

BANNER CORP  
Form S-4  
October 08, 2014

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

Registration No. 333-\_\_\_\_\_

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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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(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.

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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.

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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

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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.

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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.

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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)		(unaudited)			
	At June 30, 2014	2013	2012	December 31, 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 <sup>1</sup> :	6.0%
Market Premium as of August 6, 2014:	60.4%

<sup>1</sup>Core 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 <sup>1</sup>	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	
Banner	100	%	105	%
Banner Peer Group	100	%	104	%
S&P 500 Index	100	%	113	%
NASDAQ Index	100	%	119	%

#### Banner's Three Year Stock Performance

	Beginning Index Value August 6, 2011		Ending Index Value August 6, 2014	
Banner	100	%	245	%
Banner Peer Group	100	%	172	%
S&P 500 Index	100	%	160	%
NASDAQ Index	100	%	172	%

Siuslaw - Net Present Value Analysis. Sandler performed an analysis that estimated the net present value per share of Siuslaw common stock under various circumstances. The analysis assumed that Siuslaw performed in accordance to internal financial estimates provided by Siuslaw's senior management for the years ending December 31, 2014 through December 31, 2018. To approximate the terminal value of Siuslaw common stock at December 31, 2018, Sandler applied price to earnings multiples ranging from 9.00x to 17.75x and multiples of tangible book value ranging from 80% to 130%. The terminal values were then discounted to present values using different discount rates ranging from 10.0% to 16.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Siuslaw's common stock.

During the Siuslaw board of directors meeting on August 7, 2014, Sandler noted that the terminal value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.



As illustrated in the following tables, the analysis indicates an imputed range of values per share of Siuslaw common stock of \$5.73 to \$13.53 when applying multiples of earnings to the applicable amounts indicated in the Siuslaw estimates and \$5.91 to \$11.65 when applying multiples of tangible book value to the applicable amounts indicated in the Siuslaw estimates.

#### Earnings Per Share Multiples

Discount Rate	9.00x	10.75x	12.50x	14.25x	16.00x	17.75x
10.0%	7.20	8.47	9.73	11.00	12.27	13.53
12.0%	6.66	7.83	9.00	10.17	11.33	12.50
14.0%	6.17	7.25	8.33	9.41	10.49	11.57
16.0%	5.73	6.73	7.72	8.72	9.72	10.72

#### Tangible Book Value Multiples

Discount Rate	80%	90%	100%	110%	120%	130%
10.0%	7.43	8.27	9.12	9.96	10.80	11.65
12.0%	6.87	7.65	8.43	9.21	9.98	10.76
14.0%	6.37	7.09	7.80	8.52	9.24	9.96
16.0%	5.91	6.57	7.24	7.90	8.57	9.23

Sandler also considered and discussed with the Siuslaw board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler performed a similar analysis assuming Siuslaw's net income varied from 20% above projections to 20% below projections. This analysis indicates the following range of per share values for Siuslaw common stock, using the same price to earnings multiples of 9.00x to 17.75x and a discount rate of 12.87%.

#### Earnings Per Share Multiples

##### Annual Net Income

Variance	9.00x	10.75x	12.50x	14.25x	16.00x	17.75x
-20%	5.28	6.18	7.09	7.99	8.89	9.80
-10%	5.86	6.88	7.89	8.91	9.92	10.94
0%	6.44	7.57	8.70	9.83	10.96	12.08
10%	7.02	8.26	9.51	10.75	11.99	13.23
20%	7.60	8.96	10.31	11.67	13.02	14.37

The following table describes a discount rate calculation for Siuslaw prepared by Sandler. The discount rate equals the sum of the risk free rate, the equity risk premium and the size premium.

Risk Free Rate	4.00%	Normalized 20yr UST
Equity Risk Premium	5.00%	Duff & Phelps
Size Premium	3.87%	Duff & Phelps
Discount Rate	12.87%	

Banner – Net Present Value Analysis. Sandler also performed an analysis that estimated the net present value per share of Banner common stock under various circumstances. The analysis assumed that Banner performed in accordance with publicly available mean analyst earnings estimates for the years ending December 31, 2014 and December 31, 2015 and an estimated long-term annual growth rate for the years ending December 31, 2016 through December 31,

2018 as well as assumptions for annual common dividend payments, in each case as discussed with senior management of Banner.

To approximate the terminal value of Banner common stock at December 31, 2018, Sandler applied price to earnings multiples ranging from 13.0x to 18.0x and multiples of tangible book value ranging from 125% to 225%. The terminal values were then discounted to present values using different discount rates ranging from 7.0% to 12.0% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Banner's common stock.

At the August 7, 2014 Siuslaw board of directors meeting, Sandler noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

As illustrated in the following tables, the analysis indicates an imputed range of values per share of Banner common stock of \$26.86 to \$43.96 when applying earnings multiples to the applicable amounts indicated in the Banner projections and \$30.93 to \$65.12 when applying multiples of tangible book value to the applicable amounts indicated in the Banner projections.

#### Earnings Per Share Multiples

Discount Rate	13.0x	14.0x	15.0x	16.0x	17.0x	18.0x
7.0%	32.69	34.95	37.20	39.45	41.71	43.96
8.0%	31.41	33.57	35.73	37.89	40.05	42.22
9.0%	30.19	32.26	34.33	36.41	38.48	40.55
10.0%	29.02	31.01	33.00	34.99	36.98	38.97
11.0%	27.92	29.83	31.74	33.65	35.56	37.47
12.0%	26.86	28.70	30.53	32.37	34.20	36.04

#### Tangible Book Value Multiples

Discount Rate	125%	145%	165%	185%	205%	225%
7.0%	37.68	43.17	48.66	54.15	59.63	65.12
8.0%	36.19	41.46	46.72	51.98	57.24	62.51
9.0%	34.78	39.83	44.88	49.92	54.97	60.02
10.0%	33.43	38.28	43.12	47.97	52.81	57.66
11.0%	32.15	36.80	41.45	46.10	50.75	55.41
12.0%	30.93	35.39	39.86	44.33	48.80	53.26

Sandler also considered and discussed with the Siuslaw board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to earnings per share. To illustrate this impact, Sandler performed a similar analysis assuming Banner net income varied from 20% above projections to 20% below projections. This analysis indicates the following range of per share values for Banner common stock, using the same price to earnings multiples of 13.0x to 18.0x and a discount rate of 9.07%:

#### Earnings Per Share Multiples

##### Annual EPS

Variance	13.0x	14.0x	15.0x	16.0x	17.0x	18.0x
-20%	24.73	26.38	28.04	29.69	31.35	33.00
-10%	27.42	29.28	31.14	33.00	34.86	36.73
0%	30.11	32.18	34.24	36.31	38.38	40.45
10%	32.80	35.07	37.35	39.62	41.90	44.17
20%	35.49	37.97	40.45	42.93	45.41	47.90



The following table describes a discount rate calculation for Banner prepared by Sandler. The discount rate equals the product of the two year beta and equity risk premium plus the risk free rate.

Risk Free Rate	4.00%	Normalized 20yr UST
Equity Risk Premium	5.00%	Duff & Phelps
2 Year Beta	1.013	Bloomberg
Discount Rate	9.07%	

Analysis of Selected Merger Transactions. Sandler reviewed two groups of comparable merger and acquisition transactions. The groups of merger and acquisition transactions included (i) 20 transactions announced between January 1, 2014 and August 6, 2014 involving nationwide commercial bank targets with: assets between \$200 million and \$500 million (excluding merger of equal transactions), last twelve months return on average assets greater than 0.50%, and non-performing assets to assets less than 10.0%; and (ii) eight transactions announced between January 1, 2013 and August 6, 2014 involving western region commercial bank targets with: assets between \$200 million and \$500 million (excluding merger of equal transactions), last twelve months return on average assets greater than 0.50%, and non-performing assets to assets less than 10.0%.

The nationwide transaction group was composed of the following transactions:

Acquirer / Target

Old National Bancorp / Founders Financial Corporation  
 First Merchants Corporation / Community Bancshares, Inc.  
 Univest Corporation of Pennsylvania / Valley Green Bank  
 BNC Bancorp / Harbor Bank Group, Inc.  
 Old National Bancorp / LSB Financial Corp.  
 Independent Bank Group, Inc. / Houston City Bancshares, Inc.  
 First Business Financial Services, Inc. / Aslin Group, Inc.  
 Glacier Bancorp, Inc. / FNBR Holding Corporation  
 Home BancShares, Inc. / Florida Traditions Bank  
 Institution for Savings in Newburyport / Rockport National  
 Bankcorp, Inc.  
 CB Financial Services, Inc. / FedFirst Financial Corporation  
 MainSource Financial Group, Inc. / MBT Bancorp  
 Peoples Bancorp, Inc. / Ohio Heritage Bancorp, Inc.  
 Simmons First National Corporation / Delta Trust & Banking  
 Corporation  
 Auto Club Insurance Association / National Bancorp, Inc.  
 First Citizens Bancshares, Inc. / Southern Heritage Bancshares,  
 Inc.  
 Salisbury Bancorp, Inc. / Riverside Bank  
 CBFH, Inc. / MC Bancshares, Inc.  
 Southern Missouri Bancorp, Inc. / Peoples Service Company  
 CVB Financial Corp. / American Security Bank

The west region transaction group was composed of the following transactions:

Acquirer / Target

CVB Financial Corp. / American Security Bank

Heritage Oaks Bancorp / Mission Community Bancorp

Bank of Marin Bancorp / NorCal Community Bancorp

Sterling Financial Corporation / Commerce National Bank

Glacier Bancorp, Inc. / North Cascades Bancshares

Heritage Financial Corporation / Valley Community Bancshares,  
Inc.

