BANNER CORP
Form PREM14A
January 16, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

BANNER CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Starbuck Bancshares, Inc. common stock, par value $100.00 per share

(2) Aggregate number of securities to which transaction applies:

100

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The maximum aggregate value was determined based on 13,230,000 shares of Banner common stock and Banner non-voting common stock being issued in the transaction and treating the Banner non-voting common stock as if converted into Banner common stock, multiplied by $39.67, which is the average of the high and low trading prices of the Banner common stock as reported on the NASDAQ Global Select Market on January 15, 2015, plus $130,000,000.00 of cash consideration. The filing fee was determined by multiplying 0.0001162 by the maximum aggregate value of the transaction as determined in accordance with the preceding sentence.

(4) Proposed maximum aggregate value of transaction:

$654,834,100

(5) Total fee paid:

$76,091.73

¨ Fee paid previously with preliminary materials.

¨

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY SUBJECT TO COMPLETION, DATED JANUARY 16, 2015

BANNER CORPORATION

10 S. FIRST AVENUE

WALLA WALLA, WASHINGTON 99362

(509) 527-3636

[ ]

Dear Shareholders:

MERGER PROPOSED YOUR VOTE IS IMPORTANT

We cordially invite you to attend a special meeting of shareholders of Banner Corporation to be held at [ ], on [ ]. The meeting will begin at [ ] local time.

On November 5, 2014, we entered into an Agreement and Plan of Merger, which we refer to as the merger agreement, with SKBHC Holdings LLC and Starbuck Bancshares, Inc. whereby Starbuck Bancshares, Inc. will merge with and into a subsidiary of Banner. Immediately following the merger, Starbuck s wholly owned subsidiary bank, AmericanWest Bank, a Washington state-chartered commercial bank, will merge with and into Banner s wholly owned subsidiary bank, Banner Bank, a Washington state-chartered commercial bank. Pursuant to the merger agreement, we will acquire all the outstanding shares of Starbuck for $130 million in cash and an aggregate of 13,230,000 shares of Banner common stock and a new class of Banner non-voting common stock to be approved by the Banner shareholders, which we refer to as the stock consideration. The stock consideration to be issued in connection with the merger will represent an ownership in Banner of approximately 38.77% immediately following the effective time of the merger, based on the number of shares of Banner common stock outstanding as of January 12, 2015 and after giving effect to the merger and including the Banner common stock to be issued upon the completion of Banner s pending acquisition of Siuslaw Financial Group, Inc. As of November 4, 2014, based on the closing price of Banner common stock of $43.20, the transaction was valued at approximately $702 million, and based on the closing price of the Banner common stock as of January 12, 2015, the transaction is valued at approximately $676 million.

At the special meeting, we will ask you to:

- approve an amendment to Banner s articles of incorporation creating a new class of Banner non-voting common stock of 5,000,000 authorized shares;

- approve the issuance of an aggregate of 13,230,000 shares of Banner common stock and Banner non-voting common stock in accordance with the Agreement and Plan of Merger, dated as of November 5, 2014, by and among SKBHC Holdings LLC, Starbuck Bancshares, Inc. and Banner Corporation; and approve adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting in favor of the foregoing proposals.

This proxy statement provides information about the merger and Starbuck that holders of Banner common stock should know when they vote. We urge you to read this entire proxy statement carefully.

The Banner board of directors unanimously recommends that holders of common stock vote **for** each of the proposals. While each of the proposals is being voted upon separately, each of proposals 1 and 2 relate to the merger and each of proposals 1 and 2 must be approved in order for the merger to be consummated. The amendment to Banner s articles of incorporation will go into effect if approved at the special meeting even if the merger is not consummated.

Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the special meeting, please submit a proxy as soon as possible to make sure your shares are represented at the special meeting. Please take the time to submit your proxy by following the instructions presented in this proxy statement.

I strongly support this combination of our companies and join with our board of directors in recommending that you vote in favor of each of the proposals described in this proxy statement.

/s/ Mark J. Grescovich

Mark J. Grescovich

President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger, passed upon the merits or fairness of the merger agreement or the transactions contemplated thereby, including the proposed merger, or passed upon the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated [ ], and is first being mailed to Banner shareholders on or about [ ].

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BANNER CORPORATION

10 S. FIRST AVENUE

WALLA WALLA, WASHINGTON 99362

(509) 527-3636

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

A special meeting of shareholders of Banner will be held on [ ] at [ ], local time, at [ ] for the following matters:

Proposal 1: To approve an amendment to Banner s articles of incorporation creating a new class of Banner non-voting common stock of 5,000,000 authorized shares;

Proposal 2: To approve the issuance of an aggregate of 13,230,000 shares of Banner common stock and Banner non-voting common stock in accordance with the Agreement and Plan of Merger, dated as of November 5, 2014, by and among SKBHC Holdings LLC, Starbuck Bancshares, Inc. and Banner Corporation; and

Proposal 3: To approve adjournments or postponements of the special meeting if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting in favor of the foregoing proposals.

The Banner board of directors unanimously recommends that you vote **FOR** all of the proposals described above.

Only shareholders of record at the close of business on [ ] are entitled to receive notice of and to vote at the special meeting and any adjournment or postponement of the special meeting. A list of shareholders entitled to vote will be available for examination at the meeting by any shareholder for any purpose germane to the meeting. The list will also be available for the same purpose beginning ten days prior to the meeting and continuing through the meeting at our principal executive office at 10 S. First Avenue, Walla Walla, Washington 99362.

Your vote is important, regardless of the number of shares you own. Whether or not you plan to attend the special meeting, please submit a proxy as soon as possible to make sure your shares are represented at the special meeting. Please take the time to submit your proxy by following the instructions presented in this proxy statement.

By Order of the Board of Directors

/s/ Albert H. Marshall

Albert H. Marshall,

Secretary

Walla Walla, Washington,

[ ]

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SUMMARY TERM SHEET

This summary term sheet highlights selected information contained in this proxy statement and may not contain all of the information that is important to you. You are urged to read the entire proxy statement, along with the annexes, carefully.

Merger and Merger Agreement On November 5, 2014, we entered into an Agreement and Plan of Merger, which, as may be amended and together with the joinder agreement described below, we refer to as the merger agreement, with SKBHC Holdings LLC, which we refer to as Holdings, and Starbuck Bancshares, Inc., which we refer to as Starbuck, whereby Starbuck will merge with and into a subsidiary of Banner Corporation, with the Banner subsidiary surviving, which we refer to as the merger. As of November 4, 2014, based on the closing price of Banner common stock of $43.20, the transaction was valued at approximately $702 million, and based on the closing price of the Banner common stock as of January 12, 2015, the transaction is valued at approximately $676 million. Subsequent to signing the merger agreement, on December 17, 2014, Elements Merger Sub, LLC, a wholly owned subsidiary of Banner, which we refer to as merger sub, Banner, Holdings and Starbuck entered into a joinder agreement, which we refer to as the joinder agreement, pursuant to which merger sub agreed to be bound by the merger agreement and will be the Banner subsidiary into which Starbuck will merge at the effective time of the merger. Immediately following the merger, Starbuck s wholly owned subsidiary bank, AmericanWest Bank, a Washington state-chartered commercial bank, will merge with and into Banner Corporation s wholly owned subsidiary bank, Banner Bank, a Washington state-chartered commercial bank, with Banner Bank surviving, which we refer to as the bank merger. For a description of the merger, bank merger, joinder agreement and the merger agreement see the sections entitled The Merger and The Agreement and Plan of Merger beginning on pages [ ] and [ ] respectively.

In connection with Banner s acquisition of all of the outstanding shares of common stock of Starbuck, pursuant to the merger agreement, Banner will:

- pay $130 million in cash; and
- issue an aggregate of 13,230,000 shares of Banner common stock and Banner non-voting common stock, which we refer to as the stock consideration, and together with the cash consideration, we refer to as the merger consideration.

At the effective time of the merger, we will deliver the merger consideration to Holdings, who will distribute the merger consideration to the holders of outstanding equity interests of Holdings, who we refer to as the Starbuck holders, in accordance with the terms of the Holdings organizational documents. The stock consideration will represent an ownership in Banner of approximately 38.77% immediately following the effective time of the merger, based on the number of shares of Banner common stock outstanding as of January 12, 2015 and after giving effect to the merger and including the Banner common stock to be issued upon the completion of Banner s pending acquisition of Siuslaw.

Investor Letter Agreements Also on November 5, 2014, Banner entered into letter agreements, which we refer to as the investor letter agreements, with investment funds affiliated with each of Oaktree Principal Fund V (Delaware), L.P. and certain of its respective affiliates, which we refer to collectively as Oaktree, Friedman Fleischer & Lowe Capital Partners III, L.P. and certain of its respective affiliates, which we refer to collectively as Friedman Fleischer & Lowe, and GS Capital Partners VI Fund, L.P. and certain of its respective affiliates, which we refer to collectively as GS Capital (each of which we also refer to as a Starbuck investor), who in the aggregate own a majority of the outstanding equity interests of Holdings. Based on certain assumptions, Banner expects that the shares included in the merger consideration issued to each Starbuck investor will represent approximately 7.79% of the number of outstanding shares of Banner common stock and Banner non-voting common stock, based on the number of shares of Banner stock outstanding as of January 12, 2015 and after giving effect to the merger and including the Banner common stock to be issued upon the completion of Banner s pending acquisition of Siuslaw Financial Group, Inc., which we refer to as Siuslaw. For a description of the investor letter agreements see the section entitled Investor Letter Agreements beginning on page [ ].

Shareholder Vote You, as a holder of Banner common stock, are being asked to consider and vote upon certain proposals in connection with the merger. You are being asked to vote on a total of three proposals, two of which are a condition to the completion of the merger. A **FOR** vote on these proposals will approve (i) an amendment to Banner s articles of incorporation, which we refer to as the amendment to the articles of incorporation, to create a new class of non-voting common stock, par value $0.01, which we refer to as the Banner non-voting common stock, (ii) the issuance of an aggregate of 13,230,000 shares of Banner common stock and Banner non-voting common stock in accordance with the merger agreement and (iii) any necessary adjournments and postponements of the special meeting in order to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting in favor of the proposals. For a description of the proposals and the votes necessary for the proposals to be approved see the section entitled Information about the Special Meeting and Voting beginning on page [ ].

Effect of the Merger on Banner Shareholders Because Starbuck is merging with and into merger sub, a wholly owned subsidiary of Banner, the shares of Banner common stock held by Banner shareholders will not be changed by the merger and Banner shareholders will continue to hold their existing shares following completion of the merger. Upon completion of the merger, current holders of Banner common stock will own approximately 57.36% and the Starbuck holders will own approximately 38.77% of Banner s outstanding common stock and Banner non-voting common stock, based on the number of shares of Banner common stock outstanding as of January 12, 2015 and after giving effect to the merger and including the Banner common stock to be issued upon the completion of Banner s pending acquisition of Siuslaw. See the section entitled The Agreement and Plan of Merger beginning on page [ ].

Reasons for Merger In evaluating the merger, the Banner board of directors consulted with senior management, legal and financial advisers and considered certain factors to reach its decision to approve and adopt the merger agreement. Among other factors considered by the Banner board of directors, the Banner board of directors considered that the merger will establish the combined company as the twelfth largest publicly owned bank headquartered in the Western United States, will provide entry into attractive markets with compelling demographic trends, will combine our complementary lending strategies and lower the combined company s loan / deposit ratio, given AmericanWest Bank s low-cost core deposit base, and will provide Banner Bank with additional net interest margin protection. See the section entitled The Merger Reasons for Merger; Recommendations of the Banner Board of Directors beginning on page [ ].

