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NEWS RELEASE

BANNER CORPORATION SIGNS DEFINITIVE AGREEMENT TO ACQUIRE F&M BANK OF SPOKANE, WASHINGTON

Walla Walla, WA – December 12, 2006 – Banner Corporation (Nasdaq: BANR), the parent company of Banner Bank, today announced the signing of a definitive merger agreement with F&M Bank, Spokane, Washington, in a stock and cash transaction valued at approximately \$98.8 million. In connection with the transaction, F&M Bank will merge into Banner Bank. The merger will significantly expand Banner's presence in the Spokane, Washington area, the fourth largest metropolitan market in the Pacific Northwest. A conference call and investor presentation regarding the merger will be held today at 10 am PST.

Founded in 1906, F&M Bank is a state-chartered commercial community bank with \$406 million in assets, \$354 million in loans, \$339 million in deposits and shareholders' equity of \$39 million at September 30, 2006. With 14 branches in and around the Spokane area, the Bank specializes in meeting the financial needs of individuals, small and mid-sized businesses, government bodies and other legal entities.

"The officers, employees and board members of F&M Bank have created a dynamic and expanding community bank with a reputation for quality service in its market area," said D. Michael Jones, President and Chief Executive Officer of Banner Corporation. "Partnering with F&M Bank expands and strengthens our presence in the important Spokane market. The Spokane area has experienced strong population and job growth over the last several years along with improving median household income. The merger provides us a branch distribution network complementary to our own and it allows us to serve our growing customer base with a full range of products and an experienced staff in convenient locations. We believe that a combination of F&M Bank and Banner Bank will be a positive step for each bank's shareholders, customers and employees."

"Banner practices the same philosophy of providing outstanding customer service with competitive products and quality employees that has made F&M Bank so successful. Our "Warm Hearted Team" is pleased to be joining Banner," said John Wagner, President of F&M Bank. "We look forward to offering additional deposit products, larger lending limits, improved technology and operating efficiencies, all while retaining our focus on customer service and local decision making. Partnering with Banner Bank provides us with the resources for further growth and diversification in the Spokane market and allows immediate regional banking access for our customers through Banner's expanded Northwest presence."

"Given F&M Bank's experienced staff, low-cost deposit structure and strong customer base in a market where we are expanding, we anticipate very positive results from the merger," said Jones. "We expect this acquisition to be essentially neutral to our earnings per share for the second half of 2007 and accretive to our full-year 2008 earnings per share. Banner Bank currently has two branches and two lending offices in the Spokane area. When the prospect of this transaction arose, we viewed it as an excellent opportunity to fully serve the fourth largest metropolitan area in the Pacific Northwest which has important ties to our other three markets of emphasis, the Puget Sound region, greater Portland and greater Boise."

According to the terms of the definitive agreement and assuming all outstanding F&M Bank options are exercised, F&M Bank shareholders will receive 0.8500 shares of Banner Corporation common stock and \$9.30 in cash for each F&M Bank share, plus a pro-ration of the annual cash dividend through the date of closing. The acquisition, which has been approved by the Boards of Directors of both companies, is subject to, among other contingencies, approval by regulators and F&M Bank shareholders. The transaction is expected to close during the second quarter of 2007.

Conference Call

The Company will host a conference call today, Tuesday, December 12, 2006, at 10:00 a.m. PST, to discuss the acquisition. The conference call can be accessed live by telephone at 303-262-2137. To view a slideshow presentation and 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 11078735# until Tuesday, December 19, 2006 or via the Internet at www.fulldisclosure.com.

Banner Corporation is the parent company of Banner Bank, a commercial bank that operates a total of 58 branch offices and 12 loan offices in 24 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.

(more)

ADDITIONAL INFORMATION AND WHERE TO FIND IT

Banner Corporation intends to file with the Securities and Exchange Commission a registration statement on Form S-4, and F&M Bank expects to mail a proxy statement/prospectus to its security holders, containing information about the transaction. **Investors and security holders of Banner Corporation and F&M Bank are urged to read the proxy statement/prospectus and other relevant materials when they become available because they will contain important information about Banner Corporation, F&M Bank and the proposed merger.** In addition to the registration statement to be filed by Banner Corporation and the proxy statement/prospectus to be mailed to the security holders of F&M Bank, Banner Corporation files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. Investors and security holders may obtain a free copy of the proxy statement/prospectus and other relevant documents (when they become available) and any other documents filed with the Securities and Exchange Commission at its website at www.sec.gov. The documents filed by Banner Corporation may also be obtained free of charge from Banner Corporation by requesting them in writing at Banner Corporation, 10 South First Avenue, Walla Walla, WA 99362, or by telephone at (509) 527-3636. In addition, investors and security holders may access copies of the documents filed with the Securities and Exchange Commission by Banner Corporation on its website at www.bannerbank.com.

The directors, executive officers, and certain other members of management and employees of F&M Bank are participants in the solicitation of proxies in favor of the merger from the shareholders of F&M Bank. Information about the directors and executive officers of F&M Bank will be included in the proxy statement/prospectus. Additional information regarding the interests of such participants will be included in the proxy statement/prospectus and the other relevant documents filed with the SEC when they become available.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning future performance, developments or events, expectations for earnings, growth and market forecasts, and other guidance on future periods (including, among others, statements regarding the benefits of the acquisition of F&M Bank by Banner), which forward-looking statements are subject to a number of risks and uncertainties that are beyond the Company's control and might cause actual results to differ materially from stated objectives. These factors include but are not limited to: competition in the financial services market for both deposits and loans as well as regional and general economic conditions; and Banner's ability to successfully complete consolidation and conversion activities, incorporate acquisitions into its operations, retain key employees, increase its customer base, achieve cost savings and successfully generate commercial, consumer and real estate loans. Additional factors that may affect future results are contained in Banner's filings with the SEC, which are available at the SEC's web site <http://www.sec.gov>, including in Banner's Annual Report on Form 10-K for the year ended December 31, 2005, under the heading "Risk Factors." Banner undertakes no responsibility to update or revise any forward-looking statements.

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NOTE: Transmitted on Business Wire at 6:30 a.m. PST on December 12, 2006.