Pacific Premier Bancorp, Inc. / San Diego Trust Bank

Glacier Bancorp, Inc. / Wheatland Bankshares, Inc.

Imputed Valuation Analysis. While reviewing the nationwide and west region comparable merger and acquisition transaction groups, Sandler reviewed the following multiples: transaction value per share to tangible book value per share, transaction value per share to last twelve months earnings per share, tangible book premium to core deposits and market premium to seller's stock price two days before transaction announcement. As illustrated in the following tables, Sandler used the mean and median transaction multiples from the comparable transaction groups to impute a per share value for Siuslaw. The nationwide transaction group indicates a range of imputed values from \$11.59 to \$17.23 per common share.

	Median Nationwide Transactions	Imputed Per Share Value	Mean Nationwide Transactions	Imputed Per Share Value
Transaction Value Per Share / Tangible Book Value Per Share	152%	\$14.53	154%	\$14.71
Transaction Value Per Share / Last Twelve Months Earnings Per Share	18.5x	\$15.18	21.0x	\$17.23
Transaction Value Per Share / Tangible Book Premium to Core Deposits <sup>1</sup>	7.0%	\$14.93	7.9%	\$15.64
Market Premium as of August 6, 2014	31.0%	\$11.59	31.0%	\$11.59

<sup>1</sup> Tangible book premium to core deposits calculated as (deal value – tangible equity) / (core deposits)  
Selected multiples and ratios adjusted for one-time items and tax reversals, where applicable

The west region transaction group indicates a range of imputed values from \$10.49 to \$17.86 per common share.

	Median West Transactions	Imputed Per Share Value	Mean West Transactions	Imputed Per Share Value
Transaction Value Per Share / Tangible Book Value Per Share	133%	\$12.77	134%	\$12.82
Transaction Value Per Share / Last Twelve Months Earnings Per Share	21.8x	\$17.86	21.3x	\$17.49
Transaction Value Per Share /	5.5%	\$13.77	5.6%	\$13.85

Tangible Book Premium to Core  
Deposits<sup>1</sup>

Market Premium as of August 6, 2014	22.4%	\$10.83	18.5%	\$10.49
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<sup>1</sup> Tangible book premium to core deposits calculated as (deal value – tangible equity) / (core deposits)

Selected multiples and ratios adjusted for one-time items and tax reversals, where applicable

Pro Forma Results and Capital Ratios. Sandler analyzed certain potential pro forma effects of the merger on Banner, assuming the following as provided by Banner: (i) the merger closes on December 31, 2014; (ii) aggregate consideration value of \$58.1 million, based on Banner's closing stock price on August 6, 2014 of \$39.65; (iii) Banner would be able to achieve cost savings on Siuslaw's projected operating expense; (iv) a core deposit intangible of approximately \$5.6 million (10 year, sum-of-years-digits amortization method); (v) a pretax opportunity cost of cash of 2.00%; (vi) various purchase accounting adjustments, including a mark-to-market adjustment on Siuslaw's loan portfolio, securities portfolio and fixed assets. The analysis indicated that for the year ending December 31, 2015, the merger (excluding transaction expenses) would be accretive to Banner's projected earnings per share and, at December 31, 2014 the merger would be dilutive to Banner's tangible book value per share. The analysis also indicated that as of December 31, 2014, the merger would maintain Banner's regulatory capital ratios in excess of the regulatory guidelines for "well capitalized" status. The actual results achieved by the combined company, however, may vary from projected results and the variations may be material.

Sandler's Relationship. Sandler acted as the financial advisor to Siuslaw's board of directors in connection with the merger and will receive a transaction fee in connection with the merger, the majority of which is subject to the closing of the merger. Sandler received a fee associated with the delivery of its fairness opinion which became payable upon Sandler's delivery of its written fairness opinion. Siuslaw has also agreed to reimburse Sandler for reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler and its affiliates and their respective partners, directors, officers, employees and agents against certain expenses and liabilities, including liabilities under applicable federal or state law.

In the ordinary course of its broker and dealer business, Sandler may purchase securities from and sell securities to Siuslaw and Banner and their respective affiliates. Sandler may also actively trade the debt securities of Siuslaw or Banner for its own account and for the accounts of its customers and, accordingly may at any time hold a long or short position in such securities. From time to time, Sandler has provided certain investment banking services to Banner and its affiliates, and has received compensation and reimbursement of out-of-pocket expenses for such services. During the past two years prior to the execution of the merger agreement, Sandler provided services to Banner in connection the sale of bank owned life insurance and received approximately \$70,000 in compensation and reimbursement of out-of-pocket expenses from Banner.

#### Material U.S. Federal Income Tax Consequences of the Merger

The following summary describes the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of Siuslaw common stock. The summary is based upon the Internal Revenue Code of 1986, as amended (which we refer to in this document as the "Code"), applicable Treasury Regulations, judicial decisions, and administrative rulings and practice, all as in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the accuracy of the statements and conclusions set forth in this discussion. This summary does not address any tax consequences of the merger under state, local or foreign laws, or any federal laws other than those pertaining to income tax.

This discussion addresses only those holders of Siuslaw common stock that hold their Siuslaw common stock as a capital asset within the meaning of Section 1221 of the Code. It does not address all the U.S. federal income tax consequences that may be relevant to particular holders of Siuslaw common stock in light of their individual circumstances or to holders of Siuslaw common stock that are subject to special rules, including, without limitation, holders that are:

- financial institutions;
- S corporations or other pass-through entities, or investors in pass-through entities;



- persons who are subject to alternative minimum tax;
  - insurance companies;
  - tax-exempt organizations;

- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting;
- persons that hold Siuslaw common stock as part of a straddle, hedge, constructive sale, conversion or other integrated transaction;
  - regulated investment companies;
  - real estate investment trusts;
  - persons whose “functional currency” is not the U.S. dollar;
  - persons who are not U.S. holders; and
- holders who acquired their shares of Siuslaw common stock through the exercise of an employee stock option, through a tax qualified retirement plan or otherwise as compensation.

If a partnership (or other entity that is taxed as a partnership for federal income tax purposes) holds Siuslaw common stock, the tax treatment of a partner in that partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in partnerships should consult their own tax advisors about the tax consequences of the merger to them.

For purposes of this discussion, the term “U.S. holder” means a beneficial owner that is: an individual citizen or resident of the United States; a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions; a trust that (i) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or an estate that is subject to U.S. federal income taxation on its income regardless of its source.

In connection with the filing with the SEC of the registration statement on Form S-4 of which this proxy statement/prospectus is a part, Silver, Freedman, Taff & Tiernan, LLP has rendered its tax opinion to Banner addressing the U.S. federal income tax consequences of the merger as described below. In rendering its tax opinion, counsel relied upon representations and covenants contained in certificates of officers of Siuslaw and Banner. Counsel’s opinion represents its best legal judgment. However, if any of the representations or assumptions upon which the opinion is based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected. A copy of the tax opinion is attached as Exhibit 8.1 to the registration statement on Form S-4.

Neither Banner nor Siuslaw has sought, and neither of them will seek, any ruling from the Internal Revenue Service regarding any matters relating to the merger, and the opinion described above will not be binding on the Internal Revenue Service or any court. Consequently, there can be no assurance that the Internal Revenue Service will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below.

The obligation of Banner to complete the merger is conditioned on, among other things, the receipt by Banner of an opinion from Silver, Freedman, Taff & Tiernan, LLP dated the closing date of the merger, that for U.S. federal income tax purposes the merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Code. This opinion will be based upon representation letters provided by Siuslaw and Banner and upon customary factual

assumptions. The condition that Banner receive an opinion from Silver, Freedman, Taff & Tiernan, LLP may be waived by Banner. Banner does not currently intend to waive the condition related to the receipt of the opinion.

In addition, the obligation of Silver, Freedman, Taff & Tiernan, LLP to deliver such opinion is conditioned on the merger satisfying the statutory and regulatory requirements of a “reorganization,” including the “continuity of proprietary interest” requirement. That requirement generally will be satisfied if Banner common stock constitutes at least 40% of the value of the total merger consideration. The determination by tax counsel as to whether the merger

will be treated as a “reorganization” within the meaning of Section 368(a) of the Code is based on the facts and law existing as of the closing date of the merger.

The actual tax consequences of the merger to you may be complex and will depend upon your specific situation and upon factors that are not within the control of Banner or Siuslaw. You should consult with your own tax advisor as to the tax consequences of the merger in light of your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign income or other tax laws.

**Tax Consequences of the Merger Generally.** The parties intend for the merger to be treated as a “reorganization” for U.S. federal income tax purposes. As such, the material U.S. federal income tax consequences of the merger will be as follows:

- no gain or loss will be recognized by Banner or Siuslaw as a result of the merger;
- gain (but not loss) will be recognized by a U.S. holder of Siuslaw common stock who receives shares of Banner common stock and cash in exchange for shares of Siuslaw common stock pursuant to the merger in an amount equal to the lesser of (i) the amount by which the sum of the fair market value of the Banner common stock and cash received by such U.S. holder of Siuslaw stock exceeds such U.S. holder’s basis in its Siuslaw stock and (ii) the amount of cash received by such U.S. holder of Siuslaw common stock;
- the aggregate basis of the Banner common stock received by a U.S. holder of Siuslaw common stock in the merger (including fractional shares of Banner common stock deemed received and redeemed as described below) will be the same as the aggregate basis of the Siuslaw common stock for which it is exchanged, decreased by the amount of cash received in the merger (other than cash received instead of a fractional share of Banner common stock), and increased by the amount of gain recognized on the exchange, other than with respect to cash received instead of a fractional share in Banner common stock (regardless of whether such gain is classified as capital gain or as dividend income, as discussed below under “—Potential Recharacterization of Gain as a Dividend”) on this page 48; and
- the holding period of Banner common stock received by a U.S. holder of Siuslaw common stock in the merger in exchange for such U.S. holder’s shares of Siuslaw common stock (including fractional shares of Banner common stock deemed received and redeemed as described below) will include such U.S. holder’s holding period of the Siuslaw common stock for which it is exchanged.