Conditions to Completion of Merger Completion of the merger is subject to the approval of the amendment to the articles of association and the issuance of the stock consideration at the special meeting, as well as other conditions, including the accuracy of certain representations and warranties made by each party to the merger agreement, the receipt of required regulatory approvals and expiration or termination of any applicable waiting periods, certain amendments to the bylaws of Banner Bank, the receipt of an executed copy of certain consents by Holdings, and that the stock consideration shall have been authorized for listing on the Nasdaq Global Select Market, which we refer to as NASDAQ, among others. See the section entitled The Agreement and Plan of Merger Conditions to the Merger beginning on page [ ].

Risk Factors In deciding how to vote your shares of common stock on the matters described in this proxy statement, you should carefully consider the risks related to the merger. These risks include, among other things, risks related to the uncertainty that Banner will be able to realize the anticipated benefits and cost savings of the merger and integrate successfully its existing business with the Starbuck business. See the section entitled Risk Factors beginning on page [ ].

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QUESTIONS AND ANSWERS ABOUT THE MERGER

AND SPECIAL MEETING OF SHAREHOLDERS

The following questions and answers are intended to address briefly some commonly asked questions regarding the special meeting and the merger. These questions and answers may not address all of the information that may be important to you. Please refer to the more detailed information contained elsewhere in this proxy statement and the annexes to this proxy statement.

Q: What are the merger agreement and the merger?

A. On November 5, 2014, we entered into the merger agreement with Holdings and Starbuck, pursuant to which Starbuck will merge with and into merger sub, with merger sub as the surviving company in the merger. Immediately following the merger, Starbuck s wholly owned subsidiary bank, AmericanWest Bank, will merge with and into Banner s wholly owned subsidiary bank, Banner Bank.

Q: Why am I receiving this proxy statement?

A. You are receiving this proxy statement because you have been identified as a holder of Banner common stock. This proxy statement is being used to solicit proxies on behalf of the Banner board of directors for the special meeting. This proxy statement contains important information about the merger and related transactions and the special meeting, and you should read it carefully.

Q: What am I being asked to vote upon?

A. You are being asked to consider and vote upon the following proposals:
Proposal 1 To approve an amendment to Banner s articles of incorporation creating a new class of Banner non-voting common stock of 5,000,000 authorized shares;

Proposal 2 To approve the issuance of an aggregate of 13,230,000 shares of Banner common stock and Banner non-voting common stock in accordance with the merger agreement; and

Proposal 3 To approve adjournments or postponements of the special meeting if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting in favor of the foregoing proposals.

Q: What is required to complete the merger?

A. To complete the merger, Banner shareholders must approve proposals 1 and 2.
In addition to obtaining approval of these proposals, Banner and Holdings must satisfy or waive all other closing conditions set forth in the merger agreement. For a more complete discussion of the conditions to the closing, see the section entitled The Agreement and Plan of Merger Conditions to the Merger on page [ ].

Q: Why do I need to approve the issuance of the Banner common stock?

A. The issuance of the common stock in connection with the merger requires the approval of holders of Banner under NASDAQ Stock Market rules because the number of shares of common stock to be issued in the merger is in excess of 20% of the number of shares of Banner common stock currently outstanding.

Q: What happens to existing shares of Banner common stock in the merger?

A. Because Starbuck is merging into merger sub, a wholly owned subsidiary of Banner, the shares of Banner common stock held by Banner shareholders will not be changed by the merger and Banner shareholders will continue to hold their existing shares following completion of the merger.

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Q: What will the Starbuck shareholders be entitled to receive pursuant to the merger?

A. Holdings, as the sole shareholder of Starbuck, will be entitled to receive $130 million in cash and an aggregate of 13,230,000 shares of newly issued Banner common stock and newly issued Banner non-voting common stock. The exact number of Banner non-voting common shares will be determined shortly before consummation of the merger, but in no event will we issue more than 3 million shares of Banner non-voting common stock pursuant to the merger. Following the merger, the merger consideration will be distributed to the Starbuck holders in accordance with the terms of the Holdings organizational documents, which we refer to as the distribution.

Q: Upon completion of the merger, will Starbuck holders have the ability to exert influence over Banner?

A. After completion of the merger and the distribution, the Starbuck holders in the aggregate will own approximately 38.77% of Banner common stock and Banner non-voting common stock, based on the number of shares of Banner common stock outstanding as of January 12, 2015 and after giving effect to the merger and including the Banner common stock to be issued upon the completion of Banner s pending acquisition of Siuslaw. However, no Starbuck holder will have more than 8.00% of the outstanding voting shares of the combined company. The Starbuck investors will each have the right to appoint one director to the Banner board of directors, subject to maintaining continued ownership of at least 5% of the outstanding shares of Banner common stock and Banner non-voting common stock on an as-converted basis (calculated to exclude the dilutive impact of any primary issuance of shares by Banner).

As a result of the merger, each of the Starbuck investors would have the ability to exert some influence over Banner s management policies and affairs, but none of them would control the outcome of any matter submitted to Banner s shareholders. See Investor Letter Agreements beginning on page [ ].

Q: Why does Banner need to amend its articles of incorporation to issue the Banner non-voting common stock?

A. The amendment to the articles of incorporation authorizing the creation of the Banner non-voting common stock is a condition to the closing of the merger and is necessary for Banner to issue the Banner non-voting common stock as part of the consideration for the merger. Certain of the Starbuck holders have requested a portion of the stock consideration in non-voting common stock, to limit their ownership of Banner common stock to no more than 4.9% of the outstanding Banner common stock. The Banner non-voting common stock to be issued to Starbuck holders in the merger in no event shall exceed 3,000,000 shares of Banner non-voting common stock.

Banner s articles of incorporation currently does not currently authorize the issuance of Banner non-voting common stock. Authorizing the creation of the Banner non-voting common stock is required to enable Banner to have sufficient shares of Banner non-voting common stock authorized for issuance in the merger.

At present, the Banner board of directors has no plans to issue the additional shares of Banner non-voting common stock authorized by the amendment to the articles of incorporation. However, it is possible that some of these additional shares could be used in the future for various other purposes without further shareholder approval, except as such approval may be required in particular cases by Banner s articles of incorporation or bylaws, applicable law or the rules of any stock exchange or other quotation system on which our securities may then be listed. These purposes may include raising capital, providing equity incentives to employees, officers or directors, establishing strategic relationships with other companies and expanding our business or product lines through the acquisition of other businesses or products.

Q: When do you expect the merger to be completed?

A. We anticipate that the closing of the merger will occur in the second quarter of 2015, assuming the requisite shareholder approvals at the special meeting are received and all regulatory approvals are received, and assuming the other conditions to closing of the merger are satisfied or waived. The merger will become effective as set forth in the articles of merger to be filed with the Secretary of State of the State of

Washington and the Secretary of State of the State of Minnesota on the closing date of the merger. For more information, see The Agreement and Plan of Merger Expected Timing of the Merger and The Agreement and Plan of Merger Conditions to the Merger on pages [ ] and [ ].

Q: Am I entitled to appraisal rights?

A. Holders of Banner common stock are not entitled to appraisal rights in connection with the merger under the Washington Business Corporation Act of the State of Washington, which we refer to as the WBCA, or Banner s articles of incorporation.

Q: Who may vote at the special meeting?

A. Holders of record of common stock at the close of business on [ ], which we refer to as the record date, are entitled to notice of and to vote at the special meeting. As of the record date, [ ] shares of Banner common stock were issued and outstanding. A list of shareholders entitled to vote will be available for examination at the meeting by any shareholder for any purpose germane to the meeting. The list will also be available for the same purpose beginning ten days prior to the meeting and continuing through the meeting at our principal executive office at 10 S. First Avenue, Walla Walla, Washington 99362.

Q: How many votes do Banner shareholders have?

A. Each holder of record of Banner common stock as of the close of business on the record date will be entitled to one vote, in person or by proxy, for each share of Banner common stock held in his, her or its name on the books of Banner on that date.

As of the record date, directors and executive officers of Banner and their affiliates as a group beneficially owned and were entitled to vote approximately [ ] shares of Banner common stock, representing approximately [ ]% of the votes entitled to be cast at the special meeting. To Banner s knowledge, all of the directors and executive officers of Banner who are entitled to vote at the special meeting intend to vote their shares of Banner common stock in favor of each of the proposals, although such persons have not entered into agreements obligating them to do so.

Q: What shareholder approvals are required for Banner?

A. Proposal 1 requires the affirmative vote of holders of at least a majority of our outstanding common stock as of the record date of the special meeting. As of the record date, there were [ ] shares of Banner common stock outstanding and therefore [ ] votes are required for proposal 1 to be approved by Banner shareholders. Abstentions and broker non-votes will have the same effect as a vote against the proposal.

Proposal 2 requires the affirmative vote of a majority of those shares voting on the proposal. Any shareholder represented in person or by proxy at the meeting and entitled to vote on the subject matter may elect to abstain from voting on this proposal. If so, such abstention will not be counted as a vote cast on the proposal and, therefore, will have no effect on the outcome of the vote on the proposal. Provided there is a quorum of shareholders present in person or by proxy, shareholders not attending the meeting, in person or by proxy, will also have no effect on the outcome of this proposal.

Proposal 3 requires the affirmative vote of a majority of those shares voting on the proposal to authorize the Banner board of directors to adjourn, postpone or continue the special meeting. Any shareholder represented in person or by proxy at the meeting and entitled to vote on the subject matter may elect to abstain from voting on this proposal. If so, such abstention will not be counted as a vote cast on the proposal and, therefore, will have no effect on the outcome of the vote on the proposal. Provided there is a quorum of shareholders present in person or by proxy, shareholders not attending the meeting, in person or by proxy, will also have no effect on the outcome of this proposal.

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Q: Why did I receive more than one proxy card?

A. You will receive multiple proxy cards if you hold your shares in multiple accounts or in different ways (e.g., custodial accounts, trusts, joint tenancy). If your shares are held by a broker (i.e., in street name), you will receive your proxy card or other voting information from your broker, and you will need to return your proxy card or cards to your broker.

Q: What constitutes a quorum?

A. In order to conduct business at the special meeting, a quorum must be present. The holders of a majority of the votes entitled to be cast at the special meeting, present in person or represented by proxy, constitute a quorum under Banner s bylaws. Banner will treat shares of Banner s common stock represented by a properly signed and returned proxy, including abstentions and broker non-votes, as present at the Banner special meeting for the purposes of determining the existence of a quorum.

Q: What if a quorum is not present at the meeting?

A. If a quorum is not present at the scheduled time of the meeting, a majority of the shareholders present or represented by proxy may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given unless the meeting is adjourned for 120 days or more. An adjournment will have no effect on the business that may be conducted at the meeting.

Q: How are votes counted?

A. For all proposals, you may vote **for,** **against** or **abstain.** If you **abstain,** it has the same effect as a vote **agai** proposal 1. Abstentions will have no effect on proposal 2 or proposal 3 but will reduce the number of votes required to approve such proposals. With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Banner board of directors or, if no recommendation is given, in their own discretion.

Q: What are the Board s recommendations on how I should vote my shares?

A. The Banner board of directors recommends that you vote your shares **FOR** each of the proposals.

While each of the proposals is being voted upon separately, each of proposals 1 and 2 relate to the merger and related matters and each of proposals 1 and 2 must be approved in order for the merger to be consummated. The amendment to the articles of incorporation will go into effect if approved at the special meeting even if the merger is not consummated.

