

**CORPORATE GOVERNANCE GUIDELINES OF
THE BOARD OF DIRECTORS OF
BANNER CORPORATION**

Introduction

The Board of Directors (“Board”) of Banner Corporation (“Corporation”) has adopted these corporate governance guidelines and practices as a framework to assist the Board in fulfilling its responsibilities to shareholders. Typically, the Board, on behalf of the Corporation and its shareholders, oversees and provides general direction to management. These guidelines are intended to assure that the Board maintains the highest standards and best practices in all critical areas relating to the management and business of the Corporation.

In addition to other Board or committee responsibilities outlined below, the responsibilities of the Board include:

- Reviewing, monitoring and approving the overall operating, financial and strategic plans, operating goals and performance of the Corporation;
- Overseeing appropriate policies of corporate conduct and compliance with laws;
- Periodically assessing the effectiveness of processes to facilitate communication between the Corporation’s shareholders and directors;
- Reviewing the major risks facing the Corporation and helping develop strategies to address these risks;
- Implementing and overseeing the operation of reasonable information and reporting systems or controls designed to inform the Board of material risks;
- Reviewing the process by which financial and non-financial information about the Corporation is provided to management, the Board and the Corporation’s shareholders; and
- Establishing policies designed to maintain the financial, legal and ethical integrity of the Corporation.

The Corporation’s senior officers, under the direction of the Chief Executive Officer, are responsible for the operations of the Corporation; implementation of the strategic, financial and management policies of the Corporation; identification, assessment and management of risk and risk mitigation strategies; and preparation of financial statements and other timely reports that accurately reflect relevant information about the Corporation to inform the Board about the foregoing matters.

These guidelines are not intended as binding legal obligations or inflexible requirements, and are not intended to interpret applicable laws and regulations or modify the Corporation’s Articles of Incorporation or Bylaws.

Board Composition

Size of the Board. The Board will periodically review the appropriate size of the Board. The Corporation's Articles of Incorporation provide that the size of the Board will be not less than 5 nor more than 25. All director positions are subject to annual elections.

Majority Voting for Directors. The Corporation's Bylaws require that directors be elected by a majority of the votes cast by shareholders in uncontested elections. In an uncontested election, the number of shares voted for a director nominee must exceed the number of shares voted against the nominee, in order for that nominee to be elected. The term of any director who was a director at the time of the election but who does not receive a majority of votes cast will continue to serve as a director until terminated on the earliest to occur of: (1) 90 days after the date election results are determined; (2) the date the Board appoints a new director to fill the position; or (3) the date and time the director's resignation is effective.

Majority of Independent Directors. A majority of the directors serving on the Board will meet the standard of director independence set forth in the NASDAQ listing standards as the same may be amended from time to time (the "listing standards"), as well as other factors not inconsistent with the listing standards that the Board considers appropriate for effective oversight and decision-making by the Board.

Affirmative Determination of Independence. The Board will affirmatively determine annually and at other times required by the listing standards that the directors designated as independent have no material relationships to the Corporation (either directly or with an organization in which the director is a partner, shareholder or officer, or is financially interested) that may interfere with the exercise of their independence from management and the Corporation.

Board Membership Criteria. The Board seeks to encourage selection of directors who will contribute to the Corporation's overall corporate goals. The Board and the Corporate Governance/Nominating Committee will, from time to time, review the experience and characteristics appropriate for Board members and director candidates in light of the Board's composition at the time, and the skills and expertise needed for effective operation of the Board and its committees.

Basic requirements for membership on the Board may include the following:

- *Ethics.* Directors should be persons of good reputation and character who conduct themselves in accordance with high personal and professional ethical standards, including the policies set forth in the Corporation's Code of Ethics and Business Conduct.
- *Business and Professional Activities.* Directors should maintain a professional life active enough to keep them in contact with the markets, the business and technical environments and the communities in which the Corporation is active. Because this exposure is a primary factor in selecting and retaining directors, a significant position or title change will be seen as reason to review a director's membership on the Board.
- *Experience, Qualifications and Skills.* Directors should have experience, qualifications and skills relevant for effective management and oversight of the Corporation's senior executives, which, acquired through education, training, experience, self-study or other

means, may include experience at senior executive levels in comparable companies, public service, professional service firms, educational institutions or other organizations.

- *Time.* Directors should have the time and willingness to carry out their duties and responsibilities effectively, including time to study informational and background material and to prepare for meetings.
- *Attendance.* Directors should attempt to arrange their schedules to allow them to attend all scheduled meetings of the Board and the committee(s) of which they are a member.
- *Diversity.* The Board believes that diversity, including differences in backgrounds, qualifications, and personal characteristics, is important to the effectiveness of the Board's oversight of the Corporation.
- *Conflicts of Interest.* Each director should not, by reason of any other position, activity or relationship, be subject to any conflict of interest that would impair the director's ability to fulfill the responsibilities of a member of the Board.

