

**Skagit Bancorp, Inc. (Private; Burlington, WA) has agreed to merge with Banner Corporation (Nasdaq: BANR; Walla Walla, WA)**

**Deal Value: Approximately \$191.1 Million**

Sandler O'Neill acted as exclusive financial advisor and rendered a fairness opinion to Skagit Bancorp, Inc. in this transaction.

This merger represents the largest announced bank or thrift M&A transaction in the State of Washington since 2014.

Sandler O'Neill has advised on 34 bank or thrift transactions in the Western Region since January 1, 2014 representing \$10.9 billion in aggregate transaction value, more transactions and transaction value than any other investment bank during that time period.<sup>1</sup>

**WALLA WALLA, Wash. and BURLINGTON, Wash., July 25, 2018** -- Banner Corporation ("Banner") (NASDAQ: BANR), the holding company for Banner Bank and Islanders Bank, and Skagit Bancorp, Inc. ("Skagit"), the holding company for Skagit Bank, a Washington state-chartered commercial bank, today announced that they have entered into a definitive merger agreement pursuant to which Banner will acquire Skagit in an all-stock transaction, subject to the terms and conditions set forth therein. Under the merger agreement, Skagit will merge with and into Banner, and immediately thereafter Skagit Bank will merge with and into Banner Bank. The combined company will have approximately \$11.4 billion in assets.

Upon completion of the merger, Cheryl R. Bishop, Skagit's Chief Executive Officer, will join the Banner board of directors.

The boards of directors of Banner and Skagit each unanimously approved the transaction. Pursuant to the merger agreement, Skagit shareholders will receive 5.6664 shares of Banner common stock in exchange for each share of Skagit common stock, subject to potential adjustment as provided in the merger agreement. Based on the closing price of \$61.60 per share of Banner common stock on July 25, 2018, the merger consideration would have an aggregate value of approximately \$191.1 million. Banner expects the transaction to be immediately accretive to earnings per share, excluding one-time transaction expenses.

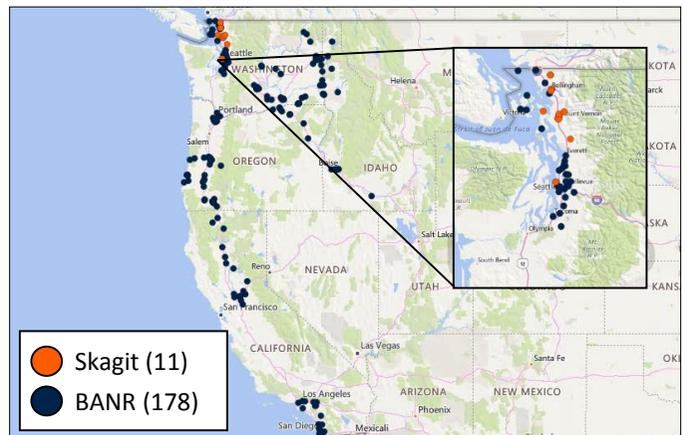
The transaction is subject to approval by Skagit shareholders, regulatory approvals and other customary closing conditions and is expected to close late in the fourth quarter of 2018.

**Financial Highlights (\$ millions)<sup>2</sup>**

	<u>BANR</u>	<u>Skagit</u>
Total Assets	\$10,379	\$922
Gross Loans	\$7,685	\$599
Deposits	\$8,528	\$811
Equity	\$1,253	\$80
YTD ROAA <sup>3</sup>	1.21%	1.20%
TCE / TA	9.79%	8.68%

1: Excludes terminated transactions and self-advisory roles  
 2: Data as of June 30, 2018  
 3: YTD ROAA based on bank-level information for Skagit  
 Source: S&P Global Market Intelligence, company filings

**Pro Forma Branch Network**



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