Q: When and where is the special meeting?

A. The special meeting of shareholders will be held on [ ] at [ ] local time at [ ].

Q: What is the difference between a shareholder of record and a street name holder?

A. These terms describe how shares are held. If your shares are registered directly in your name with Computershare Trust Company, N.A., our transfer agent, you are a shareholder of record. If your shares are held in the name of a brokerage, bank, trust or other nominee as a custodian, you are a street name holder.

Q: What do I need to do now and how do I vote?

A. We encourage you to read this proxy statement carefully, including its annexes, and then vote your proxy for the relevant proposals.

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If you are a shareholder of record, you have several choices. You can vote your proxy:

- by mailing the enclosed proxy card using the enclosed envelope;
- over the telephone; or
- via the Internet.

Please refer to the specific instructions set forth on the enclosed proxy card.

If you hold your shares in street name, your broker/bank/trust/nominee will provide you with materials and instructions for voting your shares. Please follow those instructions carefully.

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

A. If you are a shareholder of record, you may vote your shares in person at the special meeting. If you hold your shares in street name, you must obtain a legal proxy from your broker, banker, trustee or nominee, giving you the right to vote the shares at the special meeting.

Q: May I change my vote after I have submitted my proxy?

A. Yes. You may revoke your proxy by doing one of the following:

- by sending a written notice of revocation to the Secretary of Banner that is received by Banner prior to the special meeting, stating that you revoke your proxy;
- by signing a later-dated proxy card and submitting it so that it is received prior to the special meeting in accordance with the instructions included in the proxy card(s); or
- by attending the special meeting and voting your shares in person.

Q: Are there risks associated with the merger that shareholders of Banner should be aware of?

A. In deciding how to vote your shares of common stock on the matters described in this proxy statement, you should carefully consider the risks related to the merger. These risks include, among other things, risks related to the uncertainty that Banner will be able to realize the anticipated benefits and cost savings of the merger and integrate successfully its existing business with Starbuck. For a discussion of these risks and other risks, see Risk Factors beginning on page [ ] of this proxy statement.

Q: Who is paying for this proxy solicitation?

A. Banner pays the costs of soliciting proxies. We have retained [ ] to assist in the solicitation of proxies. We will pay [ ] $[ ] plus out-of-pocket expenses for its assistance. Upon request, we will reimburse brokers, dealers, banks and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares of our common stock.

Q: Is this proxy statement the only way that proxies are being solicited?

A. In addition to mailing these proxy materials, certain directors, officers or employees of Banner may solicit proxies by telephone, facsimile, e-mail or personal contact. They will not be specifically compensated for doing so.

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Q: Who can help answer my questions?

A. If you would like to receive additional copies of this proxy statement, without charge, or if you have questions about the special meeting, including the procedures for voting your shares, you should contact our proxy solicitor [ ] at:

[ ] (U.S. and Canada)

[ ] (International).

You may also obtain additional information about Banner from the documents we file with the Securities and Exchange Commission, which we refer to as the SEC, or by following the instructions in the section entitled Where You Can Find More Information beginning on page [ ].

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SUMMARY

The following summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. You should carefully read this proxy statement, including the annexes, for a more complete understanding of the merger and the proposals described in this summary. Each item in this summary includes a page reference directing you to a more complete description of that topic. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions under the section entitled Where You Can Find More Information beginning on page [ ].

The Parties to the Merger (Page [ ])

Banner Corporation

10 S. First Avenue

Walla Walla, Washington 99362

(509) 527-3636

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 September 30, 2014, its 90 branch offices included 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 Board of Governors of the Federal Reserve System, which we refer to as 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.

Elements Merger Sub, LLC

10 S. First Avenue

Walla Walla, Washington 99362

(509) 527-3636

Merger sub, a Washington limited liability company and a wholly owned subsidiary of Banner, was formed solely for the purpose of facilitating the merger. Merger sub has not carried on any activities or operations to date, except for those activities incidental to its formation and undertaken in connection with the transactions contemplated by the merger agreement. By operation of the merger, Starbuck will be merged with and into merger sub, with merger sub surviving the merger as a wholly owned subsidiary of Banner.

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SKBHC Holdings LLC

1201 Third Ave., Ste. 1580

Seattle, WA 98101

(509) 467-6993

Holdings is a bank holding company organized as a limited liability company under the laws of the state of Delaware. It is engaged in the planning, directing and coordinating the business activities of its wholly-owned subsidiaries, Starbuck and AmericanWest Bank. Holdings is subject to regulation by the Federal Reserve Board.

Starbuck Bancshares, Inc.

1201 Third Ave., Ste. 1580

Seattle, WA 98101

(509) 467-6993

Starbuck is a bank holding company incorporated in the State of Minnesota. It is primarily engaged in the business of planning, directing and coordinating the business activities of its wholly-owned subsidiary, AmericanWest Bank. Based in Spokane, Washington, AmericanWest Bank is a regional business-focused community bank offering commercial and business banking, mortgage lending, treasury management products and a full line of consumer products and services. The bank currently operates 94 branches in California, Washington, Idaho, Oregon and Utah.

The Merger and the Agreement and Plan of Merger (pages [   ] and [   ])

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

On November 5, 2014, we entered into the merger agreement with Holdings and Starbuck, whereby Starbuck will merge with and into merger sub, with merger sub surviving. Immediately following the merger, Starbuck s wholly owned subsidiary bank, AmericanWest Bank, a Washington state-chartered commercial bank, will merge with and into Banner Corporation s wholly owned subsidiary bank, Banner Bank, a Washington state-chartered commercial bank, with Banner Bank surviving, in the bank merger.

In connection with Banner s acquisition of all of the outstanding shares of common stock of Starbuck, pursuant to the merger agreement, Banner will:

- pay $130 million in cash; and

- issue an aggregate of 13,230,000 shares of Banner common stock and Banner non-voting common stock.

At the effective time of the merger and subject to the closing conditions of the merger being satisfied, we will deliver the merger consideration to Holdings, who will distribute the merger consideration to the Starbuck holders in accordance with the terms of Holdings organizational documents. The stock consideration will represent an ownership in Banner of approximately 38.77% of the shares outstanding of Banner common stock and Banner non-voting common stock, based on the number of shares of Banner common stock outstanding as of January 12, 2015 and after giving effect to the merger and including the Banner common stock to be issued upon the completion of Banner s pending acquisition of Siuslaw. As of November 4, 2014, based on the closing price of Banner common stock of $43.20, the transaction was valued at approximately $702 million, and based on the closing price of the Banner common stock as of January 12, 2015, the transaction is valued at approximately $676 million.

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Investor Letter Agreements (page [ ])

On November 5, 2014, concurrent with the execution of the merger agreement, Banner entered into the investor letter agreements with the Starbuck investors (Oaktree, Friedman Fleischer & Lowe and GS Capital). Pursuant to the investor letter agreements, Banner has agreed to provide the Starbuck investors with certain registration rights and the right of each Starbuck investor to appoint one independent director to the Banner board of directors and the Banner Bank board of directors, and the Starbuck investors have agreed to certain transfer restrictions on the stock consideration received pursuant to the merger and certain commitments related to the regulatory approvals required for the merger and the bank merger.

Proposals to be Considered and Voted Upon by Holders of Banner Stock at the Special Meeting (page [ ])

In order to complete the merger, at the special meeting to be held on [ ], holders of Banner common stock must vote to approve the amendment to the articles of incorporation to create a new class of Banner non-voting common stock and to approve the issuance of an aggregate of 13,230,000 shares of Banner common stock and Banner non-voting common stock in accordance with the merger agreement.

Proposal 1: Approval of an Amendment to Banner s Articles of Incorporation to Create a New Class of Banner Non-Voting Common Stock (page [ ])

The merger agreement requires that Banner issue no more than 3,000,000 shares of Banner non-voting common stock as part of the merger consideration, which number will be determined shortly before the consummation of the merger. In order to create a class of Banner non-voting common stock, it is necessary to amend our articles of incorporation. The Banner board of directors has unanimously adopted resolutions approving and declaring advisable, and recommending that our shareholders approve, the adoption of the amendment to the articles of incorporation, which will authorize the creation of five million shares of Banner non-voting common stock. Holders of shares of Banner non-voting common stock will have no voting rights, unless otherwise required by the WBCA, but will otherwise have all the rights of holders of Banner common stock. The Banner non-voting common stock will automatically convert to Banner common stock upon transfer of such stock, subject to certain exceptions. Accordingly, if this proposal is not approved by shareholders at the special meeting, a condition to the closing of the merger will not be satisfied and the merger will not be consummated. The amendment to the articles of incorporation will go into effect if approved at the special meeting even if the merger is not consummated.

Proposal 2: Approval of the Issuance of an Aggregate of 13,230,000 shares of Banner Common Stock and Banner Non-Voting Common Stock (page [ ])

We are seeking the approval of holders of common stock for the issuance of an aggregate of 13,230,000 shares of Banner common stock and Banner non-voting common stock in accordance with the merger agreement. These shares, if all Banner non-voting common stock to be issued in the merger were converted into Banner common stock, represent approximately 38.77% of the shares of Banner common stock outstanding as of January 12, 2015 and after giving effect to the merger and including the Banner common stock to be issued upon the completion of Banner s pending acquisition of Siuslaw. The issuance of the Banner common stock and Banner non-voting common stock in connection with the merger requires the approval of holders of Banner common stock under NASDAQ Stock Market rules because the aggregate number of shares of Banner common stock and Banner non-voting common stock is in excess of 20% of the number of shares of Banner common stock currently outstanding. Accordingly, if this proposal is not approved by shareholders at the special meeting, a condition to the closing of the merger will not be satisfied and the merger will not be consummated.

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Proposal 3: Approval of Adjournments or Postponements of the Special Meeting (page [ ])

Banner is asking holders of common stock to approve adjournments or postponements of the special meeting if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting in favor of the foregoing proposals.

Approval of proposal 3 is not a condition to the completion of the merger.

Recommendation of the Banner Board of Directors (page [ ])

The Banner board of directors unanimously recommends a vote **FOR** each of the proposal described above. While each of the proposals is being voted upon separately, each of proposals 1 and 2 must be approved in order for the merger to be consummated.

Reasons for the Merger (page [ ])

In reaching its decision to approve the merger agreement, the Banner board of directors consulted with Banner management, our legal and financial advisors, and considered a number of factors, including among others and not necessarily in order of relative importance, the following factors:

- its knowledge of Starbuck s business, operations, financial condition, earnings and prospects, taking into account the results of Banner s due diligence review of Starbuck, including Banner s assessments of Starbuck s credit policies, asset quality, adequacy of loan loss reserves, interest rate risk and litigation;

- the fact that Starbuck would enable Banner to meaningfully expand its strategic presence in Oregon, Washington and Idaho, as well as expand into Utah and California;

- the reports of Banner s management and the financial presentation of Banner s financial advisor concerning the business, operations, financial condition and earnings of Starbuck on an historical and prospective basis and the pro forma financial impact of the merger;

- Banner management s belief that the merger will be accretive to Banner s earnings per share under generally accepted accounting principles in the United States, consistently applied, which we refer to as GAAP, in periods subsequent to the period in which Banner will incur certain non-recurring acquisition, conversion and integration costs;

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

- the fact that the merger is likely to provide an increase in shareholder value, including the benefits of a stronger strategic position.

