and will continue to be, subject to the risks described in Banner's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which are filed with the SEC and incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" on page 79.

CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus contains or incorporates by reference a number of forward-looking statements regarding the financial condition, results of operations, earnings outlook and business prospects of Banner, Siuslaw and the potential combined company and may include statements for the period following the completion of the merger. You can find many of these statements by looking for words such as “expects,” “projects,” “anticipates,” “believes,” “intends,” “estimates,” “strategy,” “plan,” “potential,” “possible” and other similar expressions. Statements about the expected timing, completion and effects of the merger and all other statements in this proxy statement/prospectus or in the documents incorporated by reference in this proxy statement/prospectus, other than historical facts, constitute forward-looking statements.

Forward-looking statements involve certain risks and uncertainties. The ability of either Banner or Siuslaw to predict results or actual effects of its plans and strategies, or those of the combined company, is inherently uncertain. Accordingly, actual results may differ materially from those expressed in, or implied by, forward-looking statements. Some of the factors that may cause actual results or earnings to differ materially from those contemplated by forward-looking statements include, but are not limited to, those discussed under “Risk Factors” and those discussed in the filings of Banner that are incorporated into this proxy statement/prospectus by reference, as well as the following:

- the expected cost savings, synergies and other financial benefits from the merger might not be realized within the expected time frames or at all, and costs or difficulties relating to integration matters might be greater than expected;
- the requisite regulatory approvals for the merger and bank merger and/or the approval of the merger agreement by the shareholders of Siuslaw might not be obtained or other conditions to completion of the merger set forth in the merger agreement might not be satisfied or waived;
- the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and changes in our allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets and may lead to increased losses and non-performing assets, and may result in our allowance for loan losses not being adequate to cover actual losses and require us to materially increase our reserves;
 - changes in general economic conditions, either nationally or in our market areas;
- changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, net interest margin and funding sources;
- risks related to acquiring assets in or entering markets in which Banner has not previously operated and may not be familiar;
- fluctuations in the demand for loans, the number of unsold homes and other properties and fluctuations in real estate values in our market areas;
 - secondary market conditions for loans and our ability to sell loans in the secondary market;
- results of examinations by bank regulators or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require increases to the allowance for loan losses, the write-down of assets, or a change in regulatory capital position of our banks or affect the ability of our banks to borrow funds or maintain or increase deposits, which could adversely affect liquidity and earnings;

- legislative or regulatory changes, including changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules as a result of Basel III;

- our ability to attract and retain deposits;
- our ability to control operating costs and expenses;
- new legislation or regulatory changes, including but not limited to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) and regulations adopted thereunder, changes in capital requirements pursuant to the Dodd-Frank Act and the implementation of the Basel III capital standards, other governmental initiatives affecting the financial services industry and changes in federal and/or state tax laws or interpretations thereof by taxing authorities;
 - increases in premiums for deposit insurance;
- the use of estimates in determining fair value of certain assets, which estimates may prove to be incorrect and result in significant declines in valuation;
 - difficulties in reducing risk associated with the loans on our balance sheet;
- staffing fluctuations in response to product demand or the implementation of corporate strategies that affect the workforce and potential associated changes;
 - failure or security breach of computer systems on which we depend;
 - our ability to retain key members of the senior management team;
 - costs and effects of litigation, including settlements and judgments;
 - Banner’s ability to implement its business strategies;
 - future acquisitions by Banner of other depository institutions or lines of business;
 - increased competitive pressures among financial services companies;
 - changes in consumer spending, borrowing and savings habits;
- the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions;
 - Banner’s ability to pay dividends on its common stock;
 - adverse changes in the securities markets;
 - inability of key third-party providers to perform their obligations to us;
- changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods;
- other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services; and

- and other risks detailed from time to time in Banner's filings with the SEC.

Because these forward-looking statements are subject to assumptions and uncertainties, Banner's and Siuslaw's actual results may differ materially from those expressed or implied by these forward-looking statements.

You are cautioned not to place undue reliance on these statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference in this proxy statement/prospectus.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to Banner or Siuslaw or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Banner and Siuslaw undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events, unless obligated to do so under the federal securities laws.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF BANNER AND
COMPARATIVE UNAUDITED PRO FORMA PER SHARE DATA

Selected Consolidated Historical Financial Information of Banner

The following selected consolidated financial information is intended to help you in understanding certain financial aspects of the merger. The tables on the following pages present selected consolidated historical financial data for Banner. The annual consolidated historical information for Banner is derived from its audited consolidated financial statements as of and for each of the years ended December 31, 2009 through 2013. The information is only a summary and should be read with Banner's historical consolidated financial statements and related notes. Banner's audited consolidated financial statements as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 are contained in its Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC. The unaudited consolidated financial information as of and for the six months ended June 30, 2014 and 2013 is derived from Banner's unaudited consolidated financial statements which are included in Banner's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, which is incorporated by reference into this proxy statement/prospectus, and which, in Banner's opinion, include all adjustments (consisting of normal, recurring adjustments) necessary for a fair statement of Banner's financial position and results of operations for such periods. The results of operations for the six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 31, 2014. You should not assume the results of operations for any past periods indicate results for any future period. See "Where You Can Find More Information" on page 79.

(In thousands)	(unaudited)			December 31,		
	At June 30, 2014	2013	2012	2011	2010	2009
Total assets	\$4,745,299	\$4,388,166	\$4,265,564	\$4,257,312	\$4,406,082	\$4,722,221
Cash and securities (1)	796,493	772,614	811,902	754,396	729,345	640,657
Loans receivable, net	3,688,289	3,343,455	3,158,223	3,213,426	3,305,716	3,694,852
Deposits	3,918,919	3,617,926	3,557,804	3,475,654	3,591,198	3,865,550
Borrowings	211,510	184,234	160,000	212,649	267,761	414,315
Common stockholders' equity	563,013	538,972	506,919	411,748	392,472	287,721
Total stockholders' equity	563,013	538,972	506,919	532,450	511,472	405,128
Shares outstanding	19,569	19,544	19,455	17,553	16,165	3,077
Shares outstanding excluding unearned, restricted shares held in ESOP	19,569	19,509	19,421	17,519	16,130	3,042

OPERATING
DATA:

(unaudited)

Six Months Ended June

30,

For the Year Ended December 31,

(In thousands)	2014	2013	2013	2012	2011	2010	2009
Interest income	\$91,646	\$90,080	\$179,712	\$187,162	\$197,563	\$218,082	\$237,370
Interest expense	5,499	6,863	12,996	19,514	32,992	60,312	92,797
Net interest income before provision for loan losses	86,147	83,217	166,716	167,648	164,571	157,770	144,573
Provision for loan losses	—	—	—	13,000	35,000	70,000	109,000
Net interest income	86,147	83,217	166,716	154,648	129,571	87,770	35,573
Deposit fees and other service charges	13,947	12,928	26,581	25,266	22,962	22,009	21,394
Mortgage banking operations revenue	4,440	6,412	11,170	13,812	6,146	6,370	8,893
Other-than-temporary impairment recoveries (losses)	—	409	409	(409)	3,000	(4,231)	(1,511)
Net change in valuation of financial instruments carried at fair value	209	(1,601)	(2,278)	(16,515)	(624	1,747	12,529
All other operating income	10,395	2,473	7,460	4,748	2,506	3,253	2,385
Total other operating income	28,991	20,621	43,342	26,902	33,990	29,148	43,690
REO operations expense (recoveries), net	(70)	(446)	(689)	3,354	22,262	26,025	7,147
All other operating expenses	74,085	70,003	141,664	138,099	135,842	134,776	134,933
Total other operating expense	74,015	69,557	140,975	141,453	158,104	160,801	142,080
Income (loss) before provision for income tax expense (benefit)	41,123	34,281	69,083	40,097	5,457	(43,883)	(62,817)
Provision for income tax expense (benefit)	13,545	10,945	22,528	(24,785)	—	18,013	(27,053)
Net income (loss)	\$27,578	\$23,336	\$46,555	\$64,882	\$5,457	\$(61,896)	\$(35,764)