If a U.S. holder of Siuslaw common stock acquired different blocks of Siuslaw common stock at different times or at different prices, any gain or loss (if applicable) will be determined separately with respect to each block of Siuslaw common stock. U.S. holders should consult their own tax advisors regarding the manner in which cash and Banner common stock received in the merger should be allocated among different blocks of Siuslaw common stock and with respect to identifying the bases or holding periods of the particular shares of Banner common stock received in the merger.

**Taxation of Capital Gain.** Except as described below under “—Potential Recharacterization of Gain as a Dividend” on this page 48, gain that a U.S. holder of Siuslaw common stock recognizes in connection with the merger generally will constitute capital gain and will constitute long-term capital gain if such U.S. holder has held (or is treated as having held) its Siuslaw stock for more than one year as of the date of the merger. For non-corporate U.S. holders of Siuslaw stock, the maximum U.S. federal income tax rate on long-term capital gains is 20%.

**Potential Recharacterization of Gain as a Dividend.** All or part of the gain that a particular U.S. holder of Siuslaw common stock recognizes could be treated as dividend income rather than capital gain if: (i) such U.S. holder is a significant shareholder of Banner; or (ii) such U.S. holder’s percentage ownership in Banner after the merger, taking

into account constructive ownership rules, is not meaningfully reduced from what its percentage ownership would have been if it had received solely shares of Banner common stock rather than a combination of cash and shares of Banner common stock in the merger. This could happen, for example, because of ownership of

additional shares of Banner common stock by such holder, ownership of shares of Banner common stock by a person related to such holder or a share repurchase by Banner from other holders of Banner common stock. The IRS has indicated in rulings that any reduction in the interest of a minority shareholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would result in capital gain as opposed to dividend treatment. Because the possibility of dividend treatment depends primarily upon the particular circumstances of a holder of Siuslaw common stock, including the application of certain constructive ownership rules, holders of Siuslaw common stock should consult their own tax advisors regarding the potential tax consequences of the merger to them.

**Receipt of Only Cash Consideration Upon Exercise of Dissenters' Rights and Cash Received Instead of a Fractional Share of Banner Common Stock.** A U.S. holder of Siuslaw stock who properly exercises dissenters' rights under Oregon law as discussed in "—Dissenters' Rights of Siuslaw Shareholders" on page 50 and who receives solely cash in respect of its shares of Siuslaw stock will generally recognize gain or loss equal to the difference between the amount of cash received and the holder's aggregate tax basis in its Siuslaw stock. Any Siuslaw shareholder that plans to exercise dissenter's rights in connection with the merger is urged to consult its own tax advisor to determine the relevant tax consequences. In addition, a U.S. holder of Siuslaw common stock who receives cash instead of a fractional share of Banner common stock will be treated as having received the fractional share pursuant to the merger and then as having exchanged the fractional share for cash in a redemption by Banner. As a result, such U.S. holder of Siuslaw common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in its fractional share interest as set forth above. The gain or loss recognized by the U.S. holders described in this paragraph will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the U.S. holder's holding period for the relevant shares is more than one year as of the date of the merger. The deductibility of capital losses is subject to limitations.

**Medicare Tax on Unearned Income.** A U.S. holder of Siuslaw stock that is an individual is subject to a 3.8% tax on the lesser of: (i) his or her "net investment income" for the relevant taxable year; or (ii) the excess of his or her modified gross income for the taxable year over a certain threshold (between \$125,000 and \$250,000 depending on the individual's U.S. federal income tax filing status). A similar regime applies to estates and trusts. A U.S. holder's net investment income generally will include any capital gain recognized in connection with the merger (including any gain treated as a dividend).

**Backup Withholding and Information Reporting.** Payments of cash to a U.S. holder of Siuslaw stock pursuant to the merger may, under certain circumstances, be subject to information reporting and backup withholding unless the holder provides proof of an applicable exemption or, in the case of backup withholding, furnishes its taxpayer identification number and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not additional tax and generally will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service.

A U.S. holder of Siuslaw common stock who receives Banner common stock as a result of the merger should retain records pertaining to the merger, including records relating to the number of shares and the basis of such U.S. holder's Siuslaw common stock. Each U.S. holder of Siuslaw common stock who is required to file a U.S. federal income tax return and who is a "significant holder" that receives Banner common stock in the merger will be required to file a statement with such U.S. federal income tax return in accordance with Treasury Regulations Section 1.368-3 setting forth such U.S. holder's basis in the Siuslaw common stock surrendered, the fair market value of the Banner common stock and cash received in the merger, and certain other information. A "significant holder" is a holder of Siuslaw stock who, immediately before the merger, owned at least 5% of the outstanding stock of Siuslaw or securities of Siuslaw with a basis for federal income taxes of at least \$1.0 million.

This discussion does not address tax consequences that may vary with, or are contingent upon, individual circumstances. Moreover, it does not address any non-income tax or any foreign, state or local tax consequences of the merger. Tax matters are very complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation. Accordingly, we strongly urge you to consult with a tax advisor to determine the particular federal, state, local or foreign income or other tax consequences to you of the merger.

## Accounting Treatment

In accordance with current accounting guidance, the merger will be accounted for using the acquisition method in accordance with FASB Topic 805, "Business Combinations." The result of this is that the recorded assets and liabilities of Banner will be carried forward at their recorded amounts, the historical operating results will be unchanged for the prior periods being reported on and that the assets and liabilities of Siuslaw will be adjusted to fair value at the date of the merger. In addition, all identified intangibles will be recorded at fair value and included as part of the net assets acquired. To the extent that the purchase price, consisting of cash plus the number of shares of Banner common stock to be issued to former Siuslaw shareholders, at fair value, exceeds the fair value of the net assets including identifiable intangibles of Siuslaw at the merger date, that amount will be reported as goodwill. In accordance with current accounting guidance, goodwill will not be amortized but will be evaluated for impairment annually. Identified intangibles will be amortized over their estimated lives. Further, the acquisition method of accounting results in the operating results of Siuslaw being included in the operating results of Banner beginning from the date of completion of the merger.

## Regulatory Approvals

Under federal law, the merger must be approved by the Federal Reserve Board and the bank merger must be approved by the FDIC, the DFI and the Oregon Division. We received the approval for the bank merger from the DFI on September 22, 2014. The U.S. Department of Justice may review the impact of the merger and the bank merger on competition.

We will request a waiver from the Federal Reserve Board of its application requirements that would apply to the merger. Assuming this waiver is granted, once the FDIC and Oregon Division also approve the merger, we must wait for up to 30 days before we can complete the merger. If, however, there are no adverse comments from the U.S. Department of Justice and we receive permission from the FDIC, DFI and Oregon Division to do so, the merger may be completed on or after the 15th day after approval from the Federal Reserve Board.

As of the date of this proxy statement/prospectus, all of the required regulatory applications have been filed. There can be no assurance as to whether all regulatory approvals will be obtained or as to the dates of the approvals. There also can be no assurance that the regulatory approvals received will not contain any undue burdensome condition upon Banner following the merger or Banner Bank following the bank merger. See "The Merger Agreement—Conditions to Completion of the Merger" on page 60.

## Dissenters' Rights of Siuslaw Shareholders

Shareholders who dissent from a proposed merger are entitled to receive the fair value of their shares under Oregon Revised Statutes ("ORS") 60.554 through 60.594. A copy of these statutes is attached as Appendix C.

To perfect dissenters' rights, a shareholder must send or deliver a notice of dissent to Siuslaw, prior to the vote on the merger at the special meeting. Additionally, such shareholder may not vote in favor of the merger.

A shareholder may only dissent with respect to all of the shareholder's shares, except that a shareholder holding shares beneficially owned by another person may assert dissenters' rights as to fewer than all of the Siuslaw shares registered in such shareholder's name only if such shareholder dissents with respect to all shares beneficially owned by any one person and notifies Siuslaw in writing of the name and address of each person on whose behalf the shareholders asserts dissenters' rights. A beneficial shareholder may assert dissenters' rights as to shares held on the beneficial shareholder's behalf only if (i) the beneficial owner submits to Siuslaw the record holder's written consent to the dissent not later than the time the beneficial shareholder asserts dissenters' rights, and (ii) the beneficial shareholder does so with respect to all shares of which such shareholder is the beneficial shareholder or over which such



shareholder has the power to direct the vote.

If the merger is approved, Siuslaw will deliver a written dissenters' notice to all shareholders who have satisfied the requirements described above. The notice will be sent no later than 10 days after the special meeting and will, among other things, state where the payment demand shall be sent (and where and when stock certificates shall be deposited) and supply a form for demanding payment. The form will include the date of the first

announcement of the terms of the merger and will require certification as to whether or not the dissenting shareholder acquired beneficial ownership before that date. The dissenters' notice will also set a date by which Siuslaw must receive the payment demand.

A shareholder receiving a dissenters' notice must demand payment, certify whether or not he or she acquired beneficial ownership of the shares before the date set forth in the notice, and deposit stock certificates or receipts in accordance with the terms of the notice. A shareholder who does not properly and timely satisfy these requirements will not be entitled to payment for his or her shares under the dissenters' rights statutes and will instead receive the merger consideration.

Upon its receipt of a proper and timely payment demand, Siuslaw will pay to each dissenting shareholder the amount that Siuslaw estimates to be the fair value of such shareholder's shares, plus accrued interest. The payment will be accompanied by, among other things, a copy of Siuslaw's balance sheet and income statement, a statement of the estimate of the fair value of the shares, an explanation of how interest was calculated, and a copy of the applicable provisions of the ORS.