The Banner board of directors also considered in its deliberations a number of uncertainties and risks and other potentially negative factors concerning the merger agreement, including those listed in The Merger Reasons for the Merger; Recommendation of the Banner Board of Directors beginning on page [ ]. The Banner board of directors determined that these uncertainties, risks and other potentially negative factors were outweighed by the benefits that the Banner board of directors expects to achieve for its shareholders as a result of the merger.

Opinion of Banner s Financial Advisor (page [ ])

At the November 5, 2014 meeting of the Banner board of directors, Sandler O Neill & Partners, L.P., which we refer to as Sandler O Neill, delivered to the Banner board of directors its oral opinion, which was subsequently confirmed in writing, that as of November 5, 2014, the merger consideration was fair to Banner

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from a financial point of view. The full text of Sandler O Neill s opinion is attached as **Annex E** to this proxy statement. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O Neill 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 Banner common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.

Sandler O Neill s opinion speaks only as of the date of the opinion. The opinion was directed to the Banner board of directors and is directed only to the fairness of the merger consideration to Banner from a financial point of view. It does not address the underlying business decision of Banner to engage in the merger or any other aspect of the merger and is not a recommendation to any holder of Banner common stock as to how such holder of Banner common stock should vote at Banner s special meeting with respect to the amendment to the articles of incorporation and the issuance of the stock consideration or any other matter. Sandler O Neill did not express any opinion as to the fairness of the amount or nature of the compensation to be received in connection with the merger by Banner s or Starbuck s officers, directors, or employees, or any class of such persons, relative to the merger consideration to be received in the merger by any other shareholders of Banner

For further information, please see the section entitled The Merger Opinion of Banner s Financial Advisor beginning on page [ ].

Expected Timing of the Merger (page [ ])

We anticipate that the closing of the merger will occur in the second quarter of 2015, assuming the requisite shareholder approvals at the special meeting are received and all regulatory approvals are received and assuming the other conditions to closing of the merger are satisfied or waived. The merger will become effective as set forth in the articles of merger to be filed with the Secretary of State of the State of Washington and the Secretary of State of the State of Minnesota on the closing date of the merger.

Conditions to the Merger (page [ ])

Completion of the merger is subject to various conditions, including, among others:

- approval by Banner shareholders of the amendment to the articles of incorporation and the issuance of the stock consideration;

- the representations and warranties of each party must be true and correct at and as of November 5, 2014 and at and as of the closing date with the same effect as though such representations and warranties had been made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), subject to the materiality standards provided in the merger agreement;

- all of the permits, consents, approvals and authorizations applicable to the merger agreement and the transactions contemplated thereby from the regulatory agencies and governmental entities will have been obtained and remain in full force and effect and all waiting periods will have expired;

- the shares of Banner common stock to be issued in the merger (including upon conversion of the shares of Banner non-voting common stock issued in the merger) will have been authorized for listing on NASDAQ, subject to official notice of issuance; and

- Each party must have performed in all material respects all of the obligations required to be performed by it under the merger agreement at or prior to the closing date of the merger.

Banner cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination of the Merger Agreement (page [ ])

The merger agreement may be terminated at any time before the effective time of the merger, in any of the following circumstances:

- by mutual written consent of Banner and Starbuck;
- by either Banner or Starbuck, should any of the following occur:
  - the approval of the issuance of the Banner common stock and Banner non-voting common stock in accordance with the merger agreement and the approval of the amendment to the articles of incorporation are not obtained at the special meeting or any adjournment or postponement of such meeting;
  - any regulatory agency or governmental authority that must grant an approval of the merger, the bank merger or the transactions contemplated by the merger agreement as described in the section entitled The Merger Regulatory Approvals beginning on page [ ] have issued a nonappealable order, injunction or decree permanently enjoining or otherwise prohibiting the consummation of the transactions contemplated by the merger agreement;
  - the merger shall have not been consummated on or before November 5, 2015, which we refer to as the termination date; or
  - there has been a breach or an aggregate of breaches of any representations and warranties, covenants or agreements to be performed by either Banner and merger sub (in the case of Starbuck) or Holdings and Starbuck (in the case of Banner) in a manner such that the closing conditions described in Conditions to Each Party s Obligations and Conditions to Obligations of Banner or Conditions to Obligations of Starbuck would not be satisfied, provided that such breaches of representations or warranties, covenants and agreements have not been cured by the earlier of the termination date or within 10 business days following receipt by the breaching party of written notice of such breach or breaches;

provided that such right to terminate the merger agreement shall not be available to either Banner or Starbuck, as the case may be, if it is in material breach of any of its representations, warranties, covenants or agreements under the merger agreement and that such material breach of any of its representations, warranties, covenants or agreements under the merger agreement shall be the cause of the failure of the closing to occur.

Regulatory Approvals (page [ ])

Under applicable law, the merger must be approved by the Federal Reserve Board, and the bank merger must be approved by the Federal Deposit Insurance Corporation, which we refer to as the FDIC, and the Washington State Director of the Department of Financial Institutions, which we refer to as the Washington DFI. The U.S. Department of Justice may also review the impact of the merger and the bank merger on competition. We filed the necessary applications with the Federal Reserve Board and the FDIC on December 23, 2014. We also filed the necessary application with the Washington DFI on December 29, 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 section entitled The Agreement and Plan of Merger Conditions to the Merger beginning on page [ ].

No Appraisal Rights (page [ ])

Under Washington law and Banner s articles of incorporation, Banner shareholders will not have appraisal rights pursuant to the merger and the other transactions contemplated by the merger agreement.

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Risk Factors (page [   ])

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement 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, Starbuck 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 believe, will, will likely result, may, shall, are expected to, will continue, is anticipated, estimate, project, plans, forecast, initiative, objective, goal priorities, target, intend, evaluate, pursue, commence, or the negative of any of those words or phrases or sim expressions are intended to identify forward-looking statements within the meaning of applicable federal securities laws, including the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date such statements are made. These statements may relate to future financial performance, strategic plans or objectives, revenues or earnings projections, or other financial information. By their nature, these statements are subject to numerous uncertainties that could cause actual results to differ materially from those anticipated in the statements. Statements about the expected timing, completion and effects of the proposed transactions and all other statements in this proxy statement other than historical facts constitute 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 beginning on page [ ] and those discussed in the filings of Banner that are incorporated into this proxy statement by reference, as well as the following:

(1) expected revenues, cost savings, synergies and other benefits from the proposed business combination of Banner and Starbuck might not be realized within the expected time frames or at all and costs or difficulties relating to integration matters, including but not limited to customer and employee retention, might be greater than expected;

(2) the requisite shareholder and regulatory approvals for the transactions might not be obtained;

(3) the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses, which could necessitate additional provisions for loan losses, resulting both from loans originated and loans acquired from other financial institutions;

(4) 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;

(5) risks related to acquiring assets in or entering markets in which Banner has not previously operated and may not be familiar;

(6)

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;

(7) increased competitive pressures among financial services companies;

(8) changes in consumer spending, borrowing and savings habits;

(9) the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions;

(10) Banner s ability to pay dividends on its common stock;

(11) increases in premiums for deposit insurance;

(12) 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;

(13) difficulties in reducing risk associated with the loans on our balance sheet;

(14) staffing fluctuations in response to product demand or the implementation of corporate strategies that affect the workforce and potential associated changes;

(15) failure or security breach of computer systems on which we depend;

(16) our ability to retain key members of the senior management team;

(17) interest rate movements and their impact on customer behavior and net interest margin;

(18) the impact of repricing and competitors pricing initiatives on loan and deposit products;

(19) fluctuations in the demand for loans, the number of unsold homes and other properties and real estate values;

(20) the ability to adapt successfully to technological changes to meet customers needs and developments in the market place;

(21) the ability to access cost-effective funding;

(22) adverse changes in the securities markets;

(23) changes in economic conditions in general and in Washington, Idaho, Oregon and California in particular;

(24) the costs, effects and outcomes of litigation, including settlements and judgments;

(25) Banner s ability to implement its business strategies;

(26) new legislation or regulatory changes, including but not limited to 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;

(27) changes in accounting principles, policies practices or guidelines, 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;

(28) future acquisitions by Banner or Starbuck of other depository institutions or lines of business;

(29) inability of key third-party providers to perform their obligations to us;

(30) Banner s pending acquisition of Siuslaw Financial Group, Inc. or Starbuck s pending acquisition of Greater Sacramento Bancorp, which we refer to as GSB, may fail to be consummated;

(31) future goodwill impairment due to changes in Banner s business, changes in market conditions, or other factors;

(32) other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services; and

(33) other risks detailed from time to time in Banner s filings with the SEC.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement and attributable to Banner or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Banner does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date on which the forward-looking statement is made except where expressly required by law.

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RISK FACTORS

In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement, including the matters addressed under the caption Cautionary Statement Regarding Forward-Looking Statements on page [ ] and the discussion under Risk Factors in Banner s Annual Report on Form 10-K for the year ended December 31, 2013, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, 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. See Where You Can Find More Information beginning on page [ ].

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 Starbuck in a manner that does not materially disrupt the existing customer relationships of the companies or result in decreased revenues from their 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 Banner s 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. Any such distraction on the part of management, if significant, could affect Banner s ability to service existing business and develop new business and adversely affect the business and earnings of each of Banner and Starbuck 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.

The number of shares of Banner common stock and Banner non-voting common stock to be issued in the merger to the Starbuck holders is not adjustable based on the market price of Banner common stock, so the merger consideration at the closing may have a greater or lesser implied value than at the time the merger agreement was signed.

The parties to the merger agreement have determined the number of shares of Banner common stock and Banner non-voting common stock to be issued to the Starbuck holders, and this number is not adjustable based on changes in the market price of Banner common stock. Any changes in the market price of Banner common stock will not affect the number of shares that the Starbuck holders will be entitled to receive pursuant to the merger. Therefore, if the market price of Banner common stock declines from the market price on the date of the merger agreement prior to the consummation of the merger, the Starbuck holders could receive merger consideration with considerably less implied value. Similarly, if the market price of Banner common stock increases from the market price on the date of the merger agreement prior to the consummation of the merger, the Starbuck holders could receive merger consideration with considerably more implied value than their Starbuck shareholdings, and Banner shareholders immediately prior to the merger will not be compensated for the increased market value of Banner common stock. Because the number of shares of Banner common stock and Banner non-voting common stock to be issued in the merger to the Starbuck holders does not adjust as a result of changes in the value of Banner common stock, for any amount that the market value of Banner common stock rises or declines, there is a corresponding rise or decline, respectively, in the value of the total merger consideration issued to the Starbuck holders.

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Holders of Banner common stock will have a reduced ownership and voting interest after the merger and will exercise less influence over management.

Holders of Banner common stock currently possess all voting rights with respect to the election of the Banner board of directors and on other matters affecting Banner. Upon the completion of the merger, the former shareholders of Holdings as a group will receive shares in the merger constituting approximately 38.77% of the outstanding shares of Banner common stock immediately after the merger. As a result, current shareholders of Banner as a group will own approximately 57.36% of the outstanding shares of Banner common stock immediately after the merger. In addition, the Starbuck investors will have certain rights to appoint directors to the Banner board of directors. As a result, current Banner shareholders may have less influence on the management and policies of Banner than they now have on the management and policies of the company.

The unaudited pro forma combined condensed consolidated financial statements, which we refer to as the pro forma financial statements, are presented for illustrative purposes only and may not be an indication of the combined company s financial condition or results of operations following the merger.