PER COMMON

SHARE DATA: (unaudited)

Six Months Ended June

30,

At or For the Year Ended December 31,

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	2014	2013	2013	2012	2011	2010	2009
Net income (loss):							
Basic	\$1.43	\$1.21	\$2.40	\$3.17	\$(0.15)	\$(7.21)	\$(16.31)
Diluted	1.42	1.20	2.40	3.16	(0.15)	(7.21)	(16.31)
Common stockholders' equity per share (2)(9)	28.77	26.66	27.63	26.10	23.50	24.33	94.58
Cash dividends	0.36	0.24	0.54	0.04	0.10	0.28	0.28
Dividend payout ratio (basic)	25.17 %	19.83 %	22.50 %	1.26 %	(66.67) %	(3.88) %	(1.72) %
Dividend payout ratio (diluted)	25.35 %	20.00 %	22.50 %	1.27 %	(66.67) %	(3.88) %	(1.72) %

OTHER DATA: (unaudited)	At June 30, 2014	2013	2012	December 31, 2011	2010	2009
Full time equivalent employees	1,140	1,084	1,074	1,078	1,060	1,060
Number of branches	93	88	88	89	89	89

KEY
FINANCIAL
RATIOS:
(unaudited)

	Six Months Ended June		For the Year Ended December 31,				
	2014	30, 2013	2013	2012	2011	2010	2009
Performance Ratios:							
Return on average assets (3)(9)	1.24 %	1.11 %	1.09%	1.54%	0.13%	(1.36)%	(0.78)%
Return on average common equity (4)(9)	10.10	9.06	8.85	14.03	1.37	(17.19)	(11.69)%
Average common equity to average assets	12.30	12.27	12.36	10.96	9.31	7.90	6.71
Interest rate spread (5)(9)	4.04	4.15	4.08	4.13	3.99	3.61	3.23
Net interest margin (6)(9)	4.06	4.18	4.11	4.17	4.05	3.67	3.33
Non-interest income to average assets(9)	1.31	0.98	1.02	0.64	0.79	0.64	0.96
Non-interest expense to average assets(9)	3.33	3.31	3.31	3.35	3.69	3.53	3.12
Efficiency ratio (7)	64.28	66.99	67.11	72.71	79.62	86.03	75.47
Average interest-earning assets to interest-bearing liabilities	150.75	144.96	108.28	109.11	106.90	104.32	104.55
Selected Financial Ratios:							
Allowance for loan losses as a percent of total loans at end of period	1.97	2.31	2.19	2.39	2.52	2.86	2.51
Net charge-offs as a percent of average outstanding loans during the	--	0.02	0.30	0.57	1.50	1.88	2.28

period

Non-performing assets as a percent of total assets	0.51	0.78	0.66	1.18	2.79	5.77	6.27
Allowance for loan losses as a percent of non-performing loans (8)	376.35	291.64	302.77	225.33	110.09	64.30	44.55
Consolidated Capital Ratios:							
Total capital to risk-weighted assets	16.45	16.99	16.99	16.96	18.07	16.92	12.73
Tier 1 capital to risk-weighted assets	15.20	15.73	15.73	15.70	16.80	15.65	11.47
Tier 1 leverage capital to average assets	13.65	13.26	13.64	12.74	13.44	12.24	9.62

- 91(1) Includes securities available-for-sale and held-to-maturity and held for trading.
- (2) Calculated using shares outstanding excluding unearned restricted shares held in ESOP and adjusted for 1-for-7 reverse stock split.
- (3) Net income divided by average assets.
- (4) Net income divided by average common equity.
- (5) Difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
- (6) Net interest income before provision for loan losses as a percent of average interest-earning assets.
- (7) Other operating expenses divided by the total of net interest income before loan losses and other operating income (non-interest income).
- (8) Non-performing loans consist of nonaccrual and 90 days past due loans.
- (9) Results for six month periods annualized.

Comparative Unaudited Pro Forma Per Share Data

The table below sets forth the book value per common share, cash dividends per common share, and basic and diluted earnings per common share data for each of Banner and Siuslaw on a historical basis, for Banner on a pro forma combined basis and on a pro forma combined basis for Siuslaw equivalent shares. The Pro Forma Siuslaw Equivalent Shares data shows the effect of the merger from the perspective of an owner of Siuslaw common stock. The pro forma combined and pro forma per equivalent shares information give effect to the merger as if the merger had been effective on the dates presented in the case of the book value per common share data, and as if the merger had been effective as of January 1 of the applicable pro forma period, in the case of the cash dividends paid per common share and earnings per common share data. The pro forma data combine the historical results of Siuslaw into Banner's consolidated statement of income and, while certain adjustments were made for the estimated impact of certain fair value adjustments and other merger-related activity, they are not indicative of what could have occurred had the merger taken place on January 1 of the applicable pro forma period.

The pro forma financial information in the table below is provided for illustrative purposes, does not include any projected cost savings, revenue enhancements or other possible financial benefits of the merger to the combined company and does not attempt to suggest or predict future results. This information also does not necessarily reflect what the historical financial condition or results of operations of the combined company would have been had Banner and Siuslaw been combined as of the dates and for the periods shown.

	Banner Historical	Siuslaw Historical	Pro Forma Combined Amounts for Banner (5)	Pro Forma Siuslaw Equivalent Share(1)
Book value per common share: (2)				
December 31, 2013	\$27.63	\$8.95	\$28.36	\$9.14
June 30, 2014	\$28.77	\$9.37	\$29.43	\$9.48
Cash dividends paid per common share:				
Year ended December 31, 2013(3)	\$0.54	\$0.20	\$0.54	\$0.17
Six months ended June 30, 2014	\$0.36	\$0.10	\$0.36	\$0.12
Basic and diluted earnings per common share:				
Year ended December 31, 2013(4)				
Basic	\$2.40	\$0.75	\$2.36	\$0.76
Diluted	\$2.40	\$0.75	\$2.35	\$0.76
Six months ended June 30, 2014				
Basic	\$1.43	\$0.45	\$1.40	\$0.45
Diluted	\$1.42	\$0.45	\$1.40	\$0.45

(1) Calculated by multiplying the Pro Forma Combined Amounts for Banner by 0.32231.

(2) Calculated by dividing the total equity by total common shares outstanding (Siuslaw preferred shares converted to common shares). Book value per Siuslaw Pro Forma Equivalent Share excludes the cash consideration of \$1.41622 per share.

(3) Represents the historical cash dividends per share paid by Banner and Siuslaw for the period.

(4) Pro forma earnings per common share are based on pro forma combined net income and pro forma combined weighted average shares outstanding during the period.

(5) Pro forma adjustments include new Banner common equity issued to former Siuslaw shareholders (1,319,995 shares times \$39.14) and core deposit intangible amortization expense (\$882,000 for the year ended December 31, 2013 and \$420,000 for the six months ended June 30, 2014). The net impact on book value and earnings per share of all other fair value adjustments is considered immaterial.

COMPARATIVE MARKET PRICES OF AND DIVIDENDS ON COMMON STOCK

Banner common stock is traded on NASDAQ under the symbol "BANR." Siuslaw common stock is traded on the Over The Counter OTCQB under the symbol "SFGP." The following table sets forth the reported high and low sales prices of shares of Banner common stock and Siuslaw common stock, and the quarterly cash dividends per share declared, in each case for the periods indicated. The high and low sales prices are based on intraday sales for the periods reported.

