

BANNER CORP
Form S-4
July 31, 2007

As filed with the Securities and Exchange Commission on July 31, 2007

Registration No. 333-[_____]

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM S-4
REGISTRATION STATEMENT**

*UNDER
THE SECURITIES ACT OF 1933*

BANNER CORPORATION

(Exact name of registrant as specified in its charter)

Washington

6022

91-1691604

(State or other jurisdiction of incorporation or organization)

(Primary Standard Industrial Classification Code Number)

(I.R.S. Employer
Identification Number)

**10 South First Avenue
Walla Walla, Washington 99362
(509) 527-3636**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Albert H. Marshall, Vice President
Banner Corporation
10 South First Avenue
Walla Walla, Washington 99362
(509) 527-3636**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**Nicholas G. Demmo, Esq.
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Telephone: (212) 403-1000
Facsimile: (212) 403-2000**

**Peter A. Spadoni, Esq.
Jeffers, Danielson, Sonn & Aylward, P.S.
2600 Chester Kimm Road
Wenatchee, WA 98801
Telephone: (509) 662-3685
Fax: (509) 662-2452**

Approximate date of commencement of proposed sale to the public: As soon as practicable following the effectiveness of this Registration Statement and the effective time of the merger described herein.

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If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price (1)	Amount of registration fee (1)
Common Stock, \$.01 par value	340,000	N/A	\$2,670,747	\$82

- (1) Estimated solely for purposes of calculating the registration fee required by Section 6(b) of the Securities Act, and calculated pursuant to Rules 457(f)(2) and 457(f)(3) under the Securities Act, the proposed maximum aggregate offering price of the Registrant's common stock was calculated based upon the book value of shares of NCW Community Bank common stock (the securities to be cancelled in the merger) as follows: (A) the book value of NCW Community Bank of \$9,170,747 on June 30, 2007, less (B) the amount of cash paid by the Registrant in exchange for shares of NCW Community Bank common stock (which equals \$6.5 million).

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this document is not complete and may be changed. We may not sell the securities offered by this document until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

PRELIMINARY SUBJECT TO COMPLETION DATED JULY 31, 2007

[NCW COMMUNITY BANK LOGO]

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

On June 27, 2007, we entered into a merger agreement with Banner Corporation (Banner) providing for the merger of NCW Community Bank into Banner Bank, a subsidiary of Banner. Before we can complete the merger, we must obtain the approval of the shareholders of NCW. We are sending you this document to ask you to vote in favor of the approval and adoption of the merger agreement.

If the merger is completed, NCW shareholders will be entitled to receive, in exchange for each share of NCW common stock they hold at the time of the merger, consideration equal to the pro rata share of (i) 340,000 shares of Banner common stock, plus (ii) \$6.5 million in cash, subject to possible adjustments, as discussed in this proxy statement/prospectus.

Except as described above, the value of the merger consideration will fluctuate with the market price of Banner common stock, which trades on the Nasdaq Global Select Market (the Nasdaq) under the symbol BANR. As an example, based on the closing price of \$[] of Banner common stock on the Nasdaq on [], 2007, and [] fully diluted NCW common shares outstanding as of such date (which includes shares attributable to outstanding options), each share of NCW common stock would be converted into the right to receive approximately \$[] in cash and approximately [] shares of Banner common stock, having a market value of approximately \$[]. As an additional example, based on the closing price of \$35.20 of Banner common stock on the Nasdaq on June 27, 2007, and 459,111 fully diluted NCW common shares outstanding as of such date (which includes shares attributable to outstanding options), each share of NCW common stock would be converted into the right to receive approximately \$14.16 in cash and approximately 0.7406 shares of Banner common stock, having a market value of approximately \$40.23.

Your vote is important. We cannot complete the merger of Banner Bank and NCW unless NCW shareholders approve and adopt the merger agreement. **NCW shareholders failure to vote will have the same effect as voting against the merger**The special meeting of the shareholders of NCW will be held [insert place, date, time]. **The NCW board of directors unanimously recommends that NCW shareholders vote FOR approval and adoption of the merger agreement.**

This document gives you detailed information about the NCW shareholder meeting and the proposed merger and includes a copy of the merger agreement. This document also provides important information regarding Banner. **We urge you to read this document carefully, including Risk Factors beginning on page [] for a discussion of the risks relating to the merger**You also can obtain information about Banner from documents that it has filed with the Securities and Exchange Commission by following the instructions under Where You Can Find More Information. Whether or not you plan to attend the special meeting, to ensure your shares are represented at the meeting, please vote as soon as possible by completing and submitting the enclosed proxy card.