The pro forma financial statements contained in this proxy statement are presented for illustrative purposes only and may not be an indication of the combined company s financial condition or results of operations following the merger for several reasons. For example, the pro forma financial statements have been derived from the historical financial statements of Banner and Starbuck, and include the proposed acquisitions of Siuslaw and GSB by Banner and Starbuck respectively, and certain adjustments and assumptions have been made regarding the combined company after giving effect to the merger and the bank merger by which each entity would become a part of the combined company. The information upon which these adjustments and assumptions have been made is preliminary, and such adjustments and assumptions are difficult to make with complete accuracy.

Moreover, the pro forma financial statements do not reflect all costs that are expected to be incurred by the combined company in connection with the merger and the bank merger. For example, the impact of any incremental costs incurred in integrating the companies is not reflected in the pro forma financial statements. As a result, the actual financial condition and results of operations of the combined company following the merger and the bank merger may differ significantly from these pro forma financial statements.

In addition, the assumptions used in preparing the pro forma financial statements may not prove to be accurate, and other factors may affect the combined company s financial condition or results of operations following the merger and the bank merger. Any potential decline in the combined company s financial condition or results of operations may cause significant variations in the stock price of the combined company. See the sections entitled Selected Unaudited Pro Forma Condensed Combined Financial Information and Unaudited Pro Forma Combined Condensed Consolidated Financial Information beginning on pages [ ] and [ ].

If the Starbuck holders, or other holders of Banner common stock, immediately sell Banner common stock or Banner non-voting common stock received in the merger, they could depress Banner s stock price.

If the Starbuck holders who receive Banner common stock or Banner non-voting common stock in the merger, or other holders of Banner common stock, sell significant amounts of Banner common stock following the merger (in the case of the Starbuck investors, after the shares are released from lockups, and in the case of certain Starbuck holders, other transfer restrictions specified in the registration rights agreements as described in the section entitled Investor Letter Agreements Registration Rights beginning on page [ ]), the market price of Banner common stock could decrease. These sales may also make it more difficult for Banner to sell equity securities or equity-related securities in the future at a time and at a price that we otherwise would deem appropriate.

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

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 Starbuck. For a discussion of the businesses of Banner and Starbuck and of some important factors to consider in connection with those businesses, please read this proxy statement carefully and see the documents incorporated by reference in this proxy statement and referred to under Where You Can Find More Information on page [ ].

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 must obtain approvals from the Federal Reserve Board, the FDIC and the Washington DFI. The U.S. Department of Justice may also review the impact of the merger and the bank merger on competition. Other approvals, waivers or consents from regulators may also be required. An adverse development in either Banner s or Starbuck 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 section entitled The Merger Regulatory Approvals beginning on page [ ].

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

Sandler O Neill, Banner s financial advisor in connection with the merger, has delivered to the Banner board of directors its opinion dated as of November 5, 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 Starbuck common stock pursuant to the merger agreement was fair from a financial point of view to Banner. 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 Starbuck, 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 Starbuck. The fairness opinion will not be updated as of the date of the mailing of the proxy statement.

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

Banner and Starbuck 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 Starbuck and consequently on Banner. These uncertainties may impair Starbuck s ability to attract, retain or motivate key personnel until the merger is consummated, and could cause customers and others that deal with Starbuck to seek to change existing business relationships with Starbuck. 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 Starbuck from making certain acquisitions and taking other specified actions until the merger occurs without the consent of Banner. These restrictions may prevent Starbuck from pursuing attractive business opportunities that may arise prior to the completion of the merger. Please see the section entitled The Agreement and Plan of Merger Conduct of Business of Starbuck Pending the Merger beginning on page [ ] for a description of the restrictive covenants to which Starbuck is subject.

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The merger is subject to closing conditions, including the approval of the amendment to the articles of incorporation and the issuance of the stock consideration by the Banner shareholders at the special meeting or an adjournment or postponement thereof, that, if not satisfied or waived, will result in the merger not being completed, which may result in material adverse consequences to Banner s business and operations.

The merger is subject to closing conditions, including the approval of the amendment to the articles of incorporation and the issuance of the stock consideration by the Banner shareholders at the special meeting or an adjournment or postponement thereof, that, if not satisfied, will prevent the merger from being completed. To Banner s knowledge, all of the directors and executive officers of Banner who are entitled to vote at the special meeting intend to vote their shares of Banner common stock in favor of each of the proposals, although such persons have not entered into agreements obligating them to do so If the merger is not completed, Banner 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 regulatory agencies and governmental entities and the approval of Banner shareholders, the merger is subject to other conditions beyond Banner s control that may prevent, delay or otherwise materially adversely affect its completion. Banner cannot predict whether and when these other conditions will be satisfied. See The Agreement and Plan of Merger Conditions to the Merger beginning on page [ ].

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

Banner 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 and all filing fees paid to the SEC in connection with the merger. If the merger is not completed, Banner would have to recognize these expenses without realizing the expected benefits of the merger.

Our expansion into new market areas in California and Utah may present increased risk.

Starbuck s lending operations are concentrated in the states of California, Utah, Oregon and Washington. The merger with Starbuck will result in Banner s initial entry into the states of California and Utah where Banner has little or no operating experience. Although Banner will retain a number of Starbuck s lending and business development officers with experience in these markets, Banner is new to these market areas and has conducted only limited banking business in California and Utah. Our entry into these markets will present us with different competitive conditions, customer preferences and banking products than we have experienced in the Pacific Northwest markets we know. As a result, it is possible that our operations in these states may be less successful than our operations in the Pacific Northwest. In addition, the financial condition and results of operations of the combined company will be subject to general economic conditions and the conditions in the real estate markets prevailing in California and Utah as well as the Pacific Northwest markets we know. If economic conditions in any one of these states worsens or if the real estate market declines, the combined company may suffer decreased net income or losses associated with higher default rates and decreased collateral values on its existing portfolio, and may not be able to originate loans at acceptable risk levels and upon acceptable terms, to maintain Banner s risk profile and asset quality.

We may be subject to additional regulatory scrutiny if and when Banner Bank s total assets exceed $10.0 billion.

Banner Bank s total assets were $4.759 billion at September 30, 2014 and AmericanWest Bank had $4.095 billion in total assets at that date. Following the closing of the merger with AmericanWest Bank, Banner Bank s assets will be approaching $10 billion. If and when Banner Bank s total assets exceed $10.0 billion, it will be considered a very large institution by bank regulators under The Dodd-Frank Wall Street Reform and Consumer Protection Act, which we refer to as the Dodd-Frank Act. As a result, there may be higher expectations from regulators, and there will be formal capital stress testing requirements and direct examination by the Consumer Financial Protection Bureau or CFPB. The CFPB has near exclusive supervision authority, including examination authority, over very large institutions and their affiliates to assess compliance with federal consumer financial laws, to obtain information about the institutions activities and compliance systems and procedures, and to detect and assess risks to consumers and markets.

Under the Dodd-Frank Act, the minimum ratio of net worth to insured deposits of the Deposit Insurance Fund was increased from 1.15% to 1.35% and the FDIC is required, in setting deposit insurance assessments, to offset the effect of the increase on institutions with assets of less than $10 billion, which results in institutions with assets greater than $10 billion paying higher assessments. In addition, if Banner Bank exceeds $10 billion in assets, its assessment base for federal deposit insurance would change from the amount of insured deposits to consolidated average assets less tangible capital to a scorecard method. The scorecard method uses a performance score and a loss severity score, which are combined and converted into an initial base assessment rate. The performance score is based on measures of the bank s ability to withstand asset-related stress and funding-related stress and weighted CAMELS ratings. The loss severity score is a measure of potential losses to the FDIC in the event of the bank s failure. Under a formula, the performance score and loss severity score are combined and converted to a total score that determines the bank s initial base assessment rate. The FDIC has the discretion to alter the total score based on factors not captured by the scorecard. The resulting initial base assessment rate is also subject to adjustments downward based on long term unsecured debt issued by the bank, to adjustment upward based on long term unsecured debt held by the bank that is issued by other FDIC-insured institutions, and to further adjustment upward if the bank s brokered deposits exceed 10% of its domestic deposits.

Further, Banner Bank may be impacted by the Durbin Amendment to the Dodd-Frank Act regarding limits on debit card interchange fees. The Durbin Amendment gave the Federal Reserve Board the authority to establish rules regarding interchange fees charged for electronic debit transactions by a payment card issuer that, together with its affiliates, has assets of $10 billion or more and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer. The Federal Reserve Board has adopted rules under this provision that limit the swipe fees that a debit card issuer can charge a merchant for a transaction to the sum of 21 cents and five basis points times the value of the transaction, plus up to one cent for fraud prevention costs.

The Dodd-Frank Act also requires publicly traded bank holding companies with assets of $10 billion or more to establish a risk committee responsible for enterprise-wide risk management practices, comprised of independent directors, including one risk management expert.

As a result of the above, if and when Banner Bank s total assets exceed $10 billion, deposit insurance assessments are likely to increase, as well as expenses related to regulatory compliance, which may be significant. In addition, compliance with the Durbin Amendment would reduce our non-interest income significantly. We currently believe the impact of the Durbin Amendment on combined debit card revenues for Banner Bank and AmericanWest Bank could be a reduction of approximately $8.0 million annually.

Risk Factors Relating to Banner and Banner s Business.

Banner is, and will continue to be, subject to the risks described in the section entitled Risk Factors beginning on page [ ] and 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. See Where You Can Find More Information beginning on page [ ].

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PRICE RANGE OF BANNER COMMON STOCK AND RELATED SHAREHOLDER MATTERS

Our common stock trades on NASDAQ under the symbol BANR. Starbuck common stock is not publicly traded. The following are the high and low sale prices for our common stock during the periods indicated as reported by the NASDAQ Stock Market, and the quarterly cash dividends per share declared. The high and low sales prices are based on intraday sales for the periods reported.

	High	Low	Dividends
Quarterly for 2014:			
First Quarter	$ 45.08	$ 35.51	$ 0.18
Second Quarter	42.29	37.03	0.18
Third Quarter	40.78	37.50	0.18
Fourth Quarter	44.05	37.52	0.18
Quarterly for 2013:			
First Quarter	32.03	29.14	0.12
Second Quarter	34.30	29.33	0.12
Third Quarter	38.44	33.78	0.15
Fourth Quarter	45.15	35.62	0.15
Quarterly for 2012:			
First Quarter	22.97	17.13	0.01
Second Quarter	22.80	18.05	0.01
Third Quarter	27.41	20.04	0.01
Fourth Quarter	31.32	26.49	0.01

We had approximately [ ] holders of record of our common stock on [ ], and we estimate that we have more than [ ] beneficial owners of our common stock.

On November 4, 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 $43.38 and $42.41, respectively. On January 15, 2015, the last trading day before the date of this proxy statement, the high and low sales prices of shares of Banner common stock as reported on NASDAQ were $40.15 and $39.19, respectively.

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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 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 nine months ended September 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 September 30, 2014, which is incorporated by reference into this proxy statement, 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 nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the entire fiscal year ending 2014. You should not assume the results of operations for any past periods indicate results for any future period. See the section entitled Where You Can Find More Information beginning on page [ ].

