

**Report of Organizational Actions
Affecting Basis of Securities**

OMB No. 1545-0123

► See separate instructions.

Part I Reporting Issuer

1 Issuer's name Banner Corporation		2 Issuer's employer identification number (EIN) 91-1691064	
3 Name of contact for additional information Rich Arnold	4 Telephone No. of contact (509) 344-5351	5 Email address of contact Rich.Arnold@bannerbank.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 110 S. Ferrall Street		7 City, town, or post office, state, and ZIP code of contact Spokane, WA 99202	
8 Date of action November 1, 2019		9 Classification and description See attachment	
10 CUSIP number 06652 V 208	11 Serial number(s) N/A	12 Ticker symbol BANR	13 Account number(s) N/A

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

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

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

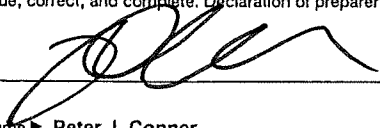
- 16** Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ► See attachment

Part II Organizational Action (continued)

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

18 Can any resulting loss be recognized? ► See attachment

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

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.				
	Signature ► 		Date ► <u>12-16-2019</u>		
	Print your name ► <u>Peter J. Conner</u>		Title ► <u>EVP & Chief Financial Officer</u>		
	Print/Type preparer's name		Preparer's signature	Date	Check <input type="checkbox"/> if self-employed
Paid Preparer Use Only	Firm's name ►			Firm's EIN ►	
	Firm's address ►			Phone no.	

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054

Part I, Box 9: Classification and description:

The securities subject to reporting include all shares of Banner Corporation common stock issued in exchange for the outstanding common stock of AltaPacific Bancorp as a result of the merger of AltaPacific Bancorp with and into Banner Corporation on November 1, 2019 (the "Merger").

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

On November 1, 2019, Banner Corporation (NASDAQ:BANR) ("Banner") and AltaPacific Bancorp ("AltaPacific") announced the successful completion as of November 1, 2019, of the previously announced Merger. Under the Merger agreement AltaPacific merged with and into Banner with Banner as the surviving corporation. Under the terms of the Merger agreement the equity holders of AltaPacific received 1,578,445 shares of Banner common stock. The most recent share closing price of Banner common stock at the time of the Merger was \$53.98 per share for a total value of \$85,204,461. The Merger, including the consideration paid, is more fully described in the proxy/prospectus, which is included in the Registration Statement on Form S-4 that has been filed with the United States Securities and Exchange Commission.

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

Banner believes that the Merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended ("IRC"). Because the quantitative effect of the Merger on tax basis can vary from U.S. taxpayer to U.S. taxpayer, it cannot be expressed as a specific adjustment amount per share or as a percentage of old basis. In general, upon the receipt of Banner common stock in exchange for a U.S. taxpayer's AltaPacific common stock, the holder's basis will either stay the same or be reduced, but it should not increase.

Generally, the aggregate tax basis of the Banner common stock received by a U.S. taxpayer of AltaPacific common stock in the Merger will be the same as the aggregate basis of the AltaPacific common stock for which it is exchanged, increased by the fractional amount of gain recognized on the exchange, other than with respect to cash received instead of a share in Banner common stock. The parties intend that 1,578,445 Banner common stock shares will be received in exchange for 5,820,540 shares of AltaPacific common stock.

An AltaPacific shareholder who receives cash instead of a fractional share will be treated as having received the fractional share pursuant to the Merger and then as having exchanged the fractional share of Banner common stock for cash in a redemption by Banner. In general, this deemed redemption will be treated as a sale or exchange and the shareholder will recognize gain or loss equal to the difference between (i) the amount of cash received and (ii) the portion of the basis of the shares of AltaPacific stock allocable to such fractional interest.

Banner Corporation
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities
AltaPacific Bancorp, merger

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

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

Banner believes that its acquisition of AltaPacific pursuant to the Merger effected on November 1, 2019, qualifies as a reorganization within the meaning of Section 368(a) of the IRC. Consequently, the federal income tax consequences to the AltaPacific shareholders are determined under IRC Sections 302, 354, 356, 358, 361, 1001, 1221 and 1223.

