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NEWS RELEASE

BANNER CORPORATION'S NET INCOME INCREASES 8% FOR FIRST QUARTER; NET INTEREST INCOME CLIMBS 11% AS LOANS GROW 20%

Walla Walla, WA – April 28, 2005 – Banner Corporation (Nasdaq: BANR), the parent company of Banner Bank, today reported that continued strong growth in loans and core deposits contributed to an increase in profits for the first quarter ended March 31, 2005, compared to the first quarter a year ago. For the first quarter of 2005, the Company's net income increased 8% to \$4.7 million, or \$0.39 per diluted share, compared to \$4.4 million, or \$0.38 per diluted share, for the first quarter of 2004.

"We have had a very busy first quarter with the grand opening of five new branches in western Washington," said D. Michael Jones, President and Chief Executive Officer. "We recently opened branch offices in Kent, Everett, Edmonds, Lynnwood and Mercer Island and we relocated branches in Lynden and Spokane. We are encouraged by the deposit growth and customer activity these new locations have experienced. We also saw significant progress on construction of new offices in Vancouver and Walla Walla, Washington and Boise, Idaho. In addition, we moved forward on the four other southwestern Idaho branch offices we expect to open later this year. Over time, this expansion should improve our cost of funds and build long-term franchise value. However, this branch expansion activity does not come without a cost. As we hire staff and incur operating expenses ahead of earnings, these new branches will initially reduce our profitability. As previously announced, during 2005 we expect to incur net after-tax costs of approximately \$2.5 million from the opening of these facilities."

"We also launched an international banking department earlier in the quarter. We previously outsourced these services to bigger banks but as customer requests for better international service increased we saw a new opportunity," said Jones. "The department will allow us to offer expanded letter of credit services and will soon offer trade financing, currency exchange and foreign wire transfers. There are an estimated 4,000 businesses in the Puget Sound region that now trade overseas."

First Quarter 2005 Highlights (Compared to First Quarter 2004)

- Loans increased 20% to \$2.13 billion.
- Non-interest bearing deposits increased 26% and total deposits grew 14% to \$1.99 billion.
- Non-performing assets declined by 36%.
- Net interest income, after the provision for loan loss, increased 13% to \$24.0 million.
- Revenues increased 10% to \$29.2 million.
- Assets increased 10% to \$2.97 billion.
- Opened five new branches in the Puget Sound area.
- Launched an international banking department.

Income Statement Review

Banner's net interest margin was 3.71% for the first quarter of 2005, compared to 3.70% in the first quarter a year ago. Banner's fourth quarter net interest margin was 3.72%. "Although we saw strong loan growth and increasing asset yields for the first quarter, our net interest margin remained steady as a result of higher funding costs," said Jones. Funding costs were up 16 basis points compared to the previous quarter and up 31 basis points from the first quarter a year earlier. Asset yields were also higher, increasing by 15 and 30 basis points, respectively, compared to the quarters ended December 31, 2004 and March 31, 2004.

For the first quarter, net interest income before the provision for loan losses increased 11% to \$25.2 million, compared to \$22.7 million in the same quarter a year ago, reflecting strong loan growth and improved credit quality. Revenues (net interest income before the provision for loan losses plus other operating income) increased 10% to \$29.2 million, compared to \$26.5 million for the same quarter of 2004. Banner's net interest income, after the provision for loan losses, increased 13% for the first quarter of 2005 compared to the same period a year ago.

Total other operating income for the first quarter increased 5% to \$4.0 million, compared to \$3.8 million for the same quarter last year. Income from deposit fees and other service charges increased to \$2.0 million in the first quarter, compared to \$1.8 million for the same period in 2004. Mortgage banking operations and loan servicing fees increased 10% to \$1.7 million in the first quarter compared to \$1.5 million for the first quarter a year ago.

As a result of Banner's expansion strategy and its increased size, other operating expense was \$21.3 million for the quarter ended March 31, 2005, compared to \$18.8 million for the first quarter a year ago and \$20.4 million for the fourth quarter of 2004. The ratio of other operating expense (expense ratio) to average assets was 2.95% for the first quarter, compared to 2.85% for the fourth quarter of 2004 and 2.88% for the first quarter of 2004.

"We have added to our Puget Sound-area presence with new branches in Kent, Everett, Edmonds, Lynnwood and Mercer Island, Washington. These branches are in the heart of Puget Sound, a thriving business community with ties to aerospace, computer software, biomedical research, medical technology and international business. This franchise expansion has already added to our balance sheet, with new loans and deposits. While these new locations will increase our overhead expenses and temporarily decrease our short-term profitability, over time they should help reduce our dependence on borrowed funds and improve our net interest margin," said Jones.