Selected Financial Data:	**(unaudited) September 30,**			**December 31,**		
(In thousands)	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Total assets	$ 4,759,389	$ 4,388,166	$ 4,265,564	$ 4,257,312	$ 4,406,082	$ 4,722,221
Cash and securities [(1)]	769,615	772,614	811,902	754,396	729,345	640,657
Loans receivable, net	3,732,364	3,343,455	3,158,223	3,213,426	3,305,716	3,694,852
Deposits	3,991,181	3,617,926	3,557,804	3,475,654	3,591,198	3,865,550
Borrowings	145,479	184,234	160,000	212,649	267,761	414,315
Common shareholders equity	574,058	538,972	506,919	411,748	392,472	287,721
Total stockholders equity	574,058	538,972	506,919	532,450	511,472	405,128
Shares outstanding	19,572	19,544	19,455	17,553	16,165	3,077
Shares outstanding excluding unearned, restricted shares held in the Banner Employee Stock Ownership Plan (ESOP)	19,572	19,509	19,421	17,519	16,130	3,042

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Operating Data:	**(unaudited) Nine Months Ended September 30,**		**For the Years Ended December 31,**				
(In thousands)	**2014**	**2013**	**2013**	**2012**	**2011**	**2010**	**2009**
Interest income	$ 141,410	135,116	$ 179,712	$ 187,162	$ 197,563	$ 218,082	$ 237,370
Interest expense	8,199	10,007	12,996	19,514	32,992	60,312	92,797
Net interest income before provision for loan losses	133,211	125,109	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	133,211	125,109	166,716	154,648	129,571	87,770	35,573
Deposit fees and other service charges	22,237	19,911	26,581	25,266	22,962	22,009	21,394
Mortgage banking operations revenue	7,282	9,002	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	1,662	(1,954)	(2,278)	(16,515)	(624)	1,747	12,529
All other operating income	11,161	3,395	7,460	4,748	2,506	3,253	2,385
Total other operating income	42,342	30,763	43,342	26,902	33,990	29,148	43,690
REO operations expense (recoveries), net	(260)	(1,047)	(689)	3,354	22,262	26,025	7,147
All other operating expenses	112,772	105,093	141,664	138,099	135,842	134,776	134,933
Total other operating expense	112,512	104,046	140,975	141,453	158,104	160,801	142,080
Income (loss) before provision for income tax expense (benefit)	63,041	51,826	69,083	40,097	5,457	(43,883)	(62,817)
Provision for income tax expense (benefit)	20,620	16,825	22,528	(24,785)		18,013	(27,053)
Net income (loss)	$ 42,421	35,001	$ 46,555	$ 64,882	$ 5,457	$ (61,896)	$ (35,764)

Per Common Share Data:	**(unaudited) Nine Months Ended September 30,**		**At or For the Years Ended December 31,**				
	2014	**2013**	**2013**	**2012**	**2011**	**2010**	**2009**
Net income (loss):							
Basic	$ 2.19	$ 1.81	$ 2.40	$ 3.17	$ (0.15)	$ (7.21)	$ (16.31)

Diluted	2.19	1.80	2.40	3.16	(0.15)	(7.21)	(16.31)
Common stockholders equity per share (2)(9)	29.33	27.17	27.63	26.10	23.50	24.33	94.58
Cash dividends	0.54	0.39	0.54	0.04	0.10	0.28	0.28
Dividend payout ratio (basic)	24.66%	21.55%	22.50%	1.26%	(66.67)%	(3.88)%	(1.72)%
Dividend payout ratio (diluted)	24.66%	21.67%	22.50%	1.27%	(66.67)%	(3.88)%	(1.72)%

Other Data: (unaudited)	**September 30,**	**December 31,**				
	2014	**2013**	**2012**	**2011**	**2010**	**2009**
Full time equivalent employees	1,106	1,104	1,074	1,078	1,060	1,060
Number of branches	93	88	88	89	89	89

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Key Financial Ratios: (unaudited)	**At or For the Nine Months Ended September 30,**		**At or For the Years Ended December 31,**				
	2014	**2013**	**2013**	**2012**	**2011**	**2010**	**2009**
Performance Ratios:							
Return on average assets (3)(9)	1.24%	1.10%	1.09%	1.54%	0.13%	(1.36)%	(0.78)%
Return on average common equity (4)(9)	10.17	8.97	8.85	14.03	1.37	(17.19)	(11.69)%
Average common equity to average assets	12.17	12.31	12.36	10.96	9.31	7.90	6.71
Interest rate spread (5)(9)	4.05	4.12	4.08	4.13	3.99	3.61	3.23
Net interest margin (6)(9)	4.07	4.15	4.11	4.17	4.05	3.67	3.33
Non-interest income to average assets (9)	1.23	0.97	1.02	0.64	0.79	0.64	0.96
Non-interest expense to average assets (9)	3.28	3.28	3.31	3.35	3.69	3.53	3.12
Efficiency ratio (7)	64.09	66.75	67.11	72.71	79.62	86.03	75.47
Average interest-earning assets to interest-bearing liabilities	108.72	108.10	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	1.95	2.32	2.19	2.39	2.52	2.86	2.51
Net charge-offs as a percent of average outstanding loans during the period		0.03	0.30	0.57	1.50	1.88	2.28
Non-performing assets as a percent of total assets	0.50	0.70	0.66	1.18	2.79	5.77	6.27
Allowance for loan losses as a percent of non-performing loans (8)	375.81	305.39	302.77	225.33	110.09	64.30	44.55
Consolidated Capital Ratios:							
Total capital to risk-weighted assets	16.59	17.41	16.99	16.96	18.07	16.92	12.73
Tier 1 capital to risk-weighted assets	15.33	16.15	15.73	15.70	16.80	15.65	11.47
Tier 1 leverage capital to average assets	13.14	13.63	13.64	12.74	13.44	12.24	9.62

(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 nine month periods annualized.

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF STARBUCK

The following tables set forth selected historical consolidated financial and other data of Holdings, the holding company of Starbuck for the periods and at the dates indicated. Audited financial information for Starbuck alone is not available; however, as noted in the pro forma financial statements on pages [ ] and [ ] of this document, Starbuck comprises more than 99.9% of the consolidated assets of Holdings as of September 30, 2014 and more than 105.0% of Holdings net income for the nine months ended September 30, 2014 and the twelve months ended December 31, 2013. The information in the tables is derived in part from the audited financial statements of Holdings for the years ended December 31, 2010 to 2013 and should be read in conjunction with Holdings annual audited financial statements and unaudited interim financial statements which have been filed with the SEC in Banner s Current Report on Form 8-K filed on December 4, 2014, which is incorporated by reference into this proxy statement. The selected financial data tables below reflect only four years as Holdings was organized in 2009 and it did not begin acquiring any substantial subsidiaries through Starbuck until 2010. In 2010 and subsequent years additional acquisitions continued to add to the size of the consolidated company and contributed to the year-over-year growth trends noted below. See Where You Can Find More Information beginning on page [ ]. The selected financial and other data as of and for the nine months ended September 30, 2014 and 2013 are derived from the unaudited financial statements of Holdings which are also contained in Banner s Current Report on Form 8-K filed on December 4, 2014, and which, in Holdings opinion, include all adjustments (consisting of normal, recurring adjustments) necessary for a fair statement of Holdings financial position and results of operations for such periods. The results of operations for the nine months ended September 30, 2014 and 2013 are not necessarily indicative of the results of operations to be expected for any subsequent period or for the entire year.

Selected Financial Data:	**(unaudited) September 30,**	**December 31,**			
(In thousands)	**2014**	**2013**	**2012**	**2011**	**2010**
Total assets	$ 4,094,783	$ 3,943,195	$ 2,763,445	$ 2,299,081	$ 1,664,456
Cash and securities	1,144,057	1,217,242	723,685	725,269	524,191
Loans receivable, net	2,543,034	2,283,548	1,717,631	1,350,073	965,896
Deposits	3,228,776	3,274,081	2,196,530	1,901,990	1,418,393
Borrowings	251,473	73,095	88,179	1,104	10,600
Total members equity	561,312	534,131	444,036	368,408	202,924

Operating Data:	**(unaudited) Nine Months Ended September 30,**		**Years Ended December 31,**			
(In thousands)	**2014**	**2013**	**2013**	**2012**	**2011**	**2010**
Interest income	$ 115,028	$ 110,499	$ 149,298	$ 113,111	$ 86,102	$ 2,738
Interest expense	4,976	3,998	5,739	4,594	4,149	159
Net interest income before provision for loan losses	110,052	106,501	143,559	108,517	81,953	2,579
Provision for loan losses	997	4,148	4,211	3,807	366	203
Net interest income	109,055	102,353	139,348	104,710	81,587	2,376
Deposit fees and other service charges	11,312	10,445	13,999	10,306	8,702	311

Mortgage banking operations revenue	2,851	5,766	6,846	7,202	2,408	131
All other non-interest income	19,726	15,164	22,210	13,153	9,388	334
Total non-interest income	33,889	31,375	43,055	30,661	20,498	776
REO operations expense	4,638	6,585	8,560	7,929	5,753	273
All other non-interest expenses	108,716	129,000	166,243	120,665	90,138	20,658
Total non-interest expense	113,354	135,585	174,803	128,594	95,891	20,931
Income (loss) before provision for income tax expense (benefit)	29,590	(1,857)	7,600	6,777	6,194	(17,779)
Provision for income tax expense (benefit)	12,604	(294)	579	(63,307)	(56)	
Net income (loss)	$ 16,986	$ (1,563)	$ 7,021	$ 70,084	$ 6,250	$ (17,779)

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Condensed Quarterly Results of Operations for the each of the Quarters

for the Periods/Years Ended 2014, 2013, 2012:

	2014 Quarter Ended		
(In thousands)	**September 30,**	**June 30,**	**March 31,**
Interest income	$ 36,995	$ 37,400	$ 40,633
Interest expense	1,870	1,585	1,521
Net interest income	35,125	35,815	39,112
Provision for loan losses	(77)	295	779
Non-interest income	10,530	9,838	13,521
Non-interest expenses	36,177	36,831	40,346
Income before income taxes	9,555	8,527	11,508
Income tax provision	3,916	3,261	5,427
Net income	$ 5,639	$ 5,266	$ 6,081

	2013 Quarter Ended			
(In thousands)	**December 31,**	**September 30,**	**June 30,**	**March 31,**
Interest income	$ 38,799	$ 40,075	$ 41,509	$ 28,915
Interest expense	1,741	1,429	1,365	1,204
Net interest income	37,058	38,646	40,144	27,711
Provision for loan losses	63	1,110	1,604	1,434
Non-interest income	11,612	10,836	10,585	10,022
Non-interest expenses	39,150	53,202	49,867	32,584
Income before income taxes	9,457	(4,830)	(742)	3,715
Income tax provision	873	(1,924)	197	1,433
Net income	$ 8,584	$ (2,906)	$ (939)	$ 2,282

	2012 Quarter Ended			
(In thousands)	**December 31,**	**September 30,**	**June 30,**	**March 31,**
Interest income	$ 30,095	$ 29,923	$ 25,968	$ 27,125
Interest expense	1,279	1,265	953	1,097
Net interest income	28,816	28,658	25,015	26,028
Provision for loan losses	1,458	1,234	1,110	5
Non-interest income	8,603	9,156	7,449	5,453

Non-interest expenses	35,801	34,085	29,023	29,685
Income before income taxes	160	2,495	2,331	1,791
Income tax provision	(4,658)	(58,652)		3
Net income	$ 4,818	$ 61,147	$ 2,331	$ 1,788

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SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following selected preliminary unaudited pro forma condensed combined financial data give effect to the merger based on the assumption that the merger occurred as of September 30, 2014 for the preliminary unaudited selected financial and other data, as of January 1, 2013 for the preliminary unaudited results of operations for the year ended December 31, 2013 and as of January 1, 2013 for the nine months ended September 30, 2014.

