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## NEWS RELEASE

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### **BANNER CORPORATION INCREASES CASH DIVIDEND TO \$0.19 PER SHARE**

Walla Walla, WA – October 26, 2006 – Banner Corporation (Nasdaq: BANR), the parent company of Banner Bank, today announced its Board of Directors increased the quarterly cash dividend 6% to \$0.19 per share. The dividend will be paid January 10, 2007, to shareholders of record on December 31, 2006. Previously Banner paid a regular cash dividend of 0.18 per share.

“This increase in our cash dividend reflects our strong performance year-to-date and our expectation of continued success in 2007,” said D. Michael Jones, President and CEO. This is the 45<sup>th</sup> consecutive quarterly cash dividend paid since Banner instituted regular quarterly cash dividends in 1996.

Yesterday, Banner reported that exceptional loan and deposit growth contributed to third quarter net income increasing 41% to \$8.0 million, or \$0.65 per diluted share, compared to \$5.7 million, or \$0.47 per diluted share, in the third quarter a year ago. Loans grew 23% to \$2.87 billion, deposits increased 21% to \$2.74 billion and assets grew 8% to \$3.45 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](http://www.bannerbank.com).

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