Selection, Tenure, Evaluation and Retirement of Board Members

Selection of Board Nominees. The Corporate Governance/Nominating Committee will determine the individuals to be nominated to serve on the Corporation's Board for election by shareholders at each annual meeting of shareholders, and to be appointed to fill vacancies on the Board, subject to approval by the Board and subject to legal rights, if any, of third parties to nominate or appoint directors. In selecting director nominees, the Corporate Governance/Nominating Committee will consider incumbent directors as well as external candidates, including those recommended by shareholders. The procedure for shareholder nominations is described in the annual meeting proxy statement.

Length of Board Service. The Board, based on recommendations by the Corporate Governance/Nominating Committee, will review each year whether each incumbent director should be nominated for an additional term of service on the Board. This review will include determination of independence, as well as consideration of the following criteria in the context of the current and emerging needs of the Corporation and the membership requirements described above:

- Skills and experience of the individual relative to the desired skills and experience for directors as established by the Corporate Governance/Nominating Committee;
- Performance of the individual as reflected in the annual director assessment (described below) and other feedback as evaluated by the Corporate Governance/Nominating Committee;
- Attendance record at meetings of the Board and committee(s) on which the individual serves;
- Number of other public and private corporation boards on which the individual serves;
- Composition of the Board;
- Other criteria as may be established by the Corporate Governance/Nominating Committee.

Annual Evaluation. The Board is expected to evaluate annually its corporate governance guidelines and whether the Board and its committees are functioning effectively. The Corporate

Governance/Nominating Committee shall establish criteria for evaluation of Board members and oversee annual evaluation of Board performance and assessment of individual directors.

Change in Status of Board Members; Other Directorships and Affiliations.

(A) Any director who retires from or changes their principal occupation or business, or who otherwise experiences a significant change in personal circumstances that reasonably may have an adverse effect on the director's service on the Board, is expected to promptly notify the Chair of the Board, the Chair of the Corporate Governance/Nominating Committee and the CEO.

(B) Any non-employee director is expected to notify the Chair of the Board, the Chair of the Corporate Governance/Nominating Committee and the CEO prior to accepting (i) a directorship or similar position with another for-profit business not affiliated with the Corporation or (ii) a significant commitment (e.g., service on an advisory board) involving affiliation with another for-profit business or a governmental, regulatory or self-regulatory body that could involve a conflict of interest. Prior notification is not required for non-profit board positions.

The Corporate Governance/Nominating Committee or the Board may then evaluate the change in circumstances or proposed directorship or other commitment, as applicable, in light of the individual circumstances, and the relevant director should be prepared to offer their resignation as a director if so requested by the Corporate Governance/Nominating Committee or the Board. With respect to part (B) above, positions held by a director when the director was most recently elected to the Corporation's Board and previously disclosed to the Board are exempt from the notification procedure.

Retirement. It is the policy of the Corporation that an independent director shall not serve as a director beyond the end of an elected term during which the director turns 75 years of age, provided that two-thirds of the disinterested members of the full Board may re-nominate a candidate over 75 years of age for another annual term due to special circumstances based on a director's particular contributions and expertise.

Board Leadership

Management Directors. The Board anticipates that the Corporation's Chief Executive Officer will be nominated to serve on the Board. The Board may also appoint or nominate other members of the Corporation's management whose experience and role at the Corporation are expected to help the Board fulfill its responsibilities.

Board Meetings. All meetings of and other actions by the Board shall be held and taken pursuant to the Bylaws of the Corporation, including provisions governing notice of meetings and waiver thereof, the number of Board members required to take actions at meetings and by written consent, and other related matters. The Board will typically schedule eight regular Board meetings per year.

Agenda. The Chair of the Board will have primary responsibility for establishing the agenda for each meeting and arranging for the agenda to be sent in advance of the meeting to the directors along with appropriate written information and background materials. Each Board committee, and each individual director, is encouraged to suggest items for inclusion on the agenda. The Chair and the full Board separately have authority to require the Board to meet in executive sessions outside the presence of management to discuss sensitive matters with or without distribution of written materials.

Meetings of Independent Directors. Independent directors will meet on a regularly scheduled basis in executive sessions without the Chief Executive Officer or other members of the Corporation's management.

Chair and Presiding Independent Director. The Board will periodically appoint a Chair of the Board. If the Chair is not an independent director, the Board will either designate an independent director to preside at the meetings of independent directors or a procedure by which a presiding director is selected for these meetings. The Corporation will appropriately disclose the name of this presiding director or method by which interested parties may contact the independent directors.