Balance Sheet Review

"Our loan portfolio continued to grow at double-digit rates," said Jones. "Our lending personnel have generated steady growth in commercial and multifamily real estate loans, construction and land loans, and commercial and agricultural business loans, which combined now account for 82% of the loan portfolio." Net loans increased 20%, to \$2.13 billion at March 31, 2005, from \$1.77 billion a year ago. Assets reached a record \$2.97 billion, a 10% increase from \$2.71 billion a year earlier.

"Our deposit growth was solid this quarter, in part reflecting some of our new locations, but also resulting from continued success at many of our existing branches," added Jones. Total deposits grew 14%, to \$1.99 billion, compared to \$1.75 billion at March 31, 2004. Non-interest bearing deposits increased 26% at March 31, 2005 compared to March 31, 2004, and increased 10% compared to the quarter ended December 31, 2004. Transaction and savings accounts grew 28% during the twelve months ending March 31, 2005, while certificates of deposit increased only 4% as Banner continues to change its funding mix. Book value per share was \$18.55 at March 31, 2005, compared to \$18.81 a year earlier. Tangible book value per share was \$15.40 at March 31, 2005, compared to \$15.53 a year earlier.

Credit Quality

"Compared to a year earlier, our key credit quality ratios improved as a result of a 36% reduction in non-performing assets," said Jones. Non-performing assets were \$18.9 million, or 0.64% of total assets, at March 31, 2005, compared to \$29.6 million, or 1.09% of total assets, at March 31, 2004. The provision for loan losses for the first quarter was \$1.2 million, compared to \$1.5 million in the same quarter of 2004. Net loan charge-offs in the first quarter of 2005 were 0.05% of average loans outstanding. At March 31, 2005, the allowance for loan losses totaled \$29.7 million, representing 1.38% of total loans outstanding.

Conference Call

The Company will host a conference call today, Thursday, April 28, 2005, at 8:00 a.m. PDT, to discuss first quarter results. The conference call can be accessed live by telephone at 303-262-2211. To listen to the call online, go to the Company's website at www.bannerbank.com or to www.fulldisclosure.com. Institutional investors may access the call via the subscriber-only site, www.streetevents.com. An archived recording of the call can be accessed by dialing 303-590-3000, passcode 11027824# until Thursday, May 5, 2005 or via the Internet at www.fulldisclosure.com.

About the Company

Banner Corporation is the parent company of Banner Bank, a commercial bank, which operates a total of 51 branch offices and 13 loan offices in 23 counties in Washington, Oregon and Idaho. Banner Bank serves the Pacific Northwest region with a full range of deposit services and business, commercial real estate, construction, residential, agricultural and consumer loans. Visit Banner Bank on the Web at www.bannerbank.com.

Statements concerning future performance, developments or events, expectations for earnings, growth and market forecasts, and any other guidance on future periods, constitute forward-looking statements, which are subject to a number of risks and uncertainties that are beyond Banner's control and might cause actual results to differ materially from the expectations and stated objectives. Factors which could cause actual results to differ materially include, but are not limited to, regional and general economic conditions, management's ability to generate continued improvement in asset quality and profitability, changes in interest rates, deposit flows, demand for mortgages and other loans, real estate values, competition, loan delinquency rates, the successful operation of the newly-opened branches and loan offices, changes in accounting principles, practices, policies or guidelines, changes in legislation or regulation, other economic, competitive, governmental, regulatory and technological factors affecting operations, pricing, products and services and Banner's ability to successfully resolve the outstanding credit issues and/or recover check kiting losses. Accordingly, these factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements. Banner undertakes no responsibility to update or revise any forward-looking statements.

(tables follow)

RESULTS OF OPERATIONS

(In thousands except share and per share data)