Siuslaw may elect to withhold payment from a dissenter unless the dissenter was the beneficial owner of the shares before the date set forth in the dissenters' notice. If Siuslaw elects to do so, it will estimate the fair value of the shares plus accrued interest and will pay this amount to each dissenter who agrees to accept it in full satisfaction of such demand.

A dissenting shareholder may notify Siuslaw in writing as to the dissenting shareholder's own estimate of the fair value of the shares and amount of interest due, and demand payment of the dissenter's estimate, or reject Siuslaw's offer and demand payment of the dissenter's estimate of the fair value and interest due, under certain conditions specific in ORS 60.587.

If a demand for payment remains unsettled, Siuslaw will commence a proceeding, within 60 days after receiving the dissenting shareholder's payment demand, and petition the court to determine the fair value of the shares and accrued interest.

In view of the complexity of ORS 60.551 through 60.594 and the requirement that shareholders must strictly comply with these provisions, shareholders of Siuslaw who wish to dissent from the merger and pursue dissenters' rights should consult their legal advisors.

The failure of a Siuslaw shareholder to comply strictly with the Oregon statutory requirements will result in a loss of dissenters' rights. A copy of the relevant statutory provisions is attached as Appendix C. You are urged to refer to the appendix for a complete statement concerning dissenters' rights. The foregoing summary of such rights is qualified in its entirety by reference to that appendix.

#### Interests of Siuslaw Executive Officers and Directors in the Merger

In the merger, the executive officers and directors of Siuslaw will receive the same consideration for their Siuslaw shares as the other shareholders of Siuslaw. In considering the recommendation of the Siuslaw board of directors that you vote to approve the merger agreement, you should be aware that some of Siuslaw's executive officers and directors may have interests in the merger and may have arrangements, as described below, which may be considered to be different from, or in addition to, those of Siuslaw's shareholders generally. The Siuslaw board of directors was aware of these interests and considered them, among other matters, in reaching its decisions to approve the merger agreement and to recommend that you vote in favor of approving the merger agreement. Further, pursuant to the merger agreement, each director and executive officer of Siuslaw and Siuslaw Bank has delivered to Banner an executed voting agreement and a non-solicitation and confidentiality agreement, and in the case of directors, an

executed resignation agreement, each in the form attached as an exhibit to the merger agreement for no additional consideration.

Employment Agreement. Johan Mehlum, Chairman of the Board and Chief Executive Officer of Siuslaw, has executed an employment agreement with Banner with a term of two years from the date of completion of the merger. Mr. Mehlum will serve as a Regional Executive and his primary role will be to provide consultation and transition planning services to ensure successful integration of the transaction, retention and growth of the client base, community relations, and to serve as a community representative for Banner Bank. The agreement provides

that Mr. Mehlum will receive an annual salary of \$180,000 and vacation and sick leave, and will be entitled to participate in all Banner Bank employee benefit plans.

In addition, Banner also has executed an employment agreement with Lonnie F. Iholts, President and Chief Executive Officer of Siuslaw Bank, for a term of one year from the first day following completion of the merger. Mr. Iholts will serve as Regional Executive, Community Advisor-Central Coast and his primary role will be to provide consultation and transition planning services to ensure successful integration of the transaction, retention and growth of the client base, community relations, and to serve as a community representative for Banner Bank. The agreement provides that Mr. Iholts will receive an annual salary of \$120,000 and vacation and sick leave, and will be entitled to participate in Banner Bank employee benefit plans.

**Stock Ownership.** The current directors and executive officers of Siuslaw, together with their affiliates, beneficially owned, as of the record date for the special meeting, a total of 985,000 shares of Siuslaw common stock, representing 24.7% of the total outstanding shares of Siuslaw common stock. Each of Siuslaw's directors and executive officers has executed a voting agreement, agreeing to vote his or her shares of common stock in favor of the merger agreement. For additional information regarding the voting agreements, see "The Merger Agreement—Voting Agreements" on page 63.

**Indemnification and Insurance.** As described under "The Merger Agreement—Indemnification and Continuance of Director and Officer Liability Coverage" on page 62, Banner will indemnify (and advance expenses to), for a period of four years from and after the effective time of the merger, to the fullest extent permitted by Siuslaw's articles of incorporation and bylaws but limited to the extent permitted by law, the directors and officers of Siuslaw with respect to claims pertaining to matters occurring at or prior to the effective time of the merger. Banner also has agreed, for a period of four years after the effective time of the merger, to maintain at its expense directors' and officers' liability insurance with respect to claims arising from facts or events occurring prior to completion of the merger. This insurance must contain terms substantially equivalent to the coverage currently provided by Siuslaw, provided that Banner shall not be required to pay for this insurance more than an amount equal to 200% of the annual premium most recently paid by Siuslaw. Instead of providing this insurance coverage, Banner may, prior to the effective time of the merger, purchase directly or cause Siuslaw to purchase at Siuslaw's expense a tail policy with single limit equivalent coverage for directors' and officers' liability insurance on the terms described in the preceding sentence.

**Salary continuation, deferred compensation and split-dollar life insurance agreements.** Pursuant to the merger agreement, 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. Each of the salary continuation agreements provide for annual supplemental retirement benefits payable over ten years in monthly installments except in the case of Mr. Hultenberg, who is entitled to benefits for 15 years. Payment is to begin upon attainment of early or normal retirement age or upon separation from service, if later. Because each of these individuals has reached the early or normal retirement age under the salary continuation agreements, their benefits vested and these officers are entitled to these benefits whether or not the merger is completed. The monthly benefit payable for Messrs. Mehlum, Iholts, and Hultenberg, if the merger were completed on June 30, 2014, is \$4,086, \$6,483, and \$3,008, respectively. In addition, both Messrs. Iholts and Mehlum and Director F. David Crowell are entitled to payment of the balance under their individual deferred compensation agreements plus an interest factor over the payout period regardless whether the merger is completed upon attainment of normal retirement or upon separation from service, if later. The account balances of Messrs. Iholts, Mehlum and Crowell under their individual deferred compensation agreements as of June 30, 2014 was \$761,546, \$172,884 and \$366,724, respectively. Lastly, both Messrs. Iholts and Mehlum have split-dollar life insurance agreements pursuant to which their beneficiaries are entitled to benefits upon their death in the respective amounts of \$150,000 and \$500,000, respectively. The policies insuring their lives are owned by Siuslaw Bank and provide for death benefits in a much larger amount, with the excess death benefit proceeds being payable to Siuslaw Bank. However, these

policies cannot be terminated or transferred without providing each of Messrs. Iholts and Mehlum the right to acquire the entire policy insuring his life for the cash surrender value thereof.

Cash Bonus Payments. In addition, our executive officers each will receive an additional cash bonus in lieu of other severance to be paid to employees under Siuslaw's severance plan, aggregating \$825,000 in anticipation of the transaction. The bonus to be paid to Messrs. Mehlum, Iholts and Hultenberg will be \$325,000, \$275,000 and \$225,000, respectively.

#### Stock Listing

It is a condition to each party's obligation to complete the merger that the shares of Banner common stock to be issued in the merger be authorized for listing on the NASDAQ subject to official notice of issuance.

### THE MERGER AGREEMENT

The following is a summary of the material provisions of the merger agreement. This summary is qualified in its entirety by reference to the merger agreement, a copy of which is attached as Appendix A to this proxy statement/prospectus and is incorporated herein by reference. You should read the merger agreement in its entirety, as it is the legal document governing the merger.

#### The Merger

The boards of directors of Siuslaw and Banner have each unanimously approved the merger agreement, which provides for the merger of Siuslaw into Banner, with Banner as the surviving corporation of the merger. Each share of Banner common stock issued and outstanding immediately prior to the effective time of the merger will remain issued and outstanding as one share of Banner common stock. Each share of Siuslaw common stock issued and outstanding immediately prior to the effective time of the merger (including each share of outstanding Siuslaw preferred stock which by its terms automatically converts to Siuslaw common stock) will be converted into the right to receive \$1.41622 in cash and 0.32231 shares of Banner common stock, other than those for which dissenters' rights have been properly exercised. See "The Merger—Dissenters' Rights of Siuslaw Shareholders" on page 50. The merger agreement provides that after the effective time of the merger Banner intends to merge Siuslaw Bank, a wholly owned subsidiary of Siuslaw, with and into Banner Bank, a wholly owned subsidiary of Banner, with Banner Bank as the surviving institution. We refer to the merger of Banner Bank and Siuslaw Bank as the "bank merger."

#### Effective Time and Completion of the Merger

The merger agreement provides that unless both Banner and Siuslaw agree to a later date, the filings necessary to make the merger effective, consisting of articles of merger to be filed with the Secretary of State of each of State of Washington and State of Oregon, will be made on or before the last day of the month (but no earlier than five business days) after all of the conditions to completion of the merger have been satisfied or waived (other than those that by their nature are to be satisfied or waived at the closing of the merger).

We currently expect that the merger will be completed in the fourth quarter of 2014, subject to the approval of the merger agreement by Siuslaw shareholders, the receipt of all necessary regulatory approvals and the expiration of all regulatory waiting periods. However, completion of the merger could be delayed if there is a delay in obtaining the required regulatory approvals or in satisfying any other conditions to the merger. There can be no assurances as to whether, or when, Banner and Siuslaw will obtain the required approvals or complete the merger. See "—Conditions to Completion of the Merger" on page 60.

#### Merger Consideration

Under the terms of the merger agreement, upon completion of the merger, each share of Siuslaw common stock (including each outstanding share of preferred stock that automatically converts to a share of common stock

immediately prior to closing) that is outstanding immediately prior to the merger will be converted into the right to receive \$1.41622 in cash and 0.32231 shares of Banner common stock (with cash paid in lieu of fractional share interests). We sometimes refer to this 0.32231 to-one ratio as the “exchange ratio.”

