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NEWS RELEASE

BANNER CORPORATION DECLARES \$0.18 CASH DIVIDEND

Walla Walla, WA – August 24, 2006 – Banner Corporation (Nasdaq: BANR), the parent company of Banner Bank, today announced its Board of Directors declared its quarterly cash dividend of \$0.18 per share, to be paid on October 12, 2006, to shareholders of record on October 2, 2006.

“Paying a cash dividend is an effective way for us to share our current operating successes with our shareholders,” said D. Michael Jones, President and CEO. This is the 44th consecutive quarterly cash dividend paid since Banner instituted cash dividends in 1996.

On July 26, 2006, Banner reported that exceptional loan growth and a large insurance recovery contributed to record second quarter profits of \$9.4 million, or \$0.77 per diluted share, compared to \$5.0 million, or \$0.42 per diluted share, in the second quarter a year ago. The insurance recovery contributed approximately \$3.4 million, or \$0.28 per share, to second quarter earnings. Loans grew 22% to \$2.79 billion, deposits increased 19% to \$2.58 billion and assets grew 8% to \$3.40 billion from year ago levels.

About Banner Corporation

Banner Corporation is the parent 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 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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NOTE: Transmitted on Business Wire at 1:00 p.m. PDT on August 24, 2006.