The selected preliminary unaudited pro forma condensed combined financial data is presented for illustrative purposes only and should not be read for any other purpose. Banner and Starbuck may have performed differently had they always been combined. You should not rely on this information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that Banner will experience after the merger. The selected preliminary unaudited pro forma condensed combined financial data (i) has been derived from and should be read in conjunction with the section entitled Unaudited Pro Forma Condensed Combined Financial Statements of Banner and the related notes beginning on page [ ] of this proxy statement/prospectus and (ii) should be read in conjunction with the historical consolidated financial statements of Banner and Starbuck incorporated by reference into this proxy statement.

Selected Financial Data:	**(unaudited)**
(In thousands)	**At September 30, 2014**
Total assets	$ 9,676,709
Cash and securities [1]	2,041,175
Loans receivable, net	6,786,911
Deposits	7,977,548
Borrowings	428,750
Common stockholders equity	1,159,557
Total stockholders equity	1,159,557
Shares outstanding	34,122

OPERATING DATA:	**(unaudited)**	**(unaudited)**
(in thousands except shares and per share data)	**Nine months ended September 30, 2014**	**Twelve months ended December 31, 2013**
Interest income	$ 281,711	$ 361,849
Interest expense	15,026	21,298
Net interest income before provision for loan losses	266,685	340,351
Provision for loan losses	1,314	4,761
Net interest income	265,371	335,790
Deposit fees and other service charges	34,294	41,850
Mortgage banking operations revenue	11,609	20,830
Other-than-temporary impairment recoveries (losses)		409
Net change in valuation of financial instruments carried at fair value	1,452	(2,278)
All other operating income	34,170	34,073

Total other operating income		81,525		94,884
Real estate operations				(689)
All other operating expenses		249,279		349,537
Total other operating expense		249,279		348,848
Income before provision for income taxes		97,617		81,826
Provision for income tax expense (benefit)		33,955		23,774
Net income (loss)	$	63,622	$	58,052

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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 Starbuck on a historical basis and for Banner on a pro forma combined basis. The pro forma combined information give effect to the merger of Banner with Siuslaw and of Banner with Starbuck, assuming Starbuck had completed the acquisition of GSB as if each merger had been effective on the dates presented in the case of the book value per common share data, and as each 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 combined amounts are calculated by combining the Banner historical share amounts with pro forma amounts from Siuslaw, assuming an exchange ratio of 0.32231, and pro forma amounts from Starbuck, assuming 13,230,000 shares of Banner are issued to the Starbuck holders, along with a cash payment by Banner of $130,000,000 to the Starbuck holders. The pro forma combined amounts for Banner reflect certain acquisition accounting adjustments, which are based on estimates that are subject to change depending on fair values as of each merger completion date. These adjustments are described in the notes to unaudited pro forma combined condensed consolidated financial information contained elsewhere in this document under the heading Unaudited Pro Forma Combined Condensed Consolidated Financial Information of Banner beginning on page [ ]. The pro forma data combine the historical results of Siuslaw, GSB and Starbuck 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, Siuslaw, GSB and Starbuck been combined as of the dates and for the periods shown.

	Banner	Starbuck	Pro Forma Combined Amounts (4)
Book value per common share: (1)			
September 30, 2014	$ 29.33	n/a	$ 33.98
Cash dividends paid per common share: (2)			
Year ended December 31, 2013	$ 0.54	n/a	$ 0.54
Nine months ended September 30, 2014	$ 0.54	n/a	$ 0.54
Basic and diluted earnings per common share: (3)			
Year ended December 31, 2013			
Basic	$ 2.40	n/a	$ 1.71
Diluted	$ 2.40	n/a	$ 1.71
Nine months ended September 30, 2014			
Basic	$ 2.19	n/a	$ 1.88
Diluted	$ 2.19	n/a	$ 1.87

(1) Calculated by dividing the total equity by total common shares outstanding

(2) Represents the historical cash dividends per share paid by Banner for the period.

(3) 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.

(4) Pro forma adjustments include new Banner common equity issued to former Siuslaw shareholders (1,319,995 shares times $40.50) and former Starbuck equity holders (13,230,000 shares times $40.50) and the impact of the pro forma adjustments for the acquisitions as noted in the pro forma financial statements for the periods indicated.

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UNAUDITED PRO FORMA COMBINED CONDENSED

CONSOLIDATED FINANCIAL INFORMATION

The following is the unaudited pro forma combined condensed consolidated financial information for Banner, Siuslaw, GSB and Starbuck, giving effect to the mergers. The unaudited pro forma combined condensed consolidated balance sheet as of September 30, 2014 gives effect to the merger of Banner with Siuslaw, Starbuck with GSB, and Banner with Starbuck, as if the mergers had occurred on that date. The unaudited pro forma combined condensed consolidated statements of operations for the nine months ended September 30, 2014 and the year ended December 31, 2013 give effect to the merger of Banner with Siuslaw, Starbuck with GSB, and Banner with Starbuck, as if the mergers had occurred on January 1, 2013.

The unaudited pro forma combined condensed consolidated financial statements have been prepared using the acquisition method of accounting for business combinations under GAAP. Banner will be the acquirer for accounting purposes in its acquisitions, and Starbuck will be the acquirer in its acquisition of GSB. Certain reclassifications have been made to the historical financial statements of Siuslaw, GSB and Starbuck to conform to the presentation in Banner s financial statements. These reclassifications had no impact on net income.

A final determination of the fair values of Siuslaw s, GSB s and Starbuck s assets and liabilities, which cannot be made prior to the completion of each merger, will be based on the actual net tangible and intangible assets of Siuslaw, GSB and Starbuck that exist as of the dates of completion of the transactions. Consequently, fair value adjustments and amounts preliminarily attributed to goodwill and identifiable intangibles could change significantly from those adjustments used in the unaudited pro forma combined condensed consolidated financial statements presented herein and could result in a material change in amortization of acquired intangible assets. In addition, the value of the final purchase price of the mergers will be based on the closing price of Banner common stock on the closing dates of the merger of Banner with Siuslaw and Banner with Starbuck. For purposes of the accompanying pro forma financial information, the closing price of Banner common stock on December 1, 2014 was used for purposes of presenting the pro forma combined consolidated balance sheet at September 30, 2014.

In connection with the plan to integrate the operations of Banner, Siuslaw, GSB and Starbuck following the completion of the merger of Banner with Siuslaw and Banner with Starbuck, Banner anticipates that nonrecurring charges, such as costs associated with systems implementation, severance and other costs related to exit or disposal activities, will be incurred. Banner is not able to determine the timing, nature and amount of these charges as of the date of this document. However, these charges will affect the results of operations of Banner, Siuslaw, GSB and Starbuck, as well as those of the combined company following the completion of the mergers, in the periods in which they are recorded. The unaudited pro forma combined condensed consolidated statements of operations do not include the effects of the non-recurring costs associated with any restructuring or integration activities resulting from the mergers, as they are nonrecurring in nature and not factually supportable at this time. Additionally, the unaudited pro forma adjustments do not give effect to any nonrecurring or unusual restructuring charges that may be incurred as a result of the integration of the two companies or any anticipated disposition of assets that may result from such integration. However, the unaudited pro forma combined condensed consolidated balance sheet includes a pro forma adjustment to reduce cash and equity to reflect the payment of certain anticipated merger costs and the write off, as of the date of closing, of certain assets with little to no utility or value.

The actual amounts recorded as of the completion of the mergers may differ materially from the information presented in these unaudited pro forma combined condensed consolidated financial statements as a result of:

changes in the trading price for Banner s common stock;

capital used or generated in Siuslaw s, GSB s and Starbuck s operations before completion of their respective mergers;

changes in the fair values of Siuslaw s, GSB s and Starbuck s assets and liabilities;

other changes in Siuslaw s, GSB s and Starbuck s net assets that occur prior to the completion of their respective mergers, which could cause material changes in the information presented below; and

the actual financial results of the combined company.

The unaudited pro forma combined condensed consolidated financial statements are provided for informational purposes only. These financial statements reflect the merger of Siuslaw into Banner, the segregation of Starbuck from its parent holding company Holdings, the merger of GSB into Starbuck, and the merger of Starbuck into Banner, with all appropriate adjustments for each combination. The unaudited pro forma combined condensed consolidated financial statements are not necessarily, and should not be assumed to be, an indication of the results that would have been achieved had the transactions been completed as of the dates indicated or that may be achieved in the future. The preparation of the unaudited pro forma combined condensed consolidated financial statements and related adjustments required management to make certain assumptions and estimates. The unaudited pro forma combined condensed consolidated financial information is based on, and should be read together with, the historical consolidated financial statements and related notes of Banner incorporated into this document by reference from its Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and its Annual Report on Form 10-K for the year ended December 31, 2013, and the historical consolidated financial statements and related notes of Holdings incorporated into this document by reference to Banner s Current Report on Form 8-K filed on December 4, 2014. Audited financial information for Starbuck alone is not available; however, Starbuck comprises more than 99.9% of the consolidated assets and equity of Holdings as of September 30, 2014, and more than 105.0% of Holdings consolidated net income for the nine months ended September 30, 2014 and the twelve months ended December 31, 2013. See the section entitled Where You Can Find More Information beginning on page [ ].

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Pro Forma Consolidated Statements of Financial Condition

September 30, 2014

(in thousands)

	Banner	Siuslaw	Pro Forma Adjustments	Notes	Banner & Siuslaw Combined Pro Forma
ASSETS					
Cash and equivalents	$ 151,725	$ 114,851	$ (7,691)	**A**	$ 258,885
Investment securities	646,996	13,178			660,174
Total cash and securities	798,721	128,029	(7,691)		919,059
Loans receivable	3,806,695	250,111	(5,000)	**B**	4,051,806
Allowance for loan losses	(74,331)	(4,070)	4,070	**C**	(74,331)
Net loans	3,732,364	246,041	(930)		3,977,475
OREO	3,928	3,172			7,100
Premises and equipment	91,291	5,769	2,000	**D**	99,060
Intangibles/CDI	3,362		5,600	**E**	8,962
Goodwill			13,808	**F**	13,808
Deferred taxes	21,830	3,617	(1,520)	**G**	23,927
Other assets	107,893	12,852			120,745
Total Assets	$ 4,759,389	$ 399,480	$ 11,267		$ 5,170,136
LIABILITIES					
Non-interest bearing	$ 1,304,720	$ 101,706	$		$ 1,406,426
Interest bearing deposits	2,686,398	245,606			2,932,004
Total deposits	3,991,118	347,312			4,338,430
Borrowings	67,855				67,855
Junior subordinated debentures	77,624	8,248	(2,327)	**H**	83,545
Other liabilities	48,734	4,438			53,172
Total liabilities	4,185,331	359,998	(2,327)		4,543,002
EQUITY					
Equity (Banner)	574,058		53,076	**I**	627,134
Equity (Siuslaw)		39,482	(39,482)	**J**	
Total Equity	574,058	39,482	13,594		627,134
Total Liabilities and Equity	$ 4,759,389	$ 399,480	$ 11,267		$ 5,170,136

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Pro Forma Consolidated Statements of Financial Condition

September 30, 2014

(in thousands)