No fractional shares of Banner common stock will be issued in connection with the merger. Instead, Banner will make a cash payment to each Siuslaw shareholder who would otherwise receive a fractional Banner share, equal to the fractional share amount multiplied by the average Banner common stock price. A Siuslaw

shareholder also has the right to obtain the fair value of his or her Siuslaw shares in lieu of receiving the merger consideration under the merger agreement by strictly following the procedures under the ORS, as discussed under “The Merger—Dissenters’ Rights of Siuslaw Shareholders,” beginning on page 50.

Based on the closing price of \$\_\_\_\_\_ per share of Banner common stock on \_\_\_\_\_, 2014 and the exchange ratio of 0.32231, the implied value of the merger consideration per share of Siuslaw common or preferred stock is \$\_\_\_\_\_. However, as discussed above, the value of the shares of Banner common stock to be issued in the merger will fluctuate during the period up to and including the completion of the merger. We cannot assure you whether or when the merger will be completed, and you are advised to obtain current market prices for Banner common stock. See “Risk Factors” on page 13. Because the market price of Banner common stock will fluctuate, you cannot be sure of the value of the merger consideration you will receive”.

If, prior to the effective time of the merger, the outstanding shares of Banner common stock are increased, decreased, changed into or exchanged for a different number or kind of shares or securities as a result of a reorganization, recapitalization, reclassification, stock dividend, stock split or other similar change in capitalization, an appropriate and proportionate adjustment will be made to the stock portion of the merger consideration.

#### Exchange of Stock Certificates

Prior to the effective time of the merger, Banner will appoint as the exchange agent under the merger agreement, either its transfer agent, Computershare Trust Company, N.A., or an unrelated bank or trust company reasonably acceptable to Siuslaw. As soon as reasonably practicable after the effective time of the merger, the exchange agent will mail to each holder of record of Siuslaw stock who does not exercise dissenters’ rights a letter of transmittal and instructions for the surrender of the holder’s Siuslaw stock certificate(s) for the merger consideration and cash in lieu of any fractional Banner share.

Siuslaw shareholders should not send in their stock certificates until they receive the letter of transmittal and instructions.

Upon surrender to the exchange agent of the certificate(s) representing his or her shares of Siuslaw common stock, accompanied by a properly completed letter of transmittal, a Siuslaw shareholder will be entitled to promptly receive the merger consideration and cash in lieu of any fractional Banner share. Until surrendered, each such certificate will represent after the effective time of the merger, for all purposes, only the right to receive, without interest, the merger consideration and cash in lieu of any fractional Banner share. Banner or the exchange agent will be entitled to deduct and withhold from any cash consideration payable under the merger agreement to any holder of Siuslaw common stock, the amounts it is required to deduct and withhold under the Code or any provision of state, local or foreign tax law. If any such amounts are withheld and paid over to the appropriate governmental authority, these amounts will be treated for all purposes of the merger agreement as having been paid to the persons from whom they were withheld.

No dividends or other distributions with respect to Banner common stock after completion of the merger will be paid to the holder of any unsurrendered Siuslaw stock certificates with respect to the Banner common stock represented by those certificates until those certificates have been properly surrendered. Following the proper surrender of any such previously unsurrendered Siuslaw stock certificate, the holder of the certificate will be entitled to receive, without interest, (i) the amount of unpaid dividends or other distributions with a record date after the effective time of the merger payable with respect to the whole shares of Banner common stock represented by that certificate and/or (ii) at the appropriate payment date, the amount of dividends or other distributions payable with respect to shares of Banner common stock represented by that certificate with a record date after the effective time of the merger (but before the date on which the certificate is surrendered) and with a payment date subsequent to the issuance of the shares of Banner common stock issuable in exchange for that certificate.



The merger consideration and cash in lieu of any fractional Banner share may be issued or paid in a name other than the name in which the surrendered Siuslaw stock certificate is registered if (i) the certificate surrendered is properly endorsed or otherwise in a proper form for transfer, and (ii) the person requesting the payment or issuance pays any transfer or other similar taxes due or establishes to the satisfaction of Banner that such taxes have been paid or are not applicable.

After the effective time of the merger, there will be no transfers on the stock transfer books of Siuslaw other than to settle transfers of shares of Siuslaw stock that occurred prior to the effective time. If, after the effective time of the merger, certificates for Siuslaw stock are presented for transfer to the exchange agent, the certificates will be cancelled and exchanged for the merger consideration and cash in lieu of any fractional Banner shares.

Any portion of the merger consideration and cash to be paid in lieu of fractional Banner shares that has been deposited with the exchange agent and remains unclaimed by Siuslaw shareholders at the expiration of six months after the effective time of the merger may be returned to Banner. In that case, former Siuslaw shareholders who have not yet surrendered their Siuslaw stock certificates may after that point look only to Banner with respect to the merger consideration, any cash in lieu of any Banner fractional shares and any unpaid dividends and distributions on the shares of Banner common stock to which they are entitled, in each case, without interest. None of Banner, the exchange agent or any other person will be liable to any former Siuslaw shareholder for any amount delivered in good faith to a public official pursuant to applicable abandoned property, escheat or similar laws.

In the event any Siuslaw stock certificate is lost, stolen or destroyed, in order to receive the merger consideration and any cash in lieu of any fractional Banner share, the holder of that certificate must provide an affidavit of that fact and, if reasonably required by Banner or the exchange agent, post a bond in such amount as Banner determines is reasonably necessary to indemnify it against any claim that may be made against it with respect to that certificate.

#### Conduct of Business Pending the Merger

Pursuant to the merger agreement, Siuslaw and Banner have agreed to certain restrictions on their activities until the merger is completed or terminated. In general, each party has agreed that, except as otherwise permitted by the merger agreement, or as required by applicable law or a governmental entity or with the prior written consent of the other party, it will:

- use commercially reasonable best efforts to maintain and preserve intact its business organization and advantageous business relationships;
- not take any action that is intended to or that would reasonably be expected to adversely affect or materially delay the ability of either party or its subsidiaries to obtain any necessary regulatory approvals or to complete the merger;
- not take any action that is intended or that would reasonably be expected to cause the merger or the bank merger to fail to qualify as a reorganization under Section 368(a) of the Code or cause any of its representations and warranties in the merger agreement to be untrue in any material respect or any of the conditions in the merger agreement to be unsatisfied or to result in a violation of any provision of the merger agreement; and
- not take any action that is likely to materially impair its ability to perform any of its obligations under the merger agreement or its subsidiary bank to perform any of its obligations under the bank merger agreement.

Banner has also agreed that it will not and will not permit any of its subsidiaries to amend its articles of incorporation or bylaws in a manner that would materially and adversely affect the economic benefits of the merger to Siuslaw's shareholders.

Siuslaw has also agreed that it will, and will cause each of its subsidiaries to, conduct its business in the ordinary course consistent with past practice. Siuslaw has further agreed that it will not, and will not permit any of its subsidiaries, to do any of the following, except as required by law or a governmental entity, expressly contemplated and permitted by the merger agreement, or with the prior written consent of Banner:

- issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional shares of its capital stock, other ownership interests or any warrants, options, rights, convertible

securities or other arrangements or commitments to acquire capital stock or other ownership interest, except for the issuance of 102,484 shares of Siuslaw common stock upon the automatic conversion of the same number of outstanding shares of Siuslaw preferred stock;

- issue any other capital securities, including trust preferred or other similar securities, voting debt securities or other securities;
- pay any dividends or other distributions on its capital stock or other ownership interests, other (A) than dividends from wholly owned subsidiaries to Siuslaw or to another wholly owned subsidiary of Siuslaw, (B) the regular quarterly cash dividend on outstanding Siuslaw common stock in an amount not to exceed \$0.05 per share, and a corresponding quarterly cash dividend on outstanding Siuslaw preferred stock in an amount not to exceed \$0.0525 per share provided the declaration and payment thereof shall be made in accordance with past practice, and provided further Siuslaw shall cause the declaration and payment of its regular quarterly dividend for the last quarter prior to the closing to occur on the same declaration and payment dates of Banner's regular quarterly dividend for such period or (C) regular distributions on Siuslaw's trust preferred securities; or directly or indirectly adjust, split, combine, redeem, reclassify, purchase or otherwise acquire any shares of its capital stock, other ownership interests, or rights with respect to the foregoing;
- (i) enter into, modify, renew or terminate any employment, severance or similar agreement or arrangement with any director, officer, employee, or independent contractor, or grant any salary or wage increase or increase any employee benefit (including incentive or bonus payments) other than (A) at will agreements, (B) normal increases in salary to rank and file employees, (C) severance in accordance with past practice, (D) bonuses as described above in "The Merger—Interests of Siuslaw Executive Officers and Directors in the Merger" on page 51, and (E) changes that are required by applicable law; (ii) hire any new officers; (iii) promote any employee to a rank of vice president or higher; or (iv) pay expenses in excess of a specified amount for employees and directors to attend conventions or similar meetings;
- except as required by law, establish, modify, renew or terminate any employee benefit plan or accelerate the vesting of benefits under any employee benefit plan;
- sell, transfer or encumber any of its assets, except in the ordinary course of business consistent with past practice, and in the case of a sale or transfer, at fair value, or sell or transfer any of its deposit liabilities;
- enter into, modify or renew any data processing contract, service provider agreement or any lease, license or maintenance agreement relating to real or personal property or intellectual property, other than the annual renewal of an agreement that is necessary to operate its business in the ordinary course consistent with past practice, or permit to lapse its rights in any material intellectual property;
- acquire the assets, business, deposits or properties of any person, other than pursuant to foreclosure, in a fiduciary capacity or in satisfaction of debts contracted prior to the date of the merger agreement;
- sell or acquire any loans (excluding originations) or loan participations, except in the ordinary course of business consistent with past practice (but, in the case of a sale, after giving Banner or Banner Bank a first right of refusal to acquire such loan or participation), or sell or acquire any loan servicing rights;
  - amend its articles of incorporation or bylaws or similar governing documents;
- materially change its accounting principles, practices or methods, except as may be required by accounting principles generally accepted in the United States or any governmental entity;