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

In general, each AltaPacific shareholder who receives Banner common stock for all of the shareholder's AltaPacific common stock cannot recognize any loss. An AltaPacific shareholder who receives cash in lieu of a fractional share may recognize loss if the amount of cash received is less than the tax basis in the shareholder's AltaPacific fractional share.

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

- The Merger occurred November 1, 2019. Therefore the tax effects of the Merger should be reported by a U.S. taxpayer in the tax year that includes the date November 1, 2019 (e.g., a shareholder filing a federal income tax return on a calendar year basis would report the transaction for the 2019 calendar year).
- Characterization of recognized gain or loss: Any gain recognized by a U.S. shareholder holding AltaPacific common stock will generally be ordinary or capital gain, and generally be long-term capital gain if the U.S. taxpayer held the surrendered AltaPacific common stock for more than one year as of November 1, 2019.

The information contained herein is not intended to be a complete analysis or description of all potential U.S. federal income tax consequences of the Merger. In addition, this information does not address tax consequences which may vary depending on the individual circumstances of AltaPacific shareholders, or any non-income tax or foreign, state or local tax consequences of the Merger. Accordingly, AltaPacific shareholders are urged to consult their own tax advisors with respect to their individual tax consequences of the Merger. The information in this document does not constitute tax advice and is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the IRC, or (ii) promoting, marketing, or recommending any transaction for matter addressed herein.

	A	B	C	D	E	F	G	H	I	J	K	L						
1	Banner Corporation																	
2	Attachment to IRS Form 8937 (Line 16)																	
3	Report of Organizational Actions Affecting Basis of Securities																	
4	EXAMPLE OF BASIS CALCULATION																	
5																		
6	Assumptions used in following example calculation:																	
7	Banner Corporation stock price per share																	
8	AltaPacific Bancorp stock price per share																	
9	AltaPacific Bancorp stock basis per share																	
10	Sample of AltaPacific Bancorp shares																	
11	Number of shares of Banner Corporation for each share of AltaPacific Bancorp shares (Exchange Ratio)																	
12	Cash consideration per share of AltaPacific stock (none)																	
13																		
14	Example calculation:																	
15																		
16	Step 1:	Tax basis of AltaPacific stock																
17		100 APB shares	*	\$	6.50	basis per share												
18																		
19	Step 2:	Total consideration received by AltaPacific shareholder in merger																
20		100 APB shares	*	0.2712	exchange rate =	27.12	BANR shares											
21		27.12 BANR shares	*	\$	53.98	per share =	\$						1,463.94					
22																		
23	Step 3:	Gain realized in merger																
24		Total consideration received																
25		Less: tax basis of AltaPacific shares exchanged																
26		Total gain realized																
27																		
28	Step 4:	Taxable gain recognized in merger																
29		Taxable gain recognized in tax free merger (lesser of total gain realized or cash consideration)																
30																		
31	Step 5:	Total basis in Banner stock																
32		Tax basis of AltaPacific stock																
33		Less: cash merger consideration																
34		Plus: taxable gain recognized																
35		Total basis of Banner stock (100 AltaPacific shares * 0.2712 = 27.12 Banner shares)																
36																		
37	Step 6:	Taxable gain or loss recognized on fractional share																
38		Fractional BANR shares =																
39		Cash paid in lieu of Banner fractional share (fractional share * BANR price per share)																
40		Less: basis attributable to fractional share																
41		Taxable gain recognized on fractional share																
42																		
43	Step 7:	Final basis in Banner stock																
44		Basis of all AltaPacific stock converted to Banner stock																
45		Less: basis attributable to Banner stock fractional share																
46		Basis in Banner stock for 27 shares																
47																		
48	Final per share basis in Banner stock (basis in Banner stock of 647.12/number of shares of Banner stock of 27)																	
49																		