[INSERT GRAPHIC OF SIGNATURE]

Melvin J. Hanson

*President and Chief Executive Officer
NCW Community Bank*

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the shares of common stock to be issued by Banner under this document or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

This document is dated [], 2007, and is being first mailed to NCW shareholders on or about [], 2007.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON [], 2007

To the Shareholders of NCW Community Bank:

We will hold a special meeting of NCW shareholders on [], 2007, at [], local time, at [] for the following purposes:

1. To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of June 27, 2007, among Banner Corporation, Banner Bank and NCW Community Bank, as it may be amended from time to time, pursuant to which NCW will merge with and into Banner Bank;
2. To vote upon an adjournment or postponement of the NCW special meeting, if necessary, to solicit additional proxies.
3. To transact any other business as may properly be brought before the NCW special meeting or any adjournment or postponement of the NCW special meeting.

Only holders of record of NCW common stock at the close of business on [], 2007 are entitled to notice of, and to vote at, the NCW special meeting or any adjournments or postponements of the NCW special meeting. **To ensure your representation at the NCW special meeting, please complete and promptly mail your proxy card in the return envelope enclosed.** This will not prevent you from voting in person, but will help to secure a quorum and avoid added solicitation costs. Your proxy may be revoked at any time before it is voted. Please review the proxy statement/prospectus accompanying this notice for more complete information regarding the merger and the NCW special meeting.

NCW shareholders have a right to dissent from the merger and obtain payment of the fair value of their NCW shares under Washington law. A copy of the applicable Washington statutory provisions regarding dissenters' rights is attached as Annex C to the accompanying proxy statement/prospectus. For details on your dissenters' rights and applicable procedures, please see the discussion Dissenters' Rights beginning on page [__].

The board of directors of NCW unanimously recommends that NCW shareholders vote **FOR** the proposal to approve and adopt the merger agreement.

By Order of the Board of Directors,

[INSERT GRAPHIC OF SIGNATURE]

Melvin J. Hansen

President and Chief Executive Officer

Wenatchee, Washington

[], 2007

ADDITIONAL INFORMATION

This document incorporates important business and financial information about Banner Corporation from documents filed with the Securities and Exchange Commission, which in this document we refer to as the SEC, that are not included in or delivered with this document.

Banner will provide you with copies of this information relating to Banner, without charge, upon written or oral request to:

Banner Corporation

10 South First Avenue
Walla Walla, Washington 99362
Attention: Investor Relations
Telephone: (509) 527-3636

In order to receive timely delivery of the documents in advance of the special meeting, you must request the information no later than [], 2007.

You may also obtain the documents filed by Banner with the SEC at the SEC's website, www.sec.gov, and you may obtain certain of these documents at Banner's website, www.bannerbank.com, by selecting BANR SEC Filings. Information contained on the Banner website is expressly not incorporated by reference into this document.

You should rely only on the information contained in or incorporated by reference into this document to vote on the proposals to NCW's shareholders in connection with the merger. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this document. This document is dated [], 2007. You should not assume that the information contained in, or incorporated by reference into, this document is accurate as of any date other than that date. Neither the mailing of this document to NCW shareholders nor the issuance by Banner of common stock in connection with the merger will create any implication to the contrary.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this document regarding Banner has been provided by Banner and information contained in this document regarding NCW has been provided by NCW.

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Agreement and Plan of Merger, dated as of June 27, 2007, by and among Banner Corporation, Banner Bank and NCW Community Bank	Annex A
Opinion of McAdams Wright Ragen, Inc., dated June 27, 2007	Annex B
Copy of Section 30.49.090 of the Revised Code of Washington	Annex C

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What matters will be considered at the NCW shareholder meeting?

A: At the NCW special meeting, NCW shareholders will be asked to vote in favor of approving and adopting the merger agreement.

Q: What will I receive in the merger?

A: For each share of NCW common stock which you own, you will receive a pro rata share (based on the number of NCW shares outstanding) of (i) 340,000 shares of Banner common stock and (ii) \$6.5 million in cash. Assuming 459,111 shares of NCW common stock outstanding and a Banner common stock value of \$[] per share, you would receive consideration with a value equal to \$[].