- enter into, materially modify, terminate or renew any material contract;

- settle any legal claims involving an amount in excess of \$25,000, excluding amounts paid or reimbursed under any insurance policy;
- foreclose upon any real property without obtaining a phase one environmental report, except for one- to four-family non-agricultural residential properties of five acres or less which it does not have reason to believe contains hazardous substances or might be in violation of or require remediation under environmental laws;
- in the case of Siuslaw Bank, (i) voluntarily make a material change in its deposit mix; (ii) increase or decrease the interest rate paid on its time deposits or certificates of deposit except in a manner consistent with past practice and competitive factors in the marketplace; (iii) incur any liability or obligation relating to retail banking and branch merchandising, marketing and advertising activities and initiatives except in the ordinary course of business consistent with past practice; (iv) open any new branch or deposit taking facility; or (v) close or relocate any existing branch or other facility;
  - acquire any investment securities outside of the limits specified in the merger agreement;
    - make capital expenditures outside the limits specified in the merger agreement;
- materially change its loan underwriting policies or make loans on extensions of credit in excess of amounts specified in the merger agreement;
  - invest in any new or existing joint venture or any new real estate development or construction activity;
    - materially change its interest rate and other risk management policies and practices;
- incur any debt for borrowed funds other than in the ordinary course of business consistent with past practice with a term of one year or less;
- create any lien on any of Siuslaw's assets or properties other than pursuant to agreements with the Federal Home Loan Bank of Seattle and federal funds transactions;
  - make charitable contributions in excess of limits specified in the merger agreement;
    - enter into any new lines of business;
- make, change or revoke any tax election, amend any tax return, enter into any tax closing agreement, or settle any liability with respect to disputed taxes; or
  - agree or commit to do any of the foregoing.

#### Agreement Not to Solicit Other Offers

Siuslaw has agreed that, from the date of the merger agreement until the effective time of the merger or, if earlier, the termination of the merger agreement, it will not, and will cause its subsidiaries not to, directly or indirectly: (i) initiate, solicit, encourage or knowingly facilitate inquiries or proposals with respect to, or engage in any discussions or negotiations concerning, or provide to any person any confidential or nonpublic information concerning, its and its subsidiaries' business, properties or assets; or (ii) have any discussions with any person or entity relating to an acquisition proposal.

Notwithstanding this agreement, if Siuslaw receives an unsolicited written acquisition proposal that Siuslaw's board of directors determines in good faith is reasonably likely to constitute or result in a transaction that is more favorable from a financial point of view to the shareholders of Siuslaw than the merger with Banner (referred to as a "superior proposal"), Siuslaw may provide confidential information to and negotiate with the third

party that submitted the acquisition proposal if the Siuslaw board of directors determines in good faith, after consulting with counsel, that the failure to do so would violate the board's fiduciary duties. In order to constitute a superior proposal, an acquisition proposal must be 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. Siuslaw must promptly advise Banner of any acquisition proposal received and keep it apprised of any related developments.

The merger agreement generally prohibits the Siuslaw board of directors from withdrawing or modifying in a manner adverse to Banner the board's recommendation that Siuslaw's shareholders vote to approve the merger agreement (referred to as a "change in recommendation"). At any time prior to the approval of the merger agreement by Siuslaw's shareholders, however, the Siuslaw board of directors may effect a change in recommendation in response to a bona fide written unsolicited acquisition proposal that the board determines in good faith, after consultation with counsel, constitutes a superior proposal. The Siuslaw board of directors may not make a change in recommendation in response to a superior proposal, or terminate the merger agreement to pursue a superior proposal, unless it has given Banner at least four business days to propose a modification to the merger agreement and, after considering any such proposed modification, the Siuslaw board of directors determines in good faith, after consultation with counsel, that the third party unsolicited proposal continues to constitute a superior proposal.

If the Siuslaw board of directors makes a change in recommendation or if Siuslaw pursues a superior proposal, Siuslaw would be required to pay Banner a termination fee of \$2.3 million in cash. See "—Termination of the Merger Agreement" on page 61.

#### Representations and Warranties

The representations, warranties and covenants described below and included in the merger agreement were made only for purposes of the merger agreement and as of specific dates, are solely for the benefit of Banner and Siuslaw, may be subject to limitations, qualifications or exceptions agreed upon by the parties, including those included in confidential disclosures made for the purposes of, among other things, allocating contractual risk between Banner and Siuslaw rather than establishing matters as facts, and may be subject to standards of materiality that differ from those standards relevant to shareholders. You should not rely on the representations, warranties, covenants or any description thereof as characterizations of the actual state of facts or condition of Banner, Siuslaw or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in public disclosures by Banner or Siuslaw. The representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this proxy statement/prospectus and in the documents incorporated by reference into this proxy statement/prospectus. See "Where You Can Find More Information" on page 79.

The merger agreement contains customary representations and warranties of each of Banner and Siuslaw relating to their respective businesses. The representations and warranties in the merger agreement do not survive completion of the merger.

The representations and warranties made by each of Siuslaw and Banner in the merger agreement relate to a number of matters, including the following:

- corporate matters, including due organization and qualification and subsidiaries;
- capitalization;



- authority relative to execution and delivery of the merger agreement and the absence of conflicts with, or violations of, organizational documents or other obligations as a result of the merger or bank merger;

- required governmental and other regulatory filings, consents and approvals in connection with the merger and the bank merger;
  - reports to regulatory authorities;
- financial statements, internal controls, books and records, and absence of undisclosed liabilities;
  - broker's fees payable in connection with the merger;
    - the absence of certain changes or events;
      - legal proceedings;
      - tax matters;
      - employee benefit matters;
    - in the case of Banner, SEC Reports;
    - compliance with applicable laws;
    - in the case of Siuslaw, certain contracts;
  - absence of agreements with regulatory authorities;
    - derivative instruments and transactions;
      - environmental matters;
- investment securities, commodities and, in the case of Siuslaw, bank owned life insurance;
  - real property;
  - intellectual property;
  - in the case of Siuslaw, related party transactions;
  - in the case of Siuslaw, inapplicability of takeover statutes;
- absence of action or circumstance that would prevent the merger or the bank merger from qualifying as a reorganization under Section 368(a) of the Code;
- receipt of a fairness opinion from its investment advisor and the absence of any amendment or rescission thereof;
- the accuracy of information supplied for inclusion in this proxy statement/prospectus and other documents;
  - loan matters;
  - insurance matters

- in the case of Siuslaw, fiduciary account matters;

- in the case of Siuslaw, the accuracy and completeness of corporate and stock ownership records and in the case of Banner, the absence of Siuslaw stock ownership other than in a fiduciary or agency capacity; and
  - in the case of Siuslaw, the absence of claims requiring indemnification.

Certain representations and warranties of Banner and Siuslaw are qualified as to “materiality” or “material adverse effect.” For purposes of the merger agreement, a “material adverse effect,” when used in reference to either Banner, Siuslaw or the combined company, means:

- (1) a material adverse effect on the business, properties, results of operations or financial condition of such party and its subsidiaries taken as a whole (provided that a material adverse effect will not be deemed to include the impact of (A) changes, after the date of the merger agreement, in generally accepted accounting principles or applicable regulatory accounting requirements, (B) changes, after the date of the merger agreement, in laws, rules or regulations of general applicability to companies in the industries in which such party and its subsidiaries operate, or interpretations thereof by courts or governmental entities, (C) changes, after the date of the merger agreement, in global, national or regional political conditions (including the outbreak of war or acts of terrorism) or in economic or market (including equity, credit and debt markets, as well as changes in interest rates) conditions affecting the financial services industry generally, (D) public disclosure of the transactions contemplated by the merger agreement or actions or inactions expressly required by the merger agreement or that are taken with the prior written consent of the other party in contemplation of the transactions contemplated by the merger agreement, or (E) a decline in the trading price of a party’s common stock or the failure, in and of itself, to meet earnings projections, but not, in either case, including the underlying causes thereof; except, with respect to subclauses (A), (B), or (C), to the extent that the effects of such change are materially disproportionately adverse to the business, properties, assets, liabilities, results of operations or financial condition of such party and its subsidiaries, taken as a whole, as compared to other companies in the industry in which such party and its subsidiaries operate); or
- (2) a material adverse effect on the ability of such party or its bank subsidiary to timely consummate the merger or bank merger.

#### Special Meeting and Recommendation of Siuslaw’s Board of Directors

Siuslaw has agreed to hold the special meeting for the purpose of voting upon the merger proposal and to use commercially reasonable best efforts to obtain from its shareholders the vote required to approve the merger proposal, including by communicating to its shareholders its recommendation (and including such recommendation in this proxy statement/prospectus) that they approve the merger agreement and the transactions contemplated thereby.

Notwithstanding any change in recommendation by the board of directors of Siuslaw, unless the merger agreement has been terminated in accordance with its terms, Siuslaw is required to convene the special meeting and to submit the merger agreement to a vote of its shareholders. Siuslaw will adjourn or postpone the special meeting if there are insufficient shares of Siuslaw stock, represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of such meeting.