	Banner Common Stock			Siuslaw Common Stock		
	High	Low	Dividends	High	Low	Dividends
2014						
First Quarter	\$45.08	\$35.51	\$0.18	\$8.50	\$8.21	\$0.05
Second Quarter	42.29	37.03	0.18	8.50	8.21	0.05
Third Quarter	40.78	37.50	0.18	14.00	8.10	0.05
Fourth Quarter (through _____, 2014)						
2013						
First Quarter	32.03	29.14	0.12	8.00	6.50	0.05
Second Quarter	34.30	29.33	0.12	8.25	7.25	0.05
Third Quarter	38.44	33.78	0.15	8.30	8.00	0.05
Fourth Quarter	45.15	35.62	0.15	8.35	8.20	0.05
2012						
First Quarter	22.97	17.13	0.01	7.50	6.50	0.05
Second Quarter	22.80	18.05	0.01	7.50	6.85	0.05
Third Quarter	27.41	20.04	0.01	7.10	6.71	0.05
Fourth Quarter	31.32	26.49	0.01	7.50	6.50	0.25*

* one-time special dividend of \$0.20 declared and paid in the fourth quarter of 2012.

On August 7, 2014 the day immediately prior to the public announcement of the merger agreement, the high and low sales prices of shares of Banner common stock as reported on NASDAQ were \$39.86 and \$38.82, respectively. On _____, 2014, the last trading day before the date of this proxy statement/prospectus, the high and low sales prices of shares of Banner common stock as reported on NASDAQ were \$___ and \$___, respectively.

On August 7, 2014, the day immediately prior to the public announcement of the merger agreement, the high and low sale prices of shares of Siuslaw common stock as reported on the Over The Counter OTCQB were both \$8.85. On _____, 2014, the last trading day before the date of this proxy statement/prospectus, the high and low sale prices of shares of Siuslaw common stock as reported on the Over The Counter OTCQB were \$___ and \$___, respectively.

On March 3, 2014, Siuslaw repurchased 562 shares of preferred stock at a purchase price of \$8.17 per share.

As of _____, 2014, the last date prior to printing this proxy statement/prospectus for which it was practicable to obtain this information for Banner and Siuslaw, respectively, there were approximately 1,477 registered holders of Banner common stock and 150 and 138 registered holders of Siuslaw common stock and preferred stock, respectively.

Siuslaw shareholders are advised to obtain current market quotations for Banner common stock and Siuslaw common stock. The market price of Banner common stock and Siuslaw common stock will fluctuate between the date of this proxy statement/prospectus and the date of completion of the merger. No assurance can be given concerning the market price of Banner or Siuslaw common stock before the effective time of the merger or the market price of Banner common stock after the effective time of the merger. Changes in the market price of Banner common stock prior to the completion of the merger will affect the market value of the stock portion of the merger consideration that Siuslaw shareholders will receive upon completion of the merger.

THE SPECIAL MEETING

This section contains information about the special meeting that Siuslaw has called to allow its shareholders to vote on the approval of the merger agreement. The Siuslaw board of directors is mailing this proxy statement/prospectus to you, as a Siuslaw shareholder, on or about _____, 2014. Together with this proxy statement/prospectus, the Siuslaw board is also sending to you a notice of the special meeting of Siuslaw shareholders and a form of proxy that the Siuslaw board of directors is soliciting for use at the special meeting and at any adjournments or postponements of the special meeting.

Time, Date, and Place

The special meeting will be held on _____, 2014, at 5:30 p.m., local time, at the Florence Office, Siuslaw Bank, 777 Highway 101, Florence, Oregon.

Matters to be Considered at the Meeting

At the special meeting, Siuslaw shareholders will be asked to consider and vote upon:

- a proposal to approve the merger agreement (referred to as the “merger proposal”);
- any proposal of the Siuslaw board of directors to adjourn or postpone the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement (referred to as the “adjournment proposal”); and
- any other matters properly brought before the special meeting or any adjournment or postponement of the special meeting. Siuslaw is not aware of any other matters expected to be brought before the meeting.

At this time, the Siuslaw board of directors is unaware of any other matters that may be presented for action at the special meeting. If any other matters are properly presented, however, and you have completed, signed and submitted your proxy, the person(s) named as proxy will have the authority to vote your shares in accordance with his or her judgment with respect to such matters. A copy of the merger agreement is included in this proxy statement/prospectus as Appendix A, and we encourage you to read it carefully in its entirety.

Recommendation of the Siuslaw Board of Directors

After careful consideration, Siuslaw’s board of directors has determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of Siuslaw and its shareholders, has approved the merger agreement, and unanimously recommends that Siuslaw shareholders vote “FOR” approval of the merger proposal and “FOR” the adjournment proposal. See “The Merger—Siuslaw’s Reasons for the Merger; Recommendation of Siuslaw’s Board of Directors” on page 31 for a more detailed discussion of the Siuslaw board of directors’ recommendation.

Record Date and Quorum

The Siuslaw board of directors has fixed the close of business on _____, 2014 as the record date for determining the holders of shares of Siuslaw stock entitled to receive notice of and to vote at the special meeting. Only holders of record of shares of Siuslaw stock as of the close of business on that date will be entitled to vote at the special meeting and at any adjournment or postponement of that meeting. At the close of business on the record date, there were 3,992,937 shares of Siuslaw common stock and 102,484 shares of Siuslaw preferred stock outstanding, held by approximately 150 and 138 holders of record, respectively.

Each holder of shares of Siuslaw stock outstanding as of the close of business on the record date will be entitled to one vote for each share held of record upon each matter properly submitted at the special meeting and at any adjournment or postponement of that meeting. The presence at the special meeting, in person or by proxy, of holders of a majority of the outstanding shares of Siuslaw stock entitled to vote at the special meeting will constitute

a quorum for the transaction of business. All shares of Siuslaw stock present in person or represented by proxy, including abstentions and broker non-votes, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the special meeting.

Required Vote

To approve the merger proposal, the affirmative vote of the holders of at least a majority of the outstanding shares of Siuslaw stock entitled to vote at the special meeting must be voted in favor of the merger proposal. With respect to the merger proposal, you may vote “FOR,” “AGAINST” or “ABSTAIN.” If you vote to abstain or if you fail to vote, this will have the same effect as voting against approval of the merger agreement.

To approve the adjournment proposal, more shares of Siuslaw stock present in person or by proxy at the special meeting must be voted in favor of such proposal than shares voted against the adjournment proposal. Abstentions on the adjournment proposal will have the same effect as voting against the proposal. A failure to vote on the adjournment proposal will have no effect on the outcome of the vote on this proposal.

Each share of Siuslaw stock you own as of the record date for the special meeting entitles you to one vote at the special meeting on all matters properly presented at the meeting.

How to Vote - Shareholders of Record

Voting in Person. If you are a shareholder of record, you can vote in person by submitting a ballot at the special meeting. Nevertheless, we recommend that you vote by proxy as promptly as possible, even if you plan to attend the special meeting. This will ensure that your vote is received. If you attend the special meeting, you may vote by ballot, thereby canceling any proxy previously submitted.

Voting by Proxy. Your proxy card includes instructions on how to vote by mailing in the proxy card. If you choose to vote by proxy, please mark each proxy card you receive, sign and date it, and promptly return it in the envelope enclosed with the proxy card. If you sign and return your proxy without instruction on how to vote your shares, your shares will be voted “FOR” approval of the merger proposal and “FOR” approval of the adjournment proposal, if necessary. Please do not send in your Siuslaw stock certificates with your proxy card. If the merger is completed, you will receive a separate letter of transmittal and instructions on how to surrender your Siuslaw stock certificates for the merger consideration.