	Quarters Ended		
	Mar 31, 2005	Dec 31, 2004	Mar 31, 2004
INTEREST INCOME:			
Loans receivable	\$ 36,137	\$ 34,624	\$ 29,019
Mortgage-backed securities	3,673	3,806	4,527
Securities and cash equivalents	2,849	2,941	3,081
	<u>42,659</u>	<u>41,371</u>	<u>36,627</u>
INTEREST EXPENSE:			
Deposits	10,414	9,725	7,864
Federal Home Loan Bank advances	5,617	5,191	5,125
Junior subordinated debentures	1,067	1,015	692
Other borrowings	332	334	237
	<u>17,430</u>	<u>16,265</u>	<u>13,918</u>
Net interest income before provision for loan losses	25,229	25,106	22,709
PROVISION FOR LOAN LOSSES	<u>1,203</u>	<u>1,300</u>	<u>1,450</u>
Net interest income	24,026	23,806	21,259
OTHER OPERATING INCOME:			
Deposit fees and other service charges	2,004	2,084	1,843
Mortgage banking operations	1,231	1,435	1,252
Loan servicing fees	439	417	266
Gain on sale of securities	-	1	11
Miscellaneous	323	340	444
Total other operating income	<u>3,997</u>	<u>4,277</u>	<u>3,816</u>
OTHER OPERATING EXPENSE:			
Salary and employee benefits	13,793	13,485	12,103
Less capitalized loan origination costs	(2,041)	(1,824)	(1,487)
Occupancy and equipment	3,227	3,177	2,487
Information / computer data services	1,117	1,063	1,026
Professional services	801	807	915
Advertising	1,351	1,348	1,108
Miscellaneous	3,055	2,372	2,676
Total other operating expense	<u>21,303</u>	<u>20,428</u>	<u>18,828</u>
Income before provision for income taxes	6,720	7,655	6,247
PROVISION FOR INCOME TAXES	<u>2,013</u>	<u>2,388</u>	<u>1,884</u>
NET INCOME	<u>\$ 4,707</u>	<u>\$ 5,267</u>	<u>\$ 4,363</u>
Earnings per share			
Basic	\$ 0.41	\$ 0.47	\$ 0.39
Diluted	\$ 0.39	\$ 0.45	\$ 0.38
Cumulative dividends declared per common share			
	\$ 0.17	\$ 0.17	\$ 0.16
Weighted average shares outstanding			
Basic	11,470,028	11,207,582	11,051,187
Diluted	11,920,812	11,828,644	11,634,105
Shares repurchased during the period	8,028	114,477	7,729

(more)

FINANCIAL CONDITION

(In thousands except share and per share data)

	<u>Mar 31, 2005</u>	<u>Dec 31, 2004</u>	<u>Mar 31, 2004</u>
<u>ASSETS</u>			
Cash and due from banks	\$ 57,994	\$ 51,767	\$ 61,894
Securities available for sale	540,706	547,835	693,257
Securities held to maturity	50,515	49,914	31,498
Federal Home Loan Bank stock	35,844	35,698	35,038
Loans receivable:			
Held for sale	3,217	2,145	12,100
Held for portfolio	2,158,620	2,090,703	1,784,482
Allowance for loan losses	(29,736)	(29,610)	(26,885)
	<u>2,132,101</u>	<u>2,063,238</u>	<u>1,769,697</u>
Accrued interest receivable	15,982	15,097	13,889
Real estate owned held for sale, net	1,034	1,485	2,077
Property and equipment, net	42,261	39,315	24,779
Goodwill and other intangibles, net	36,347	36,369	36,477
Deferred income tax asset, net	7,964	5,888	1,335
Bank-owned life insurance	35,773	35,371	34,143
Other assets	16,261	15,090	8,901
	<u>\$ 2,972,782</u>	<u>\$ 2,897,067</u>	<u>\$ 2,712,985</u>
<u>LIABILITIES</u>			
Deposits:			
Non-interest-bearing	\$ 257,437	\$ 234,761	\$ 203,695
Interest-bearing	1,737,093	1,691,148	1,546,195
	<u>1,994,530</u>	<u>1,925,909</u>	<u>1,749,890</u>
Borrowings:			
Advances from Federal Home Loan Bank	594,958	583,558	585,158
Junior subordinated debentures	72,168	72,168	72,168
Other borrowings	63,263	68,116	74,445
	<u>730,389</u>	<u>723,842</u>	<u>731,771</u>
Accrued expenses and other liabilities	25,294	25,027	16,538
Deferred compensation	5,531	5,208	4,500
Income taxes payable	3,375	1,861	751
	<u>2,759,119</u>	<u>2,681,847</u>	<u>2,503,450</u>
<u>STOCKHOLDERS' EQUITY</u>			
Common stock	127,829	127,460	124,730
Retained earnings	95,082	92,327	82,801
Accumulated other comprehensive income (loss)	(5,613)	(888)	6,062
Unearned shares of common stock issued to Employee Stock Ownership Plan (ESOP) trust: at cost	(3,096)	(3,096)	(3,628)
Net carrying value of stock related deferred compensation plans	(539)	(583)	(430)
	<u>213,663</u>	<u>215,220</u>	<u>209,535</u>
	<u>\$ 2,972,782</u>	<u>\$ 2,897,067</u>	<u>\$ 2,712,985</u>
Shares Issued:			
Shares outstanding at end of period	11,890,541	11,856,889	11,578,934
Less unearned ESOP shares at end of period	374,595	374,595	438,985
Shares outstanding at end of period excluding unearned ESOP shares	<u>11,515,946</u>	<u>11,482,294</u>	<u>11,139,949</u>
Book value per share (1)	\$ 18.55	\$ 18.74	\$ 18.81
Tangible book value per share (1)	\$ 15.40	\$ 15.58	\$ 15.53
Consolidated Tier 1 leverage capital ratio	8.80%	8.93%	9.07%

(1) - Calculation is based on number of shares outstanding at the end of the period rather than weighted average shares outstanding and excludes unallocated shares in the employee stock ownership plan (ESOP).