#### Conditions to Completion of the Merger

**Mutual Closing Conditions.** The obligations of Banner and Siuslaw to complete the merger are subject to the satisfaction of the following conditions:

- approval of the merger agreement by Siuslaw’s shareholders;

- authorization for listing on the NASDAQ of the shares of Banner common stock to be issued in the merger;

- the Registration Statement on Form S-4, of which this proxy statement/prospectus is a part, being effective and not subject to any stop order by the SEC; and
  - absence of any injunction or other legal restraint blocking the merger or the bank merger.

Additional Closing Conditions for the Benefit of Banner. In addition to the mutual closing conditions, Banner's obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

- accuracy, as of the date of the merger agreement and as of the effective time of the merger, of the representations and warranties made by Siuslaw to the extent specified in the merger agreement, and the receipt by Banner of a certificate signed by the Chief Executive Officer or Chief Financial Officer of Siuslaw to that effect;
- performance in all material respects by Siuslaw of the obligations required to be performed by it at or prior to the effective time of the merger and the receipt by Banner of a certificate signed by the Chief Executive Officer or Chief Financial Officer of Siuslaw to that effect;
- receipt, to the extent specified in the merger agreement, of required consents from third parties by Siuslaw;
- required regulatory approvals are received without the imposition of any unduly burdensome condition upon Banner or Banner Bank;
- the holders of less than 10% of the outstanding shares of Siuslaw common stock exercising dissenters' rights under Oregon law; and
- the receipt by Banner an opinion of its legal counsel to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Additional Closing Conditions for the Benefit of Siuslaw. In addition to the mutual closing conditions, Siuslaw's obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

- accuracy, as of the date of the merger agreement and as of the effective time of the merger, of the representations and warranties made by Banner to the extent specified in the merger agreement, and the receipt by Siuslaw of a certificate signed by the Chief Executive Officer or Chief Financial Officer of Banner to that effect; and
- performance in all material respects by Banner of the obligations required to be performed by it at or prior to the effective time of the merger and the receipt by Siuslaw of a certificate signed by the Chief Executive Officer or Chief Financial Officer of Banner to that effect.

#### Termination of the Merger Agreement

Banner and Siuslaw can jointly agree to terminate the merger agreement at any time. Either company may also terminate the merger agreement:

- if a regulatory or other governmental authority has denied approval of the merger or the bank merger and such denial has become final and non-appealable, provided that the denial is not due to the failure of the company seeking termination to fulfill its obligations under the merger agreement, or if a court or regulatory other governmental authority issues a final, non-appealable order prohibiting the merger or the bank merger;

- if the merger has not been completed by March 31, 2015, unless due to the failure of the company seeking termination to perform or observe its covenants and agreements set forth in the merger agreement;
- if the other company breaches any representation, warranty, covenant or other agreement (provided that the terminating company is not then in material breach of representation, warranty, covenant or

other agreement) , which breach results in a failure to satisfy the closing conditions of the company seeking termination and such breach is not cured within 20 days following written notice to the breaching company or by its nature or timing cannot be cured within that time period, or

- if the provision giving Banner the right to terminate the merger agreement as described in the next sentence is not applicable and the shareholders of Siuslaw fail to approve the merger agreement at the special meeting of Siuslaw shareholders.

In addition to the circumstances described above, Banner may terminate the merger agreement if the board of directors of Siuslaw fails to recommend that Siuslaw shareholders approve the merger agreement or makes a change in recommendation, or if Siuslaw materially breaches any of the provisions relating to acquisition proposals, as described under “—Agreement Not to Solicit Other Offers” on page 57. Immediately following such a termination by Banner, Siuslaw must pay to Banner a termination fee of \$2.3 million in cash. Siuslaw also is entitled to terminate the merger agreement before its shareholders approve the merger agreement in order to enter into an agreement for a superior proposal provided that Siuslaw has not materially breached any of the provisions described under “—Agreement Not to Solicit Other Offers” on page 57 and has paid Banner the termination fee of \$2.3 million in cash. Siuslaw must also pay the \$2.3 million termination fee to Banner if the merger agreement is terminated by either party as a result of the failure of Siuslaw’s shareholders to approve the merger agreement 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 that type of transaction or consummates that type of transaction.

#### Employee and Benefit Plan Matters

Full time employees of Siuslaw and its subsidiaries who are retained following the merger will become eligible to participate in Banner’s employee benefit plans, programs or policies (including vacation). Prior service credit for employment with Siuslaw or a Siuslaw subsidiary since the most recent hire date will be given for purposes of eligibility, participation and vesting with respect to all of Banner’s retirement plans, employee benefit plans, practices and policies to the extent that such crediting of service does not result in duplication of benefits, but not for accrual of benefits under any defined benefit or actuarially calculated benefit.

Siuslaw has agreed to take, and cause its subsidiaries to take, other than with respect to salary continuation, deferred compensation and split-dollar life insurance arrangements and Siuslaw Bank’s general severance plan, all actions requested by Banner that may be necessary or appropriate to (i) cause one or more Siuslaw benefit plan to cease as of the effective time of the merger, or as of the date immediately preceding the effective time of the merger, (ii) cause benefit accruals and entitlements under any Siuslaw benefit plan to cease as of the effective time of the merger, or as of the date immediately preceding the effective time, (iii) cause the continuation on and after the effective time of the merger, of any contract, arrangement or insurance policy relating to any Siuslaw benefit plan for such period as may be requested by Banner, and (iv) facilitate the merger of any Siuslaw benefit plan into any employee benefit plan maintained by Banner or a Banner subsidiary.

Banner has agreed that Banner Bank will assume and honor the obligations of Siuslaw under all salary continuation, deferred compensation and split-dollar life insurance arrangements. For a more complete description of these interests, see “The Merger—Interests of Siuslaw Executive Officers and Directors in the Merger” on page 51. Full time employees of Siuslaw Bank who are not retained following the closing of the merger will be paid by Banner or Banner Bank, pursuant to Siuslaw Bank’s general severance plan, a severance payment of two weeks of severance for each year of service at Siuslaw with a maximum payment of 26 weeks, subject to their executing and not revoking a release, and will not be eligible to participate in any benefits of Banner.



Indemnification and Continuance of Director and Officer Liability Coverage

For a period of four years following the merger, Banner will maintain and preserve the rights to indemnification of Siuslaw's directors and officers, to the maximum extent permitted by Siuslaw's articles of incorporation and bylaws but limited to the extent permitted by law, in connection with any claims arising out of or

relating to matters existing or occurring at or prior to the effective time of the merger, including the transactions contemplated by the merger agreement.

For a period of four years following the effective time of the merger, Banner will provide, at Banner's expense, directors' and officers' liability insurance covering the persons who are presently covered by Siuslaw's current officers' and directors' liability insurance policy with respect to claims rising from facts or events occurring before the effective time of the merger, including the transactions contemplated by the merger agreement. This insurance must be equivalent to the coverage currently provided by Siuslaw but the cost thereof is limited to 200% of Siuslaw's current annual premium for such insurance. Instead of providing this insurance coverage, Banner may, prior to the effective time of the merger, purchase or cause Siuslaw to purchase a tail policy for directors' and officers' liability insurance on the terms described in the preceding sentence but with single limit equivalent coverage provided that the cost thereof is likewise limited to 200% of the current annual premium for such insurance.

#### Trust Preferred Securities

The merger agreement provides that upon completion of the merger, Banner will assume the performance and observance of the covenants to be performed by Siuslaw under an indenture relating to \$8.0 million in trust preferred securities issued in 2004 and the due and punctual payment of the principal of and premium and interest on such trust preferred securities. In connection with such assumption, Banner has agreed to enter into any supplemental indentures or other documents as necessary to make such assumption effective.

#### Expenses

All expenses incurred in connection with the merger will be paid by the party incurring the expenses, except that Siuslaw will bear the costs and expenses of printing and mailing this proxy statement/prospectus and Banner has paid the filing fee for the Registration Statement on Form S-4 of which this proxy statement/prospectus is a part.

#### Amendment, Waiver and Extension of the Merger Agreement

Subject to compliance with applicable law, the merger agreement may be amended by the parties at any time before or after approval of the merger agreement by the shareholders of Siuslaw, except that after approval of the merger agreement by the shareholders of Siuslaw, there may not be, without further approval of such shareholders, any amendment of the merger agreement that (i) alters in any manner the amount or form of the merger consideration to be received by Siuslaw shareholders; (ii) alters the tax treatment of the merger or the tax consequences to Siuslaw shareholders or to Siuslaw or Banner; or (iii) requires further approval under applicable law.

At any time prior to completion of the merger, the parties may, to the extent legally allowed, extend the time for the performance of any of the obligations or other acts of the other party, waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement, and waive compliance with any of the agreements or satisfaction of any conditions contained in the merger agreement, except that after approval of the merger agreement by the Siuslaw shareholders, there may not be, without further approval of such shareholders, any extension of the merger agreement or any performance obligation or any waiver of any portion of the merger agreement that requires further approval under applicable law.

#### Voting Agreements

As an inducement to Banner to enter into the merger agreement, the directors and executive officers Siuslaw have entered into voting agreements with Banner with respect to the shares of Siuslaw common stock they own. The following summary of the voting agreements is qualified in its entirety by reference to the form of voting agreement, a copy of which is attached as Exhibit A to the merger agreement, which is included in Appendix A to this proxy

statement/prospectus.

Pursuant to the voting agreements, the directors and executive officers of Siuslaw have agreed:

- to vote, or cause to be voted, all of their shares of Siuslaw common stock in favor of approval of the merger proposal; and
- not to sell, transfer or otherwise dispose of any such shares of Siuslaw common stock until after shareholder approval of the merger proposal, excluding (i) a transfer where the transferee has agreed in writing to abide by the terms of the voting agreement in a form reasonably satisfactory to Banner, (ii) a transfer by will or operation of law, or (iii) a transfer made with the prior written consent of Banner.

The obligations under each voting agreement will terminate concurrently with any termination of the merger agreement.

