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## NEWS RELEASE

### **Banner Corporation Receives a \$124 Million Commitment from the U.S. Treasury's Capital Purchase Program**

Walla Walla, WA – November 4, 2008 – Banner Corporation (NASDAQ GSM: BANR), the parent company of Banner Bank and Islanders Bank, today announced that it has received preliminary approval to participate in the U.S. Treasury Department's Capital Purchase Program. As a participant, Banner plans to issue \$124 million in senior preferred stock, with related warrants to purchase up to \$18.6 million in common stock, to the U.S. Treasury. The anticipated sale of the preferred stock and warrants is expected to close in approximately 30 days and is contingent upon completion of standard closing documents and subsequent registration with the Securities and Exchange Commission.

"We appreciate and support the efforts of the U.S. Treasury Department to stabilize financial markets and increase the flow of credit to deserving borrowers," said D. Michael Jones, President and CEO. "We are pleased that we have been selected to participate in this voluntary program, which will allow us to be a party to those actions and is an important recognition of the strength and financial health of Banner. The additional capital will enhance our capacity to support the communities we serve through expanded lending activities and economic development. This capital will also add flexibility in considering strategic opportunities that likely will be available to us as the financial services industry continues to consolidate. We believe that participation in this program should be beneficial for the employees, customers and shareholders of Banner Corporation."

At September 30, 2008, Banner Corporation, Banner Bank and Islanders Bank were each "well-capitalized" under all regulatory guidelines. At that date, Banner Corporation's Tier 1 Leverage Capital Ratio was 8.86% and its Total Risk Based Capital Ratio was 11.00%. The addition of new capital through the Treasury program will increase Banner Corporation's Tier 1 Leverage Capital Ratio to approximately 11.25% and Total Risk Based Capital Ratio to approximately 13.90%.

The preferred stock will pay a 5% dividend for the first five years, after which the rate will increase to 9% if the preferred shares are not redeemed by the Company. The terms and conditions of the transaction and the preferred stock will conform to those provided by the U.S. Treasury. A summary of the Capital Purchase Program can be found on the Treasury's web site at [www.ustreas.gov/initiatives/eesa](http://www.ustreas.gov/initiatives/eesa).

#### **About Banner Corporation**

Banner Corporation is a \$4.7 billion bank holding company operating two commercial banks 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).

*This press release contains statements that the Company believes are "forward-looking statements." These statements relate to the Company's financial condition, results of operations, plans, objectives, future performance or business. You should not place undue reliance on these statements, as they are subject to risks and uncertainties. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements the Company may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to the Company. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors which could cause actual results to differ materially include, but are not limited, (1) adverse developments in the capital markets in general or in the markets for financial institutions stock in particular; (2) changes in legislation or regulatory requirements affecting financial institutions, including the current debate in Congress as to restructuring the financial services industry; (3) changes in the interest rate environment; and (4) adverse changes in general economic conditions and other risks detailed in Banner's reports filed with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and Form 10-Q for quarter ended June 30, 2008. Accordingly, these factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements.*

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