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NEWS RELEASE

BANNER CORPORATION SIGNS DEFINITIVE AGREEMENT TO ACQUIRE SAN JUAN FINANCIAL HOLDING COMPANY

Walla Walla, WA – December 19, 2006 – Banner Corporation (Nasdaq: BANR), the parent company of Banner Bank, today announced the signing of a definitive merger agreement with San Juan Financial Holding Company, the parent company of Islanders Bank, Friday Harbor, Washington, in a stock and cash transaction valued at approximately \$40.8 million. In connection with the transaction, San Juan Financial Holding Company will merge into Banner Corporation. The merger will expand Banner's presence in the North Puget Sound region of Washington State. A conference call and investor presentation regarding the merger will be held tomorrow at 8:00 a.m. PST.

Founded in 1981, Islanders Bank is a state chartered commercial community bank with three full service branches, approximately \$151.7 million in assets, \$128.7 million in deposits, \$109.1 million in loans and \$17.8 million in shareholders' equity at September 30, 2006. Islanders Bank specializes in commercial and residential financing, serving small to medium-sized businesses, professionals and individuals in its local markets.

"Banner currently operates six branches and one loan office in the North Puget Sound region. This acquisition allows us to better serve our customers and complements our existing operation in that area of Washington," said D. Michael Jones, President and Chief Executive Officer of Banner Corporation. "We believe that Islanders Bank's experienced management team shares our dedication to delivering premium financial services to customers and is poised for continued excellent growth."

"We are very pleased to be joining the Banner team, which brings financial strength, additional management experience and new technological capabilities to our organization," stated Dick Kneipp, President and Chief Executive Officer of Islanders Bank. "Given Banner's operating philosophy and management style, we believe our two organizations will form an effective combination. We will now be able to offer a broader range of services to our customers, increased lending limits, and expanded branch and ATM networks. Both banks have long histories of community involvement and I am confident our employees and customers will feel very comfortable in joining with Banner."

"Given Islanders Bank's low-cost deposit structure and history of good earnings performance, along with Banner's ability to transfer loans now being participated with other banks to Islanders Bank, we expect this acquisition to modestly add to Banner's net income and earnings per share during the first year following acquisition and to provide further earnings accretion in subsequent years," noted Jones.

According to the terms of the definitive agreement, San Juan Financial Holding Company shareholders will receive 2.2503 shares of Banner Corporation common stock and \$16.48 in cash for each San Juan Financial Holding Company share. The acquisition, which has been approved by the Boards of Directors of both companies, is subject to, among other contingencies, approval by regulators and San Juan Financial Holding Company shareholders. The transaction is expected to close during the second quarter of 2007.

Conference Call

The Company will host a conference call tomorrow, Wednesday, December 20, 2006, at 8:00 a.m. PST, to discuss the acquisition. The conference call can be accessed live by telephone at 303-262-2139. To view a slideshow presentation and to listen to the call online, go to the Company's website at www.bannerbank.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 11079465# until Wednesday, December 27, 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.

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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 San Juan Financial Holding Company expects to mail a proxy statement/prospectus to its security holders, containing information about the transaction. **Investors and security holders of Banner Corporation and San Juan Financial Holding Company 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, San Juan Financial Holding Company 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 San Juan Financial Holding Company, 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 San Juan Financial Holding Company are participants in the solicitation of proxies in favor of the merger from the shareholders of San Juan Financial Holding Company. Information about the directors and executive officers of San Juan Financial Holding Company 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 San Juan Financial Holding Company 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 3:30 a.m. PST on December 19, 2006.