How to Vote - Shares Held in “Street Name”

If your shares of Siuslaw stock are held through a bank, broker or other nominee, you are considered the beneficial owner of such shares held in “street name.” In such case, this proxy statement/prospectus has been forwarded to you by your bank, broker or other nominee, who is considered, with respect to such shares, the shareholder of record. As the beneficial owner, you have the right to direct your bank, broker or other nominee how to vote the shares by following the voting instructions that they have sent, or will send, to you. Without specific instructions from you, your bank, broker or other nominee is not empowered to vote your shares on the proposal to approve the merger agreement or any proposal of the Siuslaw board of directors to adjourn or postpone the special meeting, if necessary. Not voting these shares will have the effect of voting against the proposal to approve the merger agreement. Alternatively, if you are a beneficial owner and wish to vote in person at the special meeting, you must provide a proxy executed in your favor by your bank, broker or other nominee.

YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND PROMPTLY RETURN IT IN THE ENCLOSED ENVELOPE. SHAREHOLDERS WHO ATTEND THE SPECIAL

MEETING MAY REVOKE THEIR PROXIES BY VOTING IN PERSON.

Revocation of Proxies

You can revoke your proxy at any time before your shares are voted. If you are a shareholder of record, you can revoke your proxy by:

- submitting another valid proxy bearing a later date;
- attending the special meeting and voting your shares in person; or
- delivering prior to the special meeting a written notice of revocation to Siuslaw's corporate secretary.

Attendance at the special meeting will not, in and of itself, constitute revocation of a proxy.

If you hold your shares in street name with a bank, broker or other nominee, you must follow the directions you receive from your bank, broker or other nominee to change your vote. Your last vote will be the vote that is counted.

Shares Subject to Voting Agreements; Shares Held by Directors and Executive Officers

A total of 985,000 shares of Siuslaw common and preferred stock, representing 24.7% of the outstanding shares of Siuslaw stock entitled to vote at the special meeting, are subject to voting agreements between Banner and all of Siuslaw's directors and executive officers. Each such director and executive officer has entered into a voting agreement (1) to vote or cause to be voted for approval of the merger proposal, all shares of Siuslaw common stock over which he or she is the record or beneficial owner, and (2) subject to limited exceptions, not to sell or otherwise dispose of his or her shares of Siuslaw common stock until after the approval of the merger proposal by the shareholders of Siuslaw. The voting agreement does not impose any obligation to take any action or omit to take any action in the signing party's capacity as a member of the board or as an executive officer of Siuslaw, and is entered into solely in such person's capacity as a Siuslaw shareholder. For additional information regarding the voting agreements, see "The Merger Agreement—Voting Agreements" on page 63.

As of the record date, Siuslaw's directors and executive officers and their affiliates beneficially owned and were entitled to vote, in the aggregate, a total of 985,000 shares of Siuslaw common and preferred stock, representing 24.7% of the outstanding shares of Siuslaw common and preferred stock entitled to vote at the special meeting. For more information about the beneficial ownership of Siuslaw stock by each director and executive officer of Siuslaw and all Siuslaw directors and executive officers as a group, see "The Companies—Siuslaw—Security Ownership of Certain Beneficial Owners and Management" on page 65.

Solicitation of Proxies

The proxy for the special meeting is being solicited on behalf of the board of directors of Siuslaw. Siuslaw will bear the entire cost of soliciting proxies from you. All other costs and expenses incurred in connection with the merger agreement and the transactions contemplated thereby are to be paid by the party incurring such expenses. Proxies will be solicited principally by mail, but may also be solicited by the directors, officers, and other employees of Siuslaw in person or by telephone, facsimile or other means of electronic communication. Directors, officers, and employees will receive no compensation for these activities in addition to their regular compensation, but may be reimbursed for out-of-pocket expenses in connection with such solicitation.

Attending the Meeting

All holders of Siuslaw stock, including shareholders of record and shareholders who hold their shares in street name through banks, brokers or other nominees, are cordially invited to attend the special meeting. Shareholders of record

can vote in person at the special meeting. If you are not a shareholder of record and would like to vote in person at the special meeting, you must present at the meeting a proxy executed in your favor by the record holder of your shares. In addition, you must bring a form of personal photo identification with you in order to be admitted at the special meeting. We reserve the right to refuse admittance to anyone without proper proof of

share ownership or without proper photo identification. The use of cameras, sound recording equipment, communications devices or any similar equipment during the special meeting is prohibited without Siuslaw's express written consent.

Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed, including for the purpose of soliciting additional proxies, if there are insufficient votes at the time of the special meeting to approve the merger proposal or if a quorum is not present at the special meeting. Other than an announcement to be made at the special meeting of the time, date and place of an adjourned meeting, an adjournment generally may be made without notice. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow the shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Questions and Additional Information

If you have more questions about the merger or how to submit your proxy or vote, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card or voting instructions, please call Lonnie Iholts at (541) 997-3486, or Johan Mehlum at (541) 342-4000.

THE MERGER

Background of the Merger

As part of ongoing consideration and evaluation of Siuslaw's long-term prospects and strategies, Siuslaw's board of directors and senior management have regularly reviewed and assessed business strategies and objectives, including strategic opportunities and challenges, and have considered various strategic options potentially available to Siuslaw, all with the goal of enhancing value for Siuslaw shareholders. The strategic discussions have focused on, among other things, the business and regulatory environment facing financial institutions generally and Siuslaw, in particular, as well as conditions and ongoing consolidation in the financial services industry. The Siuslaw board of directors also considered the company's future prospects and strategic alternatives in light of the increasing age of the senior executive officers and certain directors.

As part of this ongoing evaluation, the Siuslaw board of directors considered the merits of selling the institution, merging with another institution of similar size and complementary business, or remaining independent, as well as the challenges of remaining competitive in the current economic, regulatory and interest rate climate, and the potentially increased operating costs associated with regulatory compliance and competitive forces.

In April 2013, Sandler O'Neill & Partners, L.P. ("Sandler") made a presentation to the Siuslaw board of directors which covered, among other things, trends in the commercial banking industry, Siuslaw's current financial position, Siuslaw's stand-alone valuation and Siuslaw's valuation in a sale context. Following that meeting, Siuslaw management provided Sandler with periodic updates on the status and performance of Siuslaw, and Sandler regularly provided updates to Siuslaw management on news and trends in the commercial banking industry. On October 31, 2013, the Siuslaw board of directors engaged Sandler to assist in the exploration of a potential sale of Siuslaw.

During the next several months Siuslaw management shared information with Sandler related to the financial condition and prospects of Siuslaw. Sandler began preparing a package of introductory information related to Siuslaw and populating information to an online data portal.

On January 28, 2014, Sandler made a presentation to the Siuslaw board of directors which covered, among other things, recent trends in commercial bank mergers and acquisitions, an overview of Siuslaw's valuation in a stand-alone and sale context, a review of potential acquirers of Siuslaw and an overview of the process and timeline for achieving a sale of Siuslaw.

In March 2014, Siuslaw engaged the law firm of Lane Powell PC ("Lane Powell") to advise Siuslaw with respect to a possible transaction.

On April 16, 2014, the Siuslaw board of directors met along with representatives from Sandler and Lane Powell to discuss the timing and process for achieving a sale of Siuslaw. At that meeting, Sandler reviewed a list of financial institutions that might have an interest in acquiring Siuslaw. At that meeting, the Siuslaw board of directors determined that Sandler should approach the five most promising acquirer candidates and obtain non-disclosure agreements from interested parties.