Q: Why is my vote important?

A: The merger agreement must be approved and adopted by the holders of two-thirds of the outstanding shares of NCW common stock. Accordingly, if an NCW shareholder abstains or fails to vote that will have the same effect as a vote against approval and adoption of the merger agreement.

Q: What do I need to do now in order to vote?

A: After you have carefully read this document, please complete, sign and date the enclosed proxy card or voting instruction card and return it in the postage-paid envelope as soon as possible so that your shares will be represented and voted at the NCW special meeting.

Q: When and where is the shareholder meeting?

A: The NCW special meeting will take place at [] on [], 2007. The location of the NCW special meeting is [].

Q: Should I send in my NCW stock certificates with my proxy card?

A: No. Please DO NOT send your NCW stock certificates with your proxy card. Shortly after the merger is completed you will receive a letter of transmittal with instructions, which you should carefully review and follow, regarding how to surrender your NCW stock certificates.

Q: How do I vote my shares if my shares are held in street name ?

A: You should contact your broker or bank. Your broker or bank can give you directions on how to instruct the broker or bank to vote your shares. Your broker or bank will not vote your shares unless the broker or bank receives appropriate instructions from you. For NCW shareholders, your failure to vote will have the same effect as a vote AGAINST approval and adoption of the merger agreement. You should therefore provide your broker or bank with instructions as to how to vote your shares.

Q: If I hold shares of NCW common stock through my NCW 401(k) plan, will I be allowed to vote these shares on the merger?

A: Yes. If you participate in the NCW 401(k) Plan, you may vote the number of NCW shares in your account on the record date by following the instructions that are being provided to NCW 401(k) Plan participants separately. The trustee will vote your shares in accordance with your instructions, if you meet the deadline for submitting your vote. This deadline may be earlier than the deadline generally applicable to NCW shareholders. If you do not send instructions, the trustee will have discretion to vote the shares credited to your account.

Q: What if I want to change my vote after I have delivered my proxy card?

A: You may change your vote at any time before your proxy is voted at the shareholder meeting. If you are the record holder of your shares, you can do this in any of the three following ways:

- by sending a written revocation to the secretary of NCW in time to be received before the special meeting of shareholders stating that you would like to revoke your proxy;
- by properly completing another proxy card that is dated later than the original proxy and returning it in time to be received before the special meeting of shareholders; or
- by voting in person at the special meeting of shareholders if your shares of NCW common stock are registered in your name rather than in the name of a broker or bank.

If you hold your shares in street name, you should contact your broker or bank to give it instructions to change your vote.

Q: Are NCW shareholders entitled to dissenters rights?

A: Holders of NCW common stock have the right to dissent from the merger and to receive payment in cash for the value of their shares of NCW common stock. The value of the shares of NCW common stock of dissenting shareholders may be more than, less than or equal to the value of the merger consideration. If you are an NCW shareholder seeking to preserve your statutory dissenters rights, you must carefully follow the procedures described in the section entitled The Merger Dissenters Rights on pages [__] and prescribed by Section 30.49.090 of the Revised Code of Washington, a copy of which is reprinted in its entirety and attached to this document as Annex C. Your failure to comply precisely with all procedures required by Washington law may result in the loss of your dissenters rights.

Q: Whom can I call with questions about the shareholder meeting or the merger?

A: If you have questions about the merger or the NCW special meeting of shareholders or you need additional copies of this document, or if you have questions about the process for voting or if you need a replacement proxy card, you should contact:

NCW Community Bank
701 N. Chelan Avenue
Wenatchee, Washington 98801
Attention: Melvin J. Hanson, President & CEO
Telephone: (509) 667-1657

SUMMARY

This summary highlights selected information from this document and may not contain all of the information that is important to you. You should carefully read this entire document and the other documents to which this document refers to fully understand the merger. See Where You Can Find More Information on page [__]. Most items in this summary include a page reference directing you to a more complete description of those items.

NCW Will Merge into Banner Bank (see pages []-[])

We propose a merger of NCW with and into Banner Bank. As a result, Banner Bank will continue as the resulting bank.

NCW Shareholders Will Receive Cash and Shares of Banner Common Stock in the Merger (see pages []-[])

If the merger is completed, Banner will deliver 340,000 shares of Banner common stock and \$6.5 million in cash to NCW shareholders, who will become entitled to receive their pro rata share of this aggregate consideration. The number of shares or the amount of cash consideration is subject to certain adjustments and could also vary if the price of Banner stock rises above or falls below certain thresholds. See The Merger Agreement Termination of the Merger Agreement General.