## THE COMPANIES

### Banner

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 Federal Reserve Board.

Banner Bank is a regional bank which offers a wide variety of commercial banking services and financial products to individuals, businesses and public sector entities in its primary market areas. Islanders Bank is a community bank which offers similar banking services to individuals, businesses and public entities located primarily in the San Juan Islands. The Banks' primary business is that of traditional banking institutions, accepting deposits and originating loans in locations surrounding their offices in portions of Washington, Oregon and Idaho. Banner Bank is also an active participant in the secondary market, engaging in mortgage banking operations largely through the origination and sale of one- to four-family residential loans. Lending activities include commercial business and commercial real estate loans, agriculture business loans, construction and land development loans, one- to four-family residential loans and consumer loans. A portion of Banner Bank's construction and mortgage lending activities are conducted through its subsidiary, Community Financial Corporation (CFC), which is located in the Lake Oswego area of Portland, Oregon.

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

Banner common stock is listed on the NASDAQ under the symbol "BANR." See "Comparative Market Prices of and Dividends on Common Stock."

Banner's executive offices are located at 10 South First Ave, Walla Walla, Washington 99362. Banner's telephone number is (509) 527-3636 and its website is [www.bannerbank.com](http://www.bannerbank.com). The information on Banner's website is not a part of this proxy statement/prospectus and the reference to Banner's website address does not constitute incorporation by reference of any information on that website into this proxy statement/prospectus.

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

Siuslaw

Siuslaw was incorporated in Oregon in 2001 and 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 opened in 1964 and operates ten branch offices in Lane County, including a significant presence in the greater

Eugene, Oregon market. Siuslaw Bank offers general banking services in Lane County, Oregon. Its lending products include commercial loans, real estate loans, installment loans, mortgage loans, credit cards, small business administration loans, personal loans, equipment financing, auto loans, and home equity loans and credit lines. Siuslaw Bank's deposit products include demand deposits, savings accounts, NOW and money market accounts, certificates of deposit, and time deposits. It primarily invests in U.S. Government and agency securities, collateralized mortgage obligations, mortgage-backed securities, and obligations of state and political subdivisions. In addition, Siuslaw Bank provides other services, including internet banking and bill payment services, automated teller machines, collection and escrow services, safe deposit facilities, insurance premium financing, merchant bankcard services, night depository services, cashier's checks, travelers checks, telebanking, wire transfer, and overdraft protection services.

At June 30, 2014, Siuslaw had \$360 million in assets, \$242 million in loans and \$309 million in deposits.

Siuslaw's executive offices are located at 777 Highway 101, Florence, Oregon 97439. Siuslaw's telephone number is (541) 997-3486 and its principal website is [www.siuslawbank.com](http://www.siuslawbank.com). The information on Siuslaw's website is not a part of this proxy statement/prospectus and the reference to Siuslaw's website address does not constitute incorporation by reference of any information on that website into this proxy statement/prospectus.

**Market Prices of and Dividends on Siuslaw Common Stock.** Siuslaw common stock is traded on the Over The Counter OTCQB under the symbol "SFGP." As of June 30, 2014, Siuslaw common stock and preferred stock was held by approximately 150 and 138 shareholders of record, respectively. The holders of Siuslaw common stock receive dividends if and when declared by the Siuslaw board of directors out of legally available funds. The declaration and payment of dividends depends upon business conditions, operating results, capital and reserve requirements, regulatory limitations and consideration by the Siuslaw board of directors of other relevant factors. The primary source for dividends paid to Siuslaw shareholders is dividends paid to it from Siuslaw Bank.

**Security Ownership of Certain Beneficial Owners and Management.** The following table sets forth the beneficial ownership of Siuslaw common stock as of June 30, 2014 by (i) each director of Siuslaw, (ii) Siuslaw's executive officers, and (iii) all directors and executive officers of Siuslaw as a group. There are no persons or entities who are known by Siuslaw to beneficially own more than 5% of the outstanding shares of Siuslaw common stock as of June 30, 2014. Unless otherwise specified, the address of each listed shareholder is c/o Siuslaw Financial Group, Inc., 777 Highway 101, P.O. Box 280, Florence, Oregon 97439.

The percentage of beneficial ownership is calculated in relation to the 3,992,937 shares of Siuslaw common stock that were issued and outstanding as of June 30, 2014 and 102,484 shares of preferred stock owned at that date, which will automatically convert to common stock immediately prior to completion of the merger. Beneficial ownership is determined in accordance with the rules of the SEC, which generally attribute beneficial ownership of securities to persons who possess sole or shared voting or investment power with respect to those securities. Unless otherwise indicated, and subject to the voting agreements entered into with Banner in connection with the merger (see "The Special Meeting—Shares Subject to Voting Agreements; Shares Held by Directors and Executive Officers" on page 27), to Siuslaw's knowledge, the persons or entities identified in the table below have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Name	Title	Amount of Beneficial Ownership	Percentage of Outstanding Shares of Common Stock Beneficially Owned(1)
<b>Director and Executive Officers</b>			
Lonnie Iholts	Director and Corporate Secretary of Siuslaw, and Director, President and Chief Executive Officer of Siuslaw Bank	128,746	3.14%
Carl Hultenberg	Executive Vice President and Chief Financial Officer of Siuslaw Bank	3,600	*
<b>Directors</b>			
F. David Crowell	Director	29,000	*
Ivan Ellingson	Director	69,870	1.71
C.W. (Wilbur) Heath	Director	51,292	1.25
Johan Mehlum	Chairman and Chief Executive Officer of Siuslaw and Chairman of Siuslaw Bank	701,482	17.13
Casey Woodward	Director	--	--
All executive officers and directors as a group (9 persons)		985,000	24.67%

\* Does not exceed 1% of the class  
(1) Based on 3,992,937 shares of Siuslaw common stock that were issued and outstanding as of June 30, 2014.

## DESCRIPTION OF BANNER'S CAPITAL STOCK

The following information regarding the material terms of Banner's capital stock is qualified in its entirety by reference to Banner's articles of incorporation. In this section we describe certain features and rights of our capital stock. The summary does not purport to be exhaustive and is qualified in its entirety by reference to our articles of incorporation, bylaws, and to applicable Washington law.

### General

Banner's authorized capital stock consists of:

- 200,000,000 shares of common stock, \$0.01 par value per share; and
- 500,000 shares of preferred stock, \$0.01 par value per share.

As of June 30, 2014, there were 19,568,704 shares of Banner common stock issued and outstanding. No shares of Banner preferred stock are currently outstanding. Banner's common stock is traded on the NASDAQ Global Market under the symbol "BANR."

### Common Stock

Each share of Banner common stock has the same relative rights and is identical in all respects with each other share of Banner common stock. Banner common stock represents non-withdrawable capital, is not of an insurable type and is not insured by the Federal Deposit Insurance Corporation or any other government agency.

Subject to any prior rights of the holders of any preferred or other stock of Banner then outstanding, holders of Banner common stock are entitled to receive such dividends as are declared by the board of directors of Banner out of funds legally available for dividends.

Except with respect to greater than 10% shareholders, full voting rights are vested in the holders of Banner common stock and each share is entitled to one vote. See "Comparison of Shareholder Rights—Voting Rights." Subject to any prior rights of the holders of any Banner preferred stock then outstanding, in the event of a liquidation, dissolution or winding up of Banner, holders of shares of Banner common stock will be entitled to receive, pro rata, any assets distributable to shareholders in respect of shares held by them. Holders of shares of Banner common stock will not have any preemptive rights to subscribe for any additional securities which may be issued by Banner, nor do they have cumulative voting rights.

### Preferred Stock

Our articles of incorporation permit our board of directors to authorize the issuance of up to 500,000 shares of preferred stock, par value \$0.01, in one or more series, at such time or times and for such consideration as the board of directors of Banner may determine, without shareholder action. The board of directors of Banner is expressly authorized at any time, and from time to time, to issue Banner preferred stock, with such voting and other powers, liquidation preferences and participating, optional or other special rights, and qualifications, limitations or restrictions, as are stated and expressed in the board resolution providing for the issuance. The board of directors of Banner is authorized to designate the series and the number of shares comprising such series, the dividend rate on the shares of such series, the redemption rights, if any, any purchase, retirement or sinking fund provisions, any conversion rights and any voting rights. The ability of Banner's board of directors to approve the issuance of preferred or other stock without shareholder approval could dilute the voting power or other rights or adversely affect the market value of our common stock and may make an acquisition by an unwanted suitor of a controlling interest in Banner more difficult,



time-consuming or costly, or otherwise discourage an attempt to acquire control of Banner.

Shares of preferred stock redeemed or acquired by Banner may return to the status of authorized but unissued shares, without designation as to series, and may be reissued by Banner upon approval of its board of directors.

#### Other Anti-Takeover Provisions

In addition to the ability to issue preferred stock without shareholder approval, Banner's charter and bylaws contain a number of other provisions which may have the effect of delaying, deferring or preventing a change in control of Banner. See "Comparison of Shareholder Rights."

#### COMPARISON OF SHAREHOLDER RIGHTS

Siuslaw is incorporated under the laws of the State of Oregon. Banner is incorporated under the laws of the State of Washington. The rights of holders of Siuslaw common stock are governed by the Oregon Business Corporation Act (the "OBCA") and Siuslaw's articles of incorporation and bylaws. The rights of holders of Banner common stock are governed by the Washington Business Corporation Act ("WBCA") and Banner's articles of incorporation and bylaws. Consequently, after the merger, the rights of former shareholders of Siuslaw who receive shares of Banner common stock in the merger will be determined by reference to Banner's articles of incorporation and bylaws and Washington law.

Since the shares of Siuslaw preferred stock automatically convert to shares of common stock immediately prior to the completion of the merger, t