Pursuant to the guidance from the Siuslaw board of directors, beginning in late April 2014, Sandler began contacting the five acquirer candidates identified by the Siuslaw board of directors. Each party executed a non-disclosure agreement and received from Sandler a selected package of confidential information concerning Siuslaw.

On April 24, 2014, Banner and Siuslaw executed a mutual non-disclosure agreement.

On May 22, 2014, Banner retained the services of McAdams Wright Ragen, Inc. (“MWRI”) to serve as its financial advisor in connection with its evaluation of the possibility of acquiring Siuslaw. Conference calls with Banner, MWRI, and Sandler occurred on May 23, 2014 and May 27, 2014.

By late May 2014, three of the five potential acquirers contacted by Sandler determined to submit non-binding proposals outlining the principal terms upon which they were prepared to proceed with an acquisition of Siuslaw. Non-binding proposals were received from Banner, Party A and Party B.

On May 29, 2014, Banner sent a non-binding indication of interest to Siuslaw and provided Sandler with a copy of this letter of interest. Sandler indicated that there were several letters of interest received by Siuslaw. The Siuslaw board of directors met on June 4, 2014 to discuss the various letters of interest and selected Banner and another party to perform on-site due diligence of Siuslaw's loan portfolio and other aspects of Siuslaw's operations.

On June 4, 2014, the Siuslaw board of directors met along with representatives of Sandler and Lane Powell. Following a review by Lane Powell of the directors' fiduciary duties in connection with consideration of a potential sale of the company, Sandler presented detailed information concerning the process undertaken and the three non-binding proposals received by Siuslaw. Each of the three non-binding proposals was contingent upon full due diligence and contemplated the acquisition of all of the equity interests of Siuslaw in exchange for a mix of cash and the stock of the acquiring institution. The Siuslaw board of directors asked numerous questions and carefully reviewed the three non-binding proposals. The Siuslaw board of directors determined that of the three non-binding proposals, the proposals from Banner and Party A were superior to the proposal from Party B, based on, among other things, the superior valuation of Siuslaw. At the conclusion of the meeting the Siuslaw board of directors directed Sandler to contact Banner and Party A, express a need for each of them to improve their initial non-binding proposals and to invite them to complete their due diligence of Siuslaw and thereafter submit a revised and final non-binding proposal.

During June 2014, both Banner and Party A substantially completed their due diligence of Siuslaw and by the end of June each of Banner and Party A submitted a final non-binding proposal.

On June 20, 2014, representatives of Banner and MWRI met in Eugene, Oregon and visited all of Siuslaw's full service offices. Other Banner representatives with expertise in credit and loan review met at the Siuslaw main administrative office located in Eugene, Oregon on June 21, 2014 and June 22, 2014 to review loan files and other data.

On June 26, 2014, based on the findings of due diligence performed on June 20, 2014 through June 22, 2014, Banner provided Siuslaw with a second letter of interest. The Siuslaw board of directors reviewed this letter at a June 30, 2014 board of directors meeting. In that letter, Banner asked the Siuslaw board of directors to consider the following unique aspects of a merger with Banner:

- There is no overlapping of offices that would cause extensive employee cutbacks, typical of most mergers.
- Banner has changed its proposal to 90% common stock and 10% cash from 75% common stock and 25% cash in the May 29, 2014 letter to minimize the tax impact on Siuslaw shareholders.
- Banner has a culture which is similar to the culture at Siuslaw as was noted during the due diligence visit on June 20, 2014 through June 22, 2014.

On July 1, 2014 the Siuslaw board of directors met along with representatives from Sandler and Lane Powell. Sandler presented detailed information related to the proposals from Banner and Party A. At that meeting, the Siuslaw board of directors considered a variety of issues, including the respective banking strategies and financial performance of Siuslaw, Banner and Party A, the amount and form of merger consideration, the anticipated increase in liquidity in the shares of the combined company, the market and future business prospects of the combined company, and the effects of the proposed transaction on Siuslaw's customers and employees. The board of directors determined to proceed with negotiations with Banner, and on July 2, 2014, Siuslaw accepted the Banner proposal, and terminated discussions with all other parties.

On July 14, 2014, Banner's legal counsel, Breyer & Associates PC ("Breyer & Associates"), provided an initial draft of the merger agreement and related transaction documents to Siuslaw and its advisors for review and comment. During the following three weeks, Lane Powell and Breyer & Associates exchanged comments and revisions to the draft merger agreement. During that period, members of Siuslaw's senior management consulted with Banner senior management regarding completion of due diligence, integration issues, plans for public announcement, the payment of dividends to Siuslaw shareholders, implementation of severance benefits for Siuslaw

employees, special bonuses for all employees, and the treatment of benefits payable under Siuslaw deferred compensation and salary continuation agreements with Siuslaw officers.

Beginning on July 15, 2014, with assistance from Lane Powell, Siuslaw's management team began assembling additional information and disclosures to supplement the merger agreement.

On July 22, 2014, Banner held a board of directors meeting at which the board of directors reviewed the merger agreement. MWRI presented its fairness opinion to the board of directors at this meeting. The board of directors approved the merger agreement subject to several minor changes that management of Banner would negotiate with Siuslaw executives.

On July 24, 2014, members of Siuslaw senior management, along with representatives from Sandler and Lane Powell, visited Banner's administrative offices in Bellevue, Washington, to review corporate records and interview members of Banner senior management.

On August 5, 2014, Breyer & Associates provided a revised draft merger agreement to Siuslaw and its advisors that incorporated the discussions and revisions agreed upon during the preceding three weeks. On the same day, Lane Powell and Breyer & Associates negotiated final minor revisions to the merger agreement and a final, execution version of the merger agreement was distributed to Siuslaw's and Banner's boards of directors for consideration and approval.

At a special joint meeting of the boards of directors of Siuslaw and Siuslaw Bank held on August 7, 2014, Sandler orally presented its opinion that the merger consideration is fair to Siuslaw's common shareholders from a financial point of view. Lane Powell presented a summary of the key provisions of the merger agreement and draft resolutions for consideration by the respective boards of directors of Siuslaw and Siuslaw Bank. The Siuslaw board of directors unanimously approved the merger agreement and recommended that Siuslaw shareholders vote in favor of the merger. The Siuslaw Bank board of directors unanimously approved the merger of Siuslaw Bank with Banner Bank.

Siuslaw's Reasons for the Merger; Recommendation of Siuslaw's Board of Directors

The Siuslaw board of directors believes the merger is in the best interests of Siuslaw and the Siuslaw shareholders. After careful consideration, the Siuslaw board of directors unanimously approved the merger agreement at a meeting held on August 7, 2014 and recommends that Siuslaw shareholders vote "FOR" approval of the merger proposal and "FOR" the adjournment proposal.