	Holdings	Eliminations	Notes	Starbuck	GSB	Pro Forma Adjustments	Notes	Starbuck Combined Pro Forma
ASSETS								
Cash and equivalents	$ 85,230	$		$ 85,230	$ 25,690	$ (60,319)	**A**	$ 50,601
Investment securities	1,058,827			1,058,827	160,896	1,504	**B**	1,221,227
Total cash and securities	1,144,057			1,144,057	186,586	(58,815)		1,271,828
Loans receivable	2,558,193			2,558,193	273,279	(5,938)	**C**	2,825,534
Allowance for loan losses	(15,159)			(15,159)	(3,717)	3,717	**D**	(15,159)
Net loans	2,543,034			2,543,034	269,562	(2,221)		2,810,375
OREO	16,335			16,335	2,462	(1,619)	**E**	17,178
Premises and equipment	72,487			72,487	172	(31)	**F**	72,628
Intangibles/CDI	24,713			24,713		423	**G**	25,136
Goodwill	57,219			57,219		21,615	**H**	78,834
Deferred taxes	128,124			128,124	4,836	76	**I**	133,036
Other assets	108,813	(2)	**A**	108,811	17,256	(74)	**J**	125,993
Total Assets	$ 4,094,782	$ (2)		$ 4,094,780	$ 480,874	$ (40,646)		$ 4,535,008
LIABILITIES								
Non-interest bearing	$ 809,248	$ 519	**B**	$ 809,767	$ 135,002	$		$ 944,769
Interest bearing deposits	2,419,527			2,419,527	274,749	73	**K**	2,694,349
Total deposits	3,228,775	519		3,229,294	409,751	73		3,639,118
Borrowings	251,473			251,473	20,039			271,512
Junior subordinated debentures					8,248	(2,410)	**L**	5,838
Other liabilities	53,222	(67)	**C**	53,155	3,991	536	**M**	57,682
Total liabilities	3,533,470	452		3,533,922	442,029	(1,801)		3,974,150
EQUITY								
Equity (Starbuck)	561,312	(454)	**D**	560,858				560,858
Equity (GSB)					38,845	(38,845)	**N**	

Total Equity	561,312	(454)	560,858	38,845	(38,845)	560,858
Total Liabilities and Equity	$ 4,094,782	$ (2)	$ 4,094,780	$ 480,874	$ (40,646)	$ 4,535,008

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Pro Forma Consolidated Statements of Financial Condition

September 30, 2014

(in thousands)

	Banner & Siuslaw Combined Pro Forma	Starbuck Combined Pro Forma	Pro Forma Adjustments	Notes	Pro Forma Totals
ASSETS					
Cash and equivalents	$ 258,885	$ 50,601	$ (149,712)	**A**	$ 159,774
Investment securities	660,174	1,221,227			1,881,401
Total cash and securities	919,059	1,271,828	(149,712)		2,041,175
Loans receivable	4,051,806	2,825,534	(16,098)	**B**	6,861,242
Allowance for loan losses	(74,331)	(15,159)	15,159	**C**	(74,331)
Net loans	3,977,475	2,810,375	(939)		6,786,911
OREO	7,100	17,178			24,278
Premises and equipment	99,060	72,628	(8,000)	**D**	163,688
Intangibles/CDI	8,962	25,136	17,971	**E**	52,069
Goodwill	13,808	78,834	115,406	**F**	208,048
Deferred taxes	23,927	133,036	(3,161)	**G**	153,802
Other assets	120,745	125,993			246,738
Total Assets	$ 5,170,136	$ 4,535,008	$ (28,435)		$ 9,676,709
LIABILITIES					
Non-interest bearing	$ 1,406,426	$ 944,769	$		$ 2,351,195
Interest bearing deposits	2,932,004	2,694,349			5,626,353
Total deposits	4,338,430	3,639,118			7,977,548
Borrowings	67,855	271,512			339,367
Junior subordinated debentures	83,545	5,838			89,383
Other liabilities	53,172	57,682			110,854
Total liabilities	4,543,002	3,974,150			8,517,152
EQUITY					
Equity (Banner)	627,134		532,423	**H**	1,159,557
Equity (Starbuck)		560,858	(560,858)	**I**	
Total Equity	627,134	560,858	(28,435)		1,159,557
Total Liabilities and Equity	$ 5,170,136	$ 4,535,008	$ (28,435)		$ 9,676,709

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Pro Forma Consolidated Statement of Operations

Nine Months Ended September 30, 2014

(in thousands)

	Banner	Siuslaw	Pro Forma Adjustments	Notes	Banner & Siuslaw Combined Pro Forma
Interest income:					
Interest and fees on loans	$ 131,439	$ 9,377	$		$ 140,816
Interest on cash and securities	9,971	540	(93)	K	10,418
Total interest income	141,410	9,917	(93)		151,234
Interest expense:					
Interest on deposits	5,776	301			6,077
Interest on borrowings	2,423	184	54	L	2,661
Total interest expense	8,199	485	54		8,738
Net interest income before provision	133,211	9,432	(147)		142,496
Loan loss provision expense					
Net interest income after provision for loan losses	133,211	9,432	(147)		142,496
Other operating income:					
Deposit fees and charges	22,237	493			22,730
Mortgage banking operations	7,282	1,476			8,758
Other	12,823	2,397			15,220
Total other operating income	42,342	4,366			46,708
Other operating expense:					
Compensation	57,777	5,558			63,335
Occupancy and equipment	17,055	684	150	M	17,889
Amortization of core deposit intangibles	1,460		630	N	2,090
Other	36,220	4,196			40,416
Total other operating expense	112,512	10,438	780		123,730
Pre-tax income	63,041	3,360	(927)		65,474
Provision for income taxes	20,620	277	(324)	O	20,573
Net income	$ 42,421	$ 3,083	$ (603)		$ 44,901

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Pro Forma Consolidated Statement of Operations

Nine Months Ended September 30, 2014

(in thousands)

	Holdings	Eliminations	Notes	Starbuck	GSB	Pro Forma Adjustments	Notes	Starbuck Combined Pro Forma
Interest income:								
Interest and fees on loans	$ 96,110	$		$ 96,110	$ 9,524	$ 437	**O**	$ 106,071
Interest on cash and securities	18,918			18,918	2,915	204	**P**	22,037
Total interest income	115,028			115,028	12,439	641		128,108
Interest expense:								
Interest on deposits	4,430			4,430	917	21	**Q**	5,368
Interest on borrowings	546			546	312	62	**R**	920
Total interest expense	4,976			4,976	1,229	83		6,288
Net interest income before provision	110,052			110,052	11,210	558		121,820
Loan loss provision expense	1,714			1,714	(400)			1,314
Net interest income after provision for loan losses	108,338			108,338	11,610	558		120,506
Other operating income:								
Deposit fees and charges	11,312			11,312	252			11,564
Mortgage banking operations	2,851			2,851				2,851
Other	19,727	387	**E**	20,114	288			20,402
Total other operating income	33,890	387		34,277	540			34,817
Other operating expense:								
Compensation	60,725	(1,054)	**F**	59,671	5,383			65,054
Occupancy and equipment	17,362			17,362	1,100			18,462
Amortization of core deposit intangibles	2,598			2,598		48	**S**	2,646
Other	31,953	134	**H**	32,087	2,451			34,538
	112,638	(920)		111,718	8,934	48		120,700

Total other operating expense								
Pre-tax income	29,590	1,307		30,897	3,216	510		34,623
Provision for income taxes	12,604	457	**I**	13,061	1,010	179	**T**	14,250
Net income	$ 16,986	$ 850		$ 17,836	$ 2,206	$ 331		$ 20,373

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Pro Forma Consolidated Statement of Operations

Nine Months Ended September 30, 2014

(in thousands)

	Banner & Siuslaw Combined Pro Forma	Starbuck Combined Pro Forma	Pro Forma Adjustments	Notes	Pro Forma Totals
Interest income:					
Interest and fees on loans	$ 140,816	$ 106,071	$ 1,785	**J**	$ 248,672
Interest on cash and securities	10,418	22,037	584	**K**	33,039
Total interest income	151,234	128,108	2,369		281,711
Interest expense:					
Interest on deposits	6,077	5,368			11,445
Interest on borrowings	2,661	920			3,581
Total interest expense	8,738	6,288			15,026
Net interest income before provision	142,496	121,820	2,369		266,685
Loan loss provision expense		1,314			1,314
Net interest income after provision for loan losses	142,496	120,506	2,369		265,371
Other operating income:					
Deposit fees and charges	22,730	11,564			34,294
Mortgage banking operations	8,758	2,851			11,609
Other	15,220	20,402			35,622
Total other operating income	46,708	34,817			81,525
Other operating expense:					
Compensation	63,335	65,054			128,389
Occupancy and equipment	17,889	18,462			36,351
Amortization of core deposit intangibles	2,090	2,646	4,849	**L**	9,585
Other	40,416	34,538			74,954
Total other operating expense	123,730	120,700	4,849		249,279
Pre-tax income	65,474	34,623	(2,480)		97,617
Provision for income taxes	20,573	14,250	(868)	**M**	33,955
Net income	$ 44,901	$ 20,373	$ (1,612)		$ 63,622

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Pro Forma Consolidated Statement of Operations

Twelve Months Ended December 31, 2013

(in thousands)

	Banner	Siuslaw	Pro Forma Adjustments	Notes	Banner & Siuslaw Combined Pro Forma
Interest income:					
Interest and fees on loans	$ 167,204	$ 11,923	$		$ 179,127
Interest on cash and securities	12,508	675	(121)	K	13,062
Total interest income	179,712	12,598	(121)		192,189
Interest expense:					
Interest on deposits	9,737	506			10,243
Interest on borrowings	3,259	249	68	L	3,576
Total interest expense	12,996	755	68		13,819
Net interest income before Provision	166,716	11,843	(189)		178,370
Loan loss provision expense		550			550
Net interest income after provision for loan losses	166,716	11,293	(189)		177,820
Other operating income:					
Deposit fees and charges	26,581	586			27,167
Mortgage banking operations	11,170	2,814			13,984
Other	5,591	3,352			8,943
Total other operating income	43,342	6,752			50,094
Other operating expense:					
Compensation	73,161	8,088			81,249
Occupancy and equipment	21,423	861	200	M	22,484
Amortization of core deposit intangibles	1,941		896	N	2,837
Other	44,450	5,540			49,990
Total other operating expense	140,975	14,489	1,096		156,560
Pre-tax income	69,083	3,556	(1,285)		71,354
Provision for income taxes	22,528	466	(450)	O	22,544
Net income	$ 46,555	$ 3,090	$ (835)		$ 48,810

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Pro Forma Consolidated Statement of Operations

Twelve Months Ended December 31, 2013

(in thousands)

	Holdings	Eliminations	Notes	Starbuck	GSB	Pro Forma Adjustments	Notes	Starbuck Combined Pro Forma
Interest income:								
Interest and fees on loans	$ 133,195	$		$ 133,195	$ 12,779	$ 582	**O**	$ 146,556
Interest on cash and securities	16,103			16,103	3,458	268	**P**	19,829
Total interest income	149,298			149,298	16,237	850		166,385
Interest expense:								
Interest on deposits	5,273			5,273	1,313	28	**Q**	6,614
Interest on borrowings	466			466	320	79	**R**	865
Total interest expense	5,739			5,739	1,633	107		7,479
Net interest income before Provision	143,559			143,559	14,604	743		158,906
Loan loss provision expense	4,211			4,211				4,211
Net interest income after provision for loan losses	139,348			139,348	14,604	743		154,695
Other operating income:								
Deposit fees and charges	13,999			13,999	684			14,683
Mortgage banking operations	6,846			6,846				6,846
Other	22,210	426	**E**	22,636	625			23,261