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ADDITIONAL FINANCIAL INFORMATION

(Dollars in thousands)

LOANS (including loans held for sale):

	<u>Mar 31, 2005</u>	<u>Dec 31, 2004</u>	<u>Mar 31, 2004</u>
Commercial real estate	\$ 559,195	\$ 547,574	\$ 488,137
Multifamily real estate	113,205	107,745	92,687
Construction and land	554,560	506,137	407,561
Commercial business	406,948	395,249	321,979
Agricultural business including secured by farmland	130,776	148,343	138,501
One- to four-family real estate	316,345	307,986	279,497
Consumer	80,808	79,814	68,220
Total loans outstanding	<u>\$ 2,161,837</u>	<u>\$ 2,092,848</u>	<u>\$ 1,796,582</u>

NON-PERFORMING ASSETS:

	<u>Mar 31, 2005</u>	<u>Dec 31, 2004</u>	<u>Mar 31, 2004</u>
Loans on non-accrual status	\$ 17,718	\$ 15,416	\$ 26,686
Loans more than 90 days delinquent, still on accrual	108	472	766
Total non-performing loans	17,826	15,888	27,452
Real estate owned (REO) / Repossessed assets	1,072	1,559	2,166
Total non-performing assets	<u>\$ 18,898</u>	<u>\$ 17,447</u>	<u>\$ 29,618</u>
Total non-performing assets / Total assets	0.64%	0.60%	1.09%

CHANGE IN THE ALLOWANCE FOR LOAN LOSSES:

	<u>Quarters Ended</u>		
	<u>Mar 31, 2005</u>	<u>Dec 31, 2004</u>	<u>Mar 31, 2004</u>
Balance, beginning of period	\$ 29,610	\$ 29,407	\$ 26,060
Provision	1,203	1,300	1,450
Recoveries of loans previously charged off	373	176	151
Loans charged-off	<u>(1,450)</u>	<u>(1,273)</u>	<u>(776)</u>
Net (charge-offs) recoveries	<u>(1,077)</u>	<u>(1,097)</u>	<u>(625)</u>
Balance, end of period	<u>\$ 29,736</u>	<u>\$ 29,610</u>	<u>\$ 26,885</u>
Net charge-offs / Average loans outstanding	0.05%	0.05%	0.04%
Allowance for loan losses / Total loans outstanding	1.38%	1.41%	1.50%

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ADDITIONAL FINANCIAL INFORMATION

(Dollars in thousands)

(Rates / Ratios Annualized)

	Quarters Ended		
	Mar 31, 2005	Dec 31, 2004	Mar 31, 2004
<u>OPERATING PERFORMANCE:</u>			
Average loans	\$ 2,125,833	\$ 2,031,006	\$ 1,750,998
Average securities and deposits	633,420	656,762	716,046
Average non-interest-earning assets	169,633	166,997	163,435
Total average assets	<u>\$ 2,928,886</u>	<u>\$ 2,854,765</u>	<u>\$ 2,630,479</u>
Average deposits	\$ 1,960,545	\$ 1,928,851	\$ 1,670,509
Average borrowings	719,544	684,303	732,789
Average non-interest-earning liabilities	29,163	26,458	19,467
Total average liabilities	2,709,252	2,639,612	2,422,765
Total average stockholders' equity	219,634	215,153	207,714
Total average liabilities and equity	<u>\$ 2,928,886</u>	<u>\$ 2,854,765</u>	<u>\$ 2,630,479</u>
Interest rate yield on loans	6.89%	6.78%	6.67%
Interest rate yield on securities and deposits	4.18%	4.09%	4.27%
Interest rate yield on interest-earning assets	6.27%	6.12%	5.97%
Interest rate expense on deposits	2.15%	2.01%	1.89%
Interest rate expense on borrowings	3.95%	3.80%	3.32%
Interest rate expense on interest-bearing liabilities	2.64%	2.48%	2.33%
Interest rate spread	<u>3.63%</u>	<u>3.64%</u>	<u>3.64%</u>
Net interest margin	<u>3.71%</u>	<u>3.72%</u>	<u>3.70%</u>
Other operating income / Average assets	0.55%	0.60%	0.58%
Other operating expense / Average assets	2.95%	2.85%	2.88%
Efficiency ratio (other operating expense / revenue)	72.89%	69.52%	70.98%
Return on average assets	0.65%	0.73%	0.67%
Return on average equity	8.69%	9.74%	8.45%
Average equity / Average assets	7.50%	7.54%	7.90%

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Transmitted on Business Wire on Thursday, April 28, 2005, at 3:30 a.m. PDT.