

Siuslaw Financial Group, Inc. (OTCQB: SFGP; Florence, OR) has agreed to merge with Banner Corporation (NASDAQ: BANR; Walla Walla, WA)

Deal Value: Approximately \$57.5 million

Sandler O'Neill served as financial advisor and provided a fairness opinion to Siuslaw Financial Group, Inc. in this transaction. This transaction represents Sandler O'Neill's 144th bank or thrift transaction nationwide since January 1, 2011. Sandler O'Neill has served as a financial advisor on more bank and thrift transactions than any other investment bank during that time period.¹

Since January 1, 2011, Sandler O'Neill has advised on 28 bank or thrift transactions in the western region, more than any other investment bank. These transactions have an aggregate deal value of \$5.5 billion.¹

WALLA WALLA, Wash. and FLORENCE, Ore., Aug. 7, 2014 -- Banner Corporation ("Banner") (BANR), the holding company for Banner Bank and Islanders Bank, and Siuslaw Financial Group, Inc. ("Siuslaw") (SFGP), the holding company for Siuslaw Bank, an Oregon state chartered commercial bank, today announced the signing of an agreement pursuant to which Banner will acquire Siuslaw and merge it with and into Banner. The agreement also calls for the merger of Siuslaw Bank with and into Banner Bank. The combined company will have approximately \$5.1 billion in assets and will be the fourth largest commercial bank headquartered in the Pacific Northwest, as ranked by assets.

The Boards of Banner and Siuslaw unanimously approved the transaction, which is subject to approval by Siuslaw shareholders, regulatory approval and other customary conditions of closing. The approximately 90% stock and 10% cash transaction provides for shareholders of Siuslaw to receive \$1.41622 in cash plus 0.32231 of a share of Banner common stock in exchange for each share of Siuslaw common stock. In connection with the transaction, the Siuslaw preferred stock will convert to Siuslaw common stock and the preferred shareholders will receive the same merger consideration as the other Siuslaw common shareholders. Based on the Banner closing price of \$39.14 per share on August 7, 2014, the merger consideration would be \$14.03 per Siuslaw share and the transaction would have an aggregate value of \$57.5 million. As of June 30, 2014, Siuslaw had tangible common equity of \$37.9 million. Banner expects the transaction to be immediately accretive to earnings per share, excluding one-time transaction expenses. Upon closing of the transaction, which is anticipated to take place in the latter part of the fourth quarter of 2014.

Financial Highlights (\$ mm)

	<u>BANR</u>	<u>SFGP</u>
Total Assets	\$4,745	\$360
Net Loans	\$3,688	\$242
Deposits	\$3,919	\$309
Equity	\$563	\$38
MRQ ROAA (%)	1.16%	0.96%

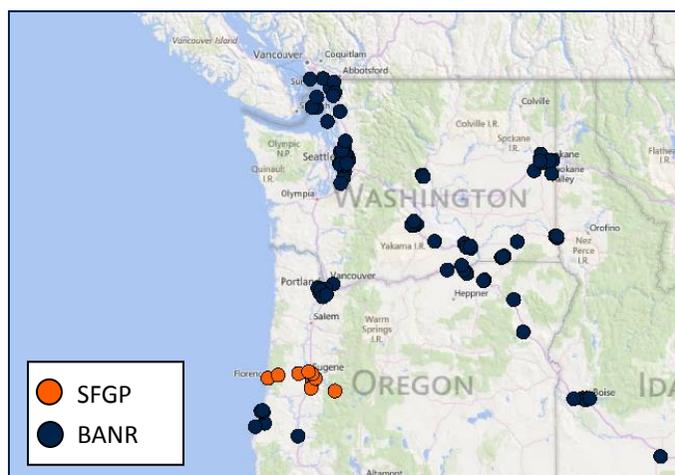
Notes:

¹Includes bank & thrift transactions since January 1, 2011; Excludes terminated transactions and self-advisory roles

Dollars in millions; financial data as of June 30, 2014

Source: SNL Financial

Pro Forma Branch Network



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