In reaching its determination to approve the merger agreement, the Siuslaw board of directors consulted with Siuslaw's management and its financial and legal advisors, and considered a number of factors. Following is a description of each of the material factors that the Siuslaw board of directors believes favor the merger:

- the Siuslaw board of directors's assessment, based in part on presentations by Sandler, Siuslaw's financial advisor, and its management and the results of the due diligence investigation of Banner conducted by Siuslaw's management and financial and legal advisors, of the business, financial performance, operations, capital level, asset quality, management, financial condition, competitive position and stock performance of Banner on an historical and a prospective basis, and of the combined company on a pro forma basis including anticipated cost savings;
- the Siuslaw board of directors' knowledge of Banner's business, operations, financial condition, earnings, asset quality and prospects;

- the financial and growth prospects for Siuslaw and its shareholders of a business combination with Banner as compared to continuing to operate as a stand-alone entity;
- the information presented by Sandler to the Siuslaw board of directors with respect to the merger and the opinion of Sandler that, as of the date of that opinion, the merger consideration was fair to the

holders of Siuslaw common stock from a financial point of view (see “—Opinion of Siuslaw’s Financial Advisor” on page 35);

- the benefits to Siuslaw and its customers of operating as a larger organization, including enhancements in products and services, higher lending limits, and greater financial resources;
- the Siuslaw board of directors’ belief that the two companies share a common vision of the importance of customer service and local decision-making and that management and employees of Siuslaw and Banner possess complementary skills and expertise;
- the current and prospective economic and competitive environment facing the financial services industry generally, and Siuslaw in particular, including the continued rapid consolidation in the financial services industry and the competitive effects of the increased consolidation on smaller financial institutions such as Siuslaw;
- Banner’s interest in expanding its business banking and commercial real estate businesses in Siuslaw’s market areas, and the complementary market areas, banking philosophy and community focus of both Banner and Siuslaw;
- Banner’s historical record and commitment with respect to the communities and employees of the companies it has acquired and its belief that Banner is a high quality financial services company with a compatible business culture and shared approach to customer service and increasing shareholder value;
- the increasing importance of operational scale and financial resources in maintaining efficiency and remaining competitive over the long term and in being able to capitalize on technological developments which significantly impact industry competitive conditions;
- the greater market capitalization and trading liquidity of Banner common stock in the event that Siuslaw shareholders desire to sell the shares of Banner common stock to be received by them following completion of the merger;
- the expected social and economic impact of the merger on the constituencies served by Siuslaw, including its borrowers, customers, depositors, employees, suppliers and communities;
- the employee and severance benefits to be provided to Siuslaw employees and career opportunities in a larger organization;
 - the expectation that the merger will be treated as a tax-free reorganization;
 - the fact that Banner has existing resources to fund the cash portion of the merger consideration;
- the Siuslaw board of directors’ assessment, with the assistance of counsel, concerning the likelihood that Banner would obtain all regulatory approvals required for the merger;
 - the dividend history of Banner and possible dividend amounts following the merger;
 - price premium to Siuslaw's existing stock price; and
 - stock consideration.

In the course of its deliberations regarding the merger, the Siuslaw Board also considered the following information that the Siuslaw board of directors determined did not outweigh the benefits to Siuslaw and its shareholders expected to be generated by the merger:

- the potential risk of diverting management attention and resources from the operation of Siuslaw’s business and towards the completion of the merger;
- the restrictions on the conduct of Siuslaw’s business prior to the completion of the merger, which are customary for public company merger agreements involving financial institutions, but which, subject to specific exceptions, could delay or prevent Siuslaw from undertaking business opportunities that may arise or any other action it would otherwise take with respect to the operations of Siuslaw absent the pending merger;
- the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating Siuslaw’s business, operations and workforce with those of Banner;
 - the merger-related costs;
- the fact that the interests of certain of Siuslaw’s directors and executive officers may be different from, or in addition to, the interests of Siuslaw’s other shareholders as described under the heading “-Interests of Siuslaw Executive Officers and Directors in the Merger” on page 51;
- the fact that, because the stock portion of the merger consideration consists of a fixed exchange ratio of shares of Banner common stock, Siuslaw shareholders could be adversely affected by a decrease in the trading price of Banner common stock during the pendency of the merger;
- the fact that, while Siuslaw expects that the merger will be consummated, there can be no assurance that all conditions to the parties’ obligations to complete the merger agreement will be satisfied, including the risk that necessary regulatory or shareholder approvals might not be obtained and, as a result, the merger may not be consummated;
- the risk of potential employee attrition and/or adverse effects on Siuslaw’s business and customer relationships as a result of the pending merger;
 - the dividend history of Banner and possible dividend amounts following the merger;
- the fact that: (i) the merger agreement includes a “force the vote” provision that would obligate Siuslaw to hold a shareholders’ meeting to consider the merger agreement even if the Siuslaw board of directors withdraws its favorable recommendation of the merger agreement after determining in good faith that it would be inconsistent with its fiduciary interests to recommend the merger agreement; (ii) Siuslaw would be prohibited from affirmatively soliciting acquisition proposals after execution of the merger agreement; and (iii) Siuslaw would be obligated to pay to Banner a termination fee of \$2.3 million if the merger agreement is terminated under certain circumstances, all of which may discourage other parties potentially interested in a strategic transaction with Siuslaw from pursuing such a transaction; and
 - the other risks described under the heading “Risk Factors” beginning on page 13.

The Siuslaw board of directors believes that the merger is in the best interests of Siuslaw and its shareholders. Accordingly, the board of directors has unanimously approved the merger agreement and unanimously recommends that you vote “FOR” the approval of the merger agreement and the adjournment proposal.

In considering the recommendation of the Siuslaw board of directors with respect to the proposal to adopt and approve the merger agreement, Siuslaw shareholders should be aware that Siuslaw’s directors and executive officers have interests in the merger that may be different from, or in addition to, those of other Siuslaw shareholders. The board of

directors was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger and in recommending that the merger agreement be approved by Siuslaw's shareholders. See "—Interests of Siuslaw Executive Officers and Directors in the Merger" on page 51.

The foregoing discussion of the information considered by the Siuslaw board of directors is not intended to be exhaustive but includes all of the material factors considered by the Siuslaw board of directors. In the course of its deliberations with respect to the merger, the Siuslaw board of directors discussed the anticipated impact of the merger on Siuslaw, its shareholders, and its various other constituencies, and determined that the benefits to Siuslaw and its constituencies expected to result from the merger would likely outweigh any disadvantages identified during the board of directors' deliberations. In reaching its determination to approve and recommend the merger, the Siuslaw board of directors did not assign any relative or specific weights to the factors considered in reaching that determination, and individual directors may have given differing weights to different factors.

For the reasons set forth above, the Siuslaw board of directors determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Siuslaw's shareholders, and approved the merger agreement. The Siuslaw board of directors unanimously recommends that the Siuslaw shareholders vote "FOR" the approval of the merger proposal and "FOR" the adjournment proposal.

Banner's Reasons for the Merger

After careful consideration, at a meeting held on July 22, 2014, Banner's board of directors determined that the merger is in the best interests of Banner and its shareholders and unanimously approved the merger agreement.

In reaching its decision to approve the merger agreement, the Banner board of directors consulted with Banner management, as well as MWRI, its independent financial advisor, and considered a number of factors, including the following material factors:

- its knowledge of Siuslaw's business, operations, financial condition, earnings and prospects, taking into account the results of Banner's due diligence review of Siuslaw, including Banner's assessments of Siuslaw's credit policies, asset quality, adequacy of loan loss reserves, interest rate risk and litigation;
- the fact that Siuslaw would enable Banner to expand its strategic presence through ten additional bank offices in Oregon;
- The reports of Banner's management and the financial presentation of Banner's financial advisor concerning the business, operations, financial condition and earnings of Siuslaw on an historical and prospective basis and the pro forma financial impact of the merger;
- the fact that Siuslaw's shareholders would own approximately 6.3% of the outstanding shares of Banner immediately following the merger;
- Siuslaw and Banner's management teams share a common business vision and commitment to their respective customers, shareholders, employees and other constituencies;
- Banner's management believes that the merger will be accretive to Banner's GAAP earnings in periods subsequent to incurring certain non-recurring acquisition, conversion and integration costs;
- the merger is likely to provide an increase in shareholder value, including the benefits of a stronger strategic position;
- the anticipated pro forma impact of the merger on the combined company, including potential synergies, and the expected impact on financial metrics such as earnings and tangible equity per share, as well as on regulatory capital levels;

- the likelihood of a successful integration of Siuslaw's business, operations and workforce with those of Banner;

- the regulatory and other approvals required in connection with the transaction and the likelihood such approvals would be received in a timely manner and without unacceptable conditions;
- the financial and other terms of the merger agreement, including the fixed exchange ratio for the stock portion of the merger consideration and the fixed per share amount for the cash portion of the merger consideration, tax treatment and termination fee provisions, which the Banner board of directors reviewed with its outside financial and legal advisors; and
- the presentation of MWRI to the Banner Board on August 22, 2014 and the written opinion of MWRI, dated as of August 22, 2014, delivered to the Banner board of directors to the effect that, as of that date, and subject to and based on the various assumptions, considerations, qualifications and limitations set forth in the opinion, the merger consideration payable to holders of Siuslaw stock was fair, from a financial point of view, to Banner.

