8937

(December 2017)
Department of the Treasury
Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

OMB No. 1545-0123

Reporting	Issuer			
1 Issuer's name				2 Issuer's employer identification number (EIN)
Banner Corporation				91-1691064
3 Name of contact for ad	ditional information	4 Telephor	ne No. of contact	5 Email address of contact
Rich Arnold			(509) 344-5351	Rich.Arnold@bannerbank.com
6 Number and street (or F	O.O. box if mail is not	delivered to	street address) of contact	7 City, town, or post office, state, and ZIP code of contact
110 S. Ferrall Street 8 Date of action		O Class	alfication and description	Spokane, WA 99202
O Date of action		9 Class	sification and description	
November 1, 2019		See atta	chment	
10 CUSIP number	11 Serial number(s)	12 Ticker symbol	13 Account number(s)
06652 V 208	N/A		BANR	N/A
Part II Organization	onal Action Attac	h additiona	statements if needed. Se	e back of form for additional questions.
	tional action and, if a			e against which shareholders' ownership is measured for
See att	acnment	·····		
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15 Describe the quantitat share or as a percenta	ive effect of the organ age of old basis ► <u>Se</u>	nizational act e attachmen	ion on the basis of the securi	ty in the hands of a U.S. taxpayer as an adjustment per
16 Describe the calculation valuation dates ► See		sis and the o	data that supports the calcula	tion, such as the market values of securities and the
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		12-2017)			Page
Pa	đЩ	Organizational Action (continue	ed)		
17	List tl	he applicable Internal Revenue Code sect	ion(s) and subsection(s) upon which the tax	treatment is based >	See attachment
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18	Can a	ny resulting loss be recognized? ► See	attachment		
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19	Provid	le any other information necessary to imp	lement the adjustment, such as the reportab	le tax year ► See att	achment
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	Und	der penalties of perjury, I declare that I have ex	amined this return, including accompanying sche	dules and statements, a	and to the best of my knowledge an
	beli	ef, it is true, correct, and complete. Declaration	of preparer (other than officer) is based on all infor	mation of which prepare	er has any knowledge.
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	Prin	t your name Peter J. Conner		Title ► EVP & Chie	ef Financial Officer
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Prep	arer				self-employed
	Only	Firm's name			Firm's EIN ▶
Send I	Form 8	Firm's address > 1937 (including accompanying statements) to: Department of the Treasury, Internal Re		Phone no. n. UT 84201-0054
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Banner Corporation
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities
AltaPacific Bancorp, merger

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.

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Step 7: Final basis in Banner stock Basis of all AltaPacific stock converted to Banner stock Less: basis attributable to Banner stock fractional share Basis in Banner stock for 27 shares Final per share basis in Banner stock (basis in Banner stock of 647.12/number of shares of Banner stock of 27)		ess: basis attribut	able to fractic	onal share							Ϋ́	(2.88) =	# fractional	shares / total shares rec'd * J35
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Basis of all AltaPacific stock converted to Banner stock Less: basis attributable to Banner stock fractional share Basis in Banner stock for 27 shares Final per share basis in Banner stock (basis in Banner stock of 647.12/number of shares of Banner stock of 27)	Step 7:	Final basis in Bann	er stock											
Less: basis attributable to Banner stock fractional share Basis in Banner stock for 27 shares Final per share basis in Banner stock (basis in Banner stock of 647.12/number of shares of Banner stock of 27)		Basis of all AltaPac	fic stock con	verted to Ba	inner stock						s	650.00 =	:116	
Final per share basis in Banner stock (basis in Banner stock of 647.12/number of shares of Banner stock of 27)		Less: basis attribut Basis in Banner sto	able to Banne ck for 27 shar	er stock frac res	tional share						w	(2.88) = 647.12 =	: J40 Sum(J44:J4!	
rinal per share basis in banner stock (basis in banner stock of 647.12/number of shares of Banner stock of 27) \$ 23.97						,		,						
49		Inal per share bas	s in banner s	tock (pasis	in Banner stock of 64	7.12/num	iber of share	es of Ban	ner stock	of 27)	S	23.97	: 146/27	