Except as described above, the value of the merger consideration will fluctuate with the market price of Banner common stock. As an example, based on the closing price of \$[] of Banner common stock on the Nasdaq on [], 2007, and [] NCW common shares outstanding as of such date, each share of NCW common stock would be converted into the right to receive approximately \$[] in cash and approximately [] shares of Banner common stock, having a market value of approximately \$[].

What Holders of NCW Stock Options Will Receive (see page [])

When we complete the merger, stock options to acquire NCW common stock that are outstanding immediately before the completion of the merger will automatically be cancelled and the holders will not have any further rights with respect to such options.

The Merger Has Been Structured to Be Generally Tax-Free to Holders of NCW Common Stock to the Extent They Receive Banner Common Stock (see pages [])

The exchange by U.S. holders of NCW common stock for Banner common stock has been structured to be generally tax free for U.S. federal income tax purposes, except that:

- U.S. holders of NCW common stock generally will recognize gain, but not loss, to the extent of the cash received; and
- U.S. holders of NCW common stock generally will recognize gain or loss with respect to cash received instead of fractional shares of Banner common stock that such holders would otherwise be entitled to receive.

For further information, please refer to [The Merger](#) [Material U.S. Federal Income Tax Consequences of the Merger](#).

Dividend Policy of Banner (see page [])

The holders of Banner common stock receive dividends if and when declared by the Banner board of directors out of legally available funds. Banner declared quarterly cash dividends of \$0.19 per share of common stock for the first two quarters of 2007 and the fourth quarter of 2006 and \$0.18 for each of the first three quarters of 2006. Following the completion of the merger, Banner expects to continue paying quarterly cash dividends on a basis consistent with past practice. However, the declaration and payment of dividends will depend upon business conditions, operating results, capital and reserve requirements and consideration by the Banner board of directors of other relevant factors.

Prior to completion of the merger, NCW shareholders will not receive any regular dividends declared and paid by Banner. See [The Merger Agreement](#) [Conversion of Shares; Exchange of Certificates](#) [Dividends and Distributions](#).

NCW's Financial Advisor Has Provided an Opinion as to the Fairness of the Merger Consideration, from a Financial Point of View, to NCW's Shareholders (see pages [])

McAdams Wright Ragen, Inc. or [McAdams Wright](#) has provided an opinion to the NCW board of directors, dated as of June 27, 2007, that, as of that date, and subject to and based upon the qualifications and assumptions set forth in its opinion, the consideration to be received by the holders of NCW common stock in the merger was fair, from a financial point of view, to such shareholders. We have attached to this document the full text of [McAdams Wright's](#) opinion as Annex B, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by [McAdams Wright](#) in connection with its opinion. We urge you to read the opinion in its entirety. The opinion of [McAdams Wright](#) is addressed to the board of directors of NCW and is among many factors considered by the board in deciding to approve the merger agreement and the transactions contemplated by the merger agreement, is directed only to the consideration to be paid in the merger and does not constitute a recommendation to any shareholder as to how that shareholder should vote on the merger agreement. Pursuant to an engagement letter between NCW and [McAdams Wright](#), NCW has agreed to pay [McAdams Wright](#) a fee, a substantial portion of which is payable only upon completion of the merger.

NCW's Board of Directors Recommends that NCW Shareholders Vote FOR Approval and Adoption of the Merger Agreement (see page [])

NCW's board of directors has unanimously determined that the merger and the merger agreement are advisable to, and in the best interests of, NCW shareholders and unanimously recommends that NCW shareholders vote FOR the proposal to approve and adopt the merger agreement.

In reaching its decision to approve the merger agreement, NCW's board of directors consulted with certain of its senior management and with its legal and financial advisors and also

considered the factors described under The Merger NCW's Reasons for the Merger; Recommendation of NCW's Board of Directors.

Interests of NCW Executive Officers and Directors in the Merger (see pages []-[])

In considering the information contained in this document, you should be aware that NCW's executive officers and directors have financial interests in the merger that may be different from, or in addition to, the interests of NCW shareholders. These additional interests of NCW's executive officers and directors may create potential conflicts of interest and cause some of these persons to view the proposed transaction differently than you may view it as a shareholder.