The Banner board of directors also considered a number of potential risks and uncertainties associated with the merger in connection with its deliberation of the proposed transaction, including, without limitation, the following:

- the potential risk of diverting management attention and resources from the operation of Banner's business towards the completion of the merger;
- the potential risks associated with achieving anticipated cost synergies and savings and successfully integrating Siuslaw's business, operations and workforce with those of Banner;
 - the merger-related costs;
 - the outcome of potential litigation in connection with the merger; and
 - the other risks described under the heading "Risk Factors" on page 13.

The foregoing discussion of the factors considered by the Banner board of directors is not intended to be exhaustive, but rather includes the material factors considered by the Banner board of directors. In reaching its decision to approve the merger agreement, the Banner board of directors did not quantify or assign any relative weights to the factors considered, and individual directors may have given different weights to different factors. The Banner board of directors considered all these factors as a whole, including discussions with, and questioning of, Banner management and Banner's financial and legal advisors, and overall considered the factors to be favorable to, and to support, its determination.

Opinion of Siuslaw's Financial Advisor

By letter dated October 31, 2013, Siuslaw retained Sandler to act as financial advisor to Siuslaw's board of directors in connection with and to assist it in a potential sale process. Sandler is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler acted as financial advisor to the Siuslaw board of directors in connection with the proposed transaction and participated in certain of the negotiations leading to the execution of the merger agreement. At the August 7, 2014 meeting at which Siuslaw's board of directors considered and approved the merger agreement, Sandler delivered to the board or directors its oral opinion, which was subsequently confirmed in writing, that, as of such date, the merger consideration was fair to the holders of Siuslaw common stock from a financial point of view. The full text of

Sandler's opinion is attached as Appendix B to this proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of Siuslaw common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.

Sandler's opinion speaks only as of the date of the opinion. The opinion was directed to Siuslaw's board of directors and is directed only to the fairness of the merger consideration to the holders of Siuslaw common stock from a financial point of view. It does not address the underlying business decision of Siuslaw to engage in the merger or any other aspect of the merger and is not a recommendation to any holder of Siuslaw common stock as to how such holder of Siuslaw common stock should vote at the special meeting with respect to the merger or any other matter. Sandler did not express any opinion as to the fairness of pay compensation matters or director and employee benefit matters that may arise in connection with or related to the merger.

In connection with rendering its opinion dated August 7, 2014, Sandler reviewed and considered, among other things:

- the merger agreement;
- certain financial statements and other historical financial information of Siuslaw that Sandler deemed relevant;
- certain financial statements and other historical financial information of Banner that Sandler deemed relevant;
- certain internal financial estimates for Siuslaw for the years ending December 31, 2014 through December 31, 2018 as provided by senior management of Siuslaw;
- publicly available mean analyst earnings per share estimates for Banner for the years ending December 31, 2014 and December 31, 2015 and an estimated long-term annual earnings per share growth rate for the years ending December 31, 2016 through December 31, 2018 as discussed with senior management of Banner;
- the pro forma financial impact of the merger on Banner based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and other synergies as prepared by and/or reviewed and discussed with the senior management of Banner;
- a comparison of certain financial and other information for Siuslaw and Banner, including stock trading information, with similar publicly available information for certain other commercial banks, the securities of which are publicly traded;
- the terms and structures of other recent merger and acquisition transactions in the commercial banking sector;
 - the current market environment generally and in the commercial banking sector in particular; and
- such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler considered relevant.

Sandler also discussed with certain members of the senior management of Siuslaw the business, financial condition, results of operations and prospects of Siuslaw and held similar discussions with the senior management of Banner regarding the business, financial condition, results of operations and prospects of Banner.

In performing its reviews and analyses and in rendering its opinion, Sandler relied upon the accuracy and completeness of all of the financial and other information that was available to Sandler from public sources, that was provided to Sandler by Siuslaw or Banner or their respective representatives or that was otherwise reviewed by Sandler and Sandler assumed their accuracy and completeness for purposes of rendering its opinion. Sandler further relied on the assurances of the senior management of each of Siuslaw and Banner that they were not aware of any

facts or circumstances that would make any of such information inaccurate or misleading in any material respect. Sandler was not asked to undertake, and did not undertake an independent verification of any of such information and Sandler assumes no responsibility or liability for the accuracy or completeness thereof. Sandler did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Siuslaw or Banner or any of their subsidiaries. Sandler did not make an independent evaluation of the adequacy of the allowance for loan losses of Siuslaw and Banner and Sandler did not review any individual credit files relating to Siuslaw or Banner. Sandler assumed that the respective allowances for loan losses for Siuslaw and Banner are adequate to cover such losses and will be adequate on a proforma basis.

Internal financial estimates provided by the senior management of Siuslaw and publicly available mean earnings per share estimates and an estimated long-term annual earnings per share growth rate for Banner were used by Sandler in its analyses. The senior management of Siuslaw confirmed to Sandler that internal financial estimates reflected the best currently available estimates and judgment of senior management of the future financial performance of Siuslaw. With respect to the purchase accounting adjustments, cost savings and other synergies determined by the senior management of Banner, such management confirmed that they reflected the best currently available estimates. Sandler expresses no opinion as to such financial projections or estimates or the assumptions on which they are based. Sandler has also assumed that there has been no material change in the assets, financial condition, results of operations, business or prospects of Siuslaw and Banner since the date of the most recent financial data made available to Sandler. Sandler assumed in all respects material to its analyses that Siuslaw and Banner would remain as going concerns for all periods relevant to Sandler's analyses. Additionally, Sandler assumed that both Banner and Siuslaw would comply in all material respects with material terms of the merger agreement and that the representations and warranties contained in the merger agreement were true in all material respects and that covenants contained in the merger agreement will be performed in all material respects and that all conditions in the merger agreement will be met. Finally, Sandler has expressed no opinion as to any legal, accounting and tax matters relating to the merger and the other transactions contemplated by the merger agreement.

Sandler's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Sandler as of, the date of its opinion. Events occurring after the date thereof could materially affect its opinion. Sandler has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date of its opinion. Sandler expressed no opinion as to the prices at which the common stock of Siuslaw or Banner may trade at any time or the impact of the change in price of Banner common stock on the merger consideration.

In rendering its opinion dated August 7, 2014, Sandler performed a variety of financial analyses. The following is a summary of the material analyses performed by Sandler, but is not a complete description of all the analyses underlying Sandler's opinion. The summary includes information presented in tabular format. In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses. The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler's comparative analyses described below is identical to Siuslaw or Banner and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Siuslaw and Banner and the companies to which they are being compared.