NCW's board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement. For information concerning these interests, please see the discussion under the caption The Merger Interests of NCW Executive Officers and Directors in the Merger.

Non-Solicitation (see pages []-[])

NCW has agreed that it will not solicit or encourage any inquiries or proposals regarding any acquisition proposals by third parties. However, NCW may respond to unsolicited proposals in certain circumstances if required by its board of directors' fiduciary duties. Upon receiving any such proposal, NCW must promptly notify Banner.

Conditions to Completion of the Merger (see pages []-[])

Each of Banner's and NCW's obligations to complete the merger is subject to the satisfaction or waiver of a number of mutual conditions including:

- the approval and adoption of the merger agreement by NCW shareholders; and
- the absence of any statute, regulation, rule, decree, injunction or other order in effect by any court or other governmental entity that prohibits completion of the transactions contemplated by the merger agreement.

Each of Banner's and NCW's obligations to complete the merger is also separately subject to the satisfaction or waiver of a number of conditions including:

- the receipt by the party of a legal opinion from its counsel to the effect that the merger will be treated as a reorganization for U.S. federal income tax purposes;
- the receipt and effectiveness of all regulatory approvals, registrations and consents, and the expiration of all waiting periods required to complete the merger; and
- the other company's representations and warranties in the merger agreement being true and correct, subject to the materiality standards contained in the merger

agreement, and the performance by the other party in all material respects of its obligations under the merger agreement.

Banner's obligation to complete the merger is further subject to the condition that the regulatory approvals received in connection with the completion of the merger not include any conditions or restrictions that, in the aggregate, would reasonably be expected to have a material adverse effect on NCW or Banner, with materiality being measured on a scale relative to NCW.

Termination of the Merger Agreement (see page [])

Banner and NCW may mutually agree at any time to terminate the merger agreement without completing the merger, even if shareholders have approved the merger. Also, either of Banner or NCW can terminate the merger agreement in various circumstances, including the following:

- if a governmental entity which must grant a regulatory approval as a condition to the merger denies approval of the merger or any governmental entity has issued an order prohibiting the merger and such action has become final and non-appealable;
- if the merger is not completed, subject to certain exceptions, by February 1, 2008 (other than because of a breach of the merger agreement caused by the party seeking termination);
- if the other party breaches the merger agreement in a way that would entitle the party seeking to terminate the agreement not to consummate the merger, subject to the right of the breaching party to cure the breach within 45 days following written notice (unless it is not possible due to the nature or timing of the breach for the breaching party to cure the breach); or
- if the approval and adoption of the merger agreement by NCW shareholders is not obtained.

Banner may also terminate the merger agreement:

- if NCW has materially breached its non-solicitation obligations described under The Merger Agreement No Solicitation of Alternative Transactions ;
- if NCW's board has failed to recommend in this proxy statement/prospectus the approval of the merger agreement by its shareholders, recommended any alternative transaction proposals with third parties or failed to call a meeting of its shareholders; or
- if the twenty-day average closing price of Banner common stock exceeds \$39.90 (subject to NCW's right to accept a reduction in the merger consideration and thereby prevent such termination as described under The Merger Agreement Termination of the Merger Agreement).

NCW may also terminate the merger agreement if the twenty-day average closing price of Banner common stock is less than \$30.83 (subject to Banner's right to increase the merger consideration and thereby prevent such termination as described under "The Merger Agreement - Termination of the Merger Agreement").

Dissenters' Rights (see pages [])

Under Washington law, any NCW shareholder may dissent from the merger and receive the value of his or her shares of NCW common stock in cash if such shareholder follows the procedures described in Annex C, and summarized at pages [] of this document.

NCW Will Hold its Special Meeting on [], 2007 (see page [])

The NCW special meeting will be held at [], on [] at [] a.m., local time. At the special meeting, NCW shareholders will be asked:

- to approve and adopt the merger agreement;
- to vote upon an adjournment or postponement of the NCW special meeting, if necessary, to solicit additional proxies; and
- to transact any other business as may properly be brought before the NCW special meeting or any adjournment or postponement of the NCW special meeting.

You are entitled to vote at the NCW special meeting if you owned NCW common stock at the close of business on [], 2007. On that date, there were [] shares of NCW common stock outstanding and entitled to vote, approximately []% of which were owned and entitled to be voted by NCW directors and executive officers and their affiliates. You are entitled to cast one vote for each share of NCW common stock you owned on that date. In order to approve and adopt the merger agreement, the holders of two-thirds of the outstanding shares of NCW common stock entitled to vote must vote in favor of doing so.