In performing its analyses, Sandler also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Siuslaw, Banner and Sandler. The analyses performed by Sandler is not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler prepared its analyses solely for purposes of rendering its opinion and provided such analyses to the Siuslaw board of directors at the board of directors' August 7, 2014 meeting. Estimates on the values of companies do not

purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler's analyses do not necessarily reflect the value of Siuslaw's common stock or the prices at which Siuslaw's common stock may be sold at any time. The analyses of Sandler and its opinion were among a number of factors taken into consideration by Siuslaw's board of directors in making its determination to approve the merger agreement and the analyses described below should not be viewed as determinative of the decision Siuslaw's board of directors or management with respect to the fairness of the merger.

In arriving at its opinion, Sandler did not attribute any particular weight to any analysis or factor that it considered. Rather, it made qualitative judgments as to the significance and relevance of each analysis and factor. Sandler did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion; rather, Sandler made its determination as to the fairness of the merger consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

Summary of Proposal. Sandler reviewed the financial terms of the merger. At the effective time, each share of Siuslaw common stock will be converted into 0.32231 shares of Banner common stock and (ii) \$1.41622 in cash. In addition, cash will be paid in lieu of the issuance of any fractional shares of Banner. Based upon the closing price of Banner's common stock of \$39.65 as of August 6, 2014, Sandler calculated value of \$14.20 per Siuslaw common share. Assuming 3,992,937 Siuslaw common shares outstanding, Sandler calculated an aggregate value of \$56.7 million in exchange for all the common stock of Siuslaw. Based upon financial information as of or for the twelve month period ended June 30, 2014, Sandler calculated the following valuation ratios:

Transaction Value Per Share / Tangible Book Value Per Share:	148%
Transaction Value Per Share / Last Twelve Months Earnings Per Share:	17.3x
Tangible Book Premium to Core Deposits ¹ :	6.0%
Market Premium as of August 6, 2014:	60.4%

¹Core deposits equals total deposits less time deposits >\$100,000

Analysis of Trading Liquidity of Banner Common Stock. Sandler used publicly available information to review Banner's average daily common stock trading activity for the five day, 30 day and one year periods ending August 6, 2014. During those periods, Banner's daily average common stock trading activity ranged from 57 thousand shares to 107 thousand shares per day. Based on an estimated 1.3 million Banner common shares to be issued in aggregate to Siuslaw common shareholders, the analysis indicated that it would take between 12 and 23 trading days to trade all of the shares issued to Siuslaw common shareholders.

Siuslaw - Comparable Company Analysis. Sandler used publicly available information to compare selected financial information for Siuslaw and a group of financial institutions as selected by Sandler. The Siuslaw peer group consisted of publicly-traded banks headquartered in California, Idaho, Montana, Oregon, and Washington with total assets as of June 30, 2014 unless otherwise noted, between \$200 million and \$500 million, and last twelve months return on average assets of greater than 0.50%.

AltaPacific Bancorp	Independence Bank
American Riviera Bank	Northwest Bancorporation, Inc.
BEO Bancorp	Puget Sound Bank
California Bank of Commerce	Santa Cruz County Bank
Capital Bank ¹	Sound Financial Bancorp, Inc.
Capital Pacific Bancorp	Summit State Bank
CommerceWest Bank	Valley Commercial Bancorp

County Commerce Bank

1Financial information based on GAAP or regulatory financial data as of March 31, 2014

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The analysis compared publicly available financial information for Siuslaw and the mean and median financial and market trading data for the Siuslaw peer group as of or for the period ended June 30, 2014 unless otherwise noted above, with pricing data as of August 6, 2014. The table below sets forth the data for Siuslaw and the data for the Siuslaw peer group.

Comparable Company Analysis

	Siuslaw	Comparable Group Median	Comparable Group Mean
Total Assets (in millions)	\$360	\$379	\$352
Market Capitalization (in millions)	\$36	\$42	\$42
Price / Tangible Book Value	92%	118%	116%
Price / Last Twelve Months Earning Per Share	10.8x	13.9x	15.6x
Dividend Yield	2.26%	0.00%	0.65%
One-Year Stock Price Change	7.3%	13.9%	15.2%
Net Interest Margin	3.70%	4.22%	4.34%
Efficiency Ratio	75%	67%	67%
Return on Average Assets	0.96%	0.84%	0.86%
Tangible Common Equity / Tangible Assets	10.6%	10.2%	10.7%
Loans / Deposits	79.1%	90.1%	87.0%
Non-Performing Assets / Assets	4.03%	0.92%	0.88%

Banner - Comparable Company Analysis. Sandler used publicly available information to compare selected financial information for Banner and a group of financial institutions as selected by Sandler. The Banner peer group consisted of NYSE and NASDAQ-traded western region headquartered banks with total assets as of June 30, 2014, between \$3.0 billion and \$10.0 billion.

Banc of California, Inc.	Glacier Bancorp, Inc.
	Heritage Financial Corporation
Central Pacific Financial Columbia Banking System, Inc.	Opus Bank
CVB Financial Corp.	Westamerica Bancorporation
First Interstate BancSystem, Inc.	

The analysis compared publicly available financial information for Banner and the mean and median financial and market trading data for the Banner peer group as of or for the period ended June 30, 2014 with pricing data as of August 6, 2014. The table below sets forth the data for Banner and the data for the Banner peer group.

Comparable Company Analysis

	Banner		Comparable Group Median		Comparable Group Mean	
Total Assets (in millions)	\$4,745		\$4,931		\$5,783	
Market Capitalization (in millions)	\$776		\$1,167		\$1,065	
Price / Tangible Book Value	139	%	185	%	184	%
Price / Last Twelve Months Earnings Per Share	17.5	x	18.0	x	19.2	x
Price / Estimated 2014 Earnings Per Share	14.8	x	16.8	x	17.2	x
Price / Estimated 2015 Earnings Per Share	15.0	x	14.1	x	14.2	x
Dividend Yield	1.82	%	2.50	%	2.41	%
One-Year Stock Price Change	5.2	%	0.6	%	0.4	%
Net Interest Margin	4.06	%	3.86	%	3.96	%
Efficiency Ratio	68	%	63	%	64	%
Return on Average Assets	1.02	%	1.08	%	0.95	%
Tangible Common Equity / Tangible Assets	11.8	%	10.4	%	9.9	%
Loans / Deposits	95.8	%	73.2	%	73.8	%
Non-Performing Assets / Assets	1.22	%	1.51	%	1.35	%

Siuslaw - Stock Price Performance. Sandler reviewed the history of the publicly reported trading prices of Siuslaw's common stock for the one-year and three-year periods ended August 6, 2014. Sandler then compared the relationship between the movements in the price of Siuslaw's common stock against the movements in the prices of Siuslaw's peer group (as described on page 39), S&P 500 Index and NASDAQ Index.

Siuslaw's One-Year Stock Performance

	Beginning Index Value August 6, 2013		Ending Index Value August 6, 2014	
Siuslaw	100	%	107	%
Siuslaw Peer Group	100	%	120	%
S&P 500 Index	100	%	113	%
NASDAQ Index	100	%	119	%

Siuslaw's Three-Year Stock Performance

	Beginning Index Value August 6, 2011		Ending Index Value August 6, 2014	
Siuslaw	100	%	111	%
Siuslaw Peer Group	100	%	171	%
S&P 500 Index	100	%	160	%
NASDAQ Index	100	%	172	%

Banner - Stock Price Performance. Sandler reviewed the history of the publicly reported trading prices of Banner's common stock for the one-year and three-year periods ended August 6, 2014. Sandler then compared the relationship between the movements in the price of Banner's common stock against the movements in the prices of Banner's peer group (as described on page 39), S&P 500 Index and NASDAQ Index.

Banner's One Year Stock Performance

Beginning Index Value August 6, 2013	Ending Index Value August 6, 2014
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