NCW's Directors Have Agreed to Vote in Favor of the Merger (page [])

In consideration of Banner agreeing to enter into the merger agreement, each of the members of NCW's board of directors entered into support agreements with Banner under which they agreed to vote, and gave Banner an irrevocable proxy to vote, their shares of NCW common stock in favor of the merger agreement and against any competing acquisition transaction. The shares subject to these support agreements represent approximately []% of the outstanding shares of NCW common stock as of the record date.

Regulatory Approvals Required for the Merger (see pages [])

Completion of the transactions contemplated by the merger agreement is subject to various regulatory approvals, including approval from the Federal Deposit Insurance Corporation and the Washington Department of Financial Institutions. Banner and NCW have completed, or will complete, filing all of the required applications and notices with regulatory authorities. Although we do not know of any reason why we would not be able to obtain the necessary

regulatory approvals in a timely manner, we cannot be certain when or if we will receive these approvals.

COMPARATIVE PER SHARE MARKET PRICE INFORMATION

Banner common stock trades on the Nasdaq under the symbol BANR. The following table presents the closing sale prices of Banner common stock on June 27, 2007, the last trading day before we announced the merger agreement and [], 2007, the last practicable trading day prior to mailing this document. The table also presents the equivalent value of the merger consideration per share of NCW common stock on those dates, assuming 459,111 and [] NCW common shares outstanding as of such dates.

<u>Date</u>	<u>Banner Closing Price</u>	<u>Equivalent Per Share Value</u>
June 27, 2007	\$ 35.20	\$ 40.23
[], 2007	\$ [.]	\$ [.]

The market price of Banner common stock will fluctuate prior to the merger. You should obtain current stock price quotations for Banner common stock.

SELECTED HISTORICAL FINANCIAL DATA**Selected Consolidated Historical Data of Banner**

Set forth below are highlights from Banner's consolidated financial data as of and for the years ended December 31, 2002 through 2006 and as of and for the three months ended March 31, 2007 and 2006. You should read this information in conjunction with Banner's consolidated financial statements and related notes included in Banner's Annual Report on Form 10-K for the year ended December 31, 2006 and on Form 10-Q for the three months ended March 31, 2007, which is incorporated by reference in this document and from which this information is derived. See [Where You Can Find More Information](#) on page 69.

Banner Summary of Consolidated Financial Data

	At or For the Three Months			At or For the Years Ended December 31			
	Ended March 31,						
	2007	2006	2006	2005	2004	2003	2002
Period End Balances (in thousands)							
Total assets	\$ 3,569,775	\$ 3,121,957	\$ 3,495,566	\$ 3,040,555	\$ 2,897,067	\$ 2,635,313	\$ 2,263,172
Loans receivable, net	2,975,522	2,538,637	2,930,455	2,408,833	2,063,238	1,700,865	1,546,927
Cash and securities(1)	371,951	381,928	347,410	427,681	649,516	779,472	567,385
Deposits	2,921,148	2,416,456	2,794,592	2,323,313	1,925,909	1,670,940	1,497,778
Borrowings(2)	311,919	445,772	404,330	459,821	723,842	738,699	546,945
Stockholders' equity	281,470	225,685	250,227	221,665	215,220	202,800	190,377
Shares outstanding excluding unearned, restricted shares held in ESOP	12,739	11,845	12,074	11,782	11,482	11,039	10,791
Operating Data (in thousands)							
Interest income	65,446	52,987	243,019	\$ 190,160	\$ 156,230	\$ 140,441	\$ 144,276
Interest expense	33,269	23,083	116,114	81,377	59,915	59,848	65,969
Net interest income	32,177	29,904	126,905	108,783	96,315	80,593	78,307
Provision for loan losses	1,000	1,200	5,500	4,903	5,644	7,300	21,000
Net interest income after provision for loan losses	31,177	28,704	121,405	103,880	90,671	73,293	57,307
Mortgage banking operations	1,355	1,152	5,824	5,647	5,522	9,447	6,695
Gain (loss) on sale of securities	-	-	65	(7,302)	141	63	27
Other operating income	4,979	3,350	14,686	12,199	11,305	10,071	9,155