Board Compensation

Compensation. The Compensation and Human Capital Committee will recommend to the Board compensation programs for non-employee directors, committee chairs and committee members, consistent with any applicable requirements of the listing standards for independent directors and including consideration of cash and equity components of this compensation. The Board will determine the form and amount of non-employee director compensation.

Stock Ownership. The Corporation maintains stock ownership guidelines which reflect that non-employee directors are expected to own shares of the Corporation's common stock equal in value to at least five times the annual director cash retainer. Directors are permitted to meet the guideline amounts over time and are restricted from divesting a portion of their shares until the minimum ownership guideline is met.

Board Committees

Committees. The Board has standing Executive, Audit, Compensation and Human Capital, Corporate Governance/Nominating, Credit Risk, and Risk Committees. The Board may, from time to time, establish additional committees.

Committee Member Selection. After considering the recommendations of the Corporate Governance/Nominating Committee, the Board will designate the members of each committee, endeavoring to match the committee's function and needs for expertise with individual skills and experience of the appointees to the committee. Each member of the Audit, Compensation and Human Capital, and Corporate Governance/Nominating Committees will be independent as defined in the applicable listing standards, laws and regulations.

Committee Agendas. The chair of each committee will have primary responsibility for establishing the agenda for each committee meeting and arranging for the agenda to be sent in advance of the meeting to committee members along with appropriate written information and background materials.

Committee Functions. Each of the Audit, Compensation and Human Capital, Corporate Governance/Nominating, Credit Risk, and Risk Committees will maintain a written charter approved by the Board in compliance with applicable listing standards, laws and regulations. The number and content of committee meetings and means of carrying out committee responsibilities will be determined by each committee in light of the committee's charter, the authority delegated by the Board

to the committee, and legal, regulatory, accounting or governance principles applicable to that committee's function. The Corporation will afford access to the Corporation's employees, professional advisors and other resources, if needed, to enable committee members to carry out their responsibilities.

Audit Committee Financial Expert/Financial Literacy. The Audit Committee should have one member that qualifies as an "audit committee financial expert" as defined by applicable rules of the SEC under Section 407 of the Sarbanes-Oxley Act and all members should be financially literate in accordance with the listing standards. The Board shall be responsible for determining the qualification of an individual to serve on the Audit Committee as a designated "audit committee financial expert" and whether such person is financially literate. In light of this responsibility of the Board, the Corporate Governance/Nominating Committee shall coordinate closely with the Board in screening any new candidate and in evaluating whether to re-nominate any existing director who may serve in this capacity.

Committee Evaluation. The Audit, Compensation and Human Capital, Corporate Governance/Nominating, Credit Risk, and Risk Committees must annually review their charters. In addition, these committees shall evaluate themselves annually by comparing their performance with the requirements of their respective charters. The results shall be made available to the Board.

Director Responsibilities

General Responsibilities. A director is expected to discharge the director's duties as a member of the Board, including duties as a member of a committee on which the director serves, in good faith and in a manner the director reasonably believes to be in the best interests of the Corporation.

Disclose Relationships. Each independent director is expected to disclose promptly to the Board any existing or proposed relationships with the Corporation (other than service as a Board member or on Board committees) which could affect the independence of the director under applicable listing standards or any additional standards as may be established by the Board from time to time, including direct relationships between the Corporation and the director and the director's family members, and indirect relationships between the Corporation and any business, nonprofit or other organization in which the director is a general partner or manager, officer, or significant shareholder, or is materially financially interested.

Reporting and Compliance Systems. Based on information available to the director, each director should be satisfied that Corporation management maintains an effective system for timely reporting to the Board or appropriate Board committees on the following: (1) the Corporation's financial and business plans, strategies and objectives; (2) the recent financial results and condition of the Corporation and its business segments; (3) significant accounting, regulatory, competitive, litigation and other external issues affecting the Corporation; and (4) systems of control which promote accurate and timely reporting of financial information to shareholders and compliance with laws and corporate policies. Each director is expected to have a basic understanding of the foregoing matters to the extent information is furnished by management or otherwise available to the Board.

Attendance. Board members are expected to devote sufficient time and attention to prepare for, attend and participate in Board meetings and meetings of committees on which they serve, including advance review of meeting materials that may be circulated prior to each meeting. Although

the Corporation does not have a policy regarding director attendance at annual meetings of shareholders, each director is encouraged to attend the annual meeting of shareholders.

Access to Information. The Corporation's management will afford each Board member access to the Corporation's employees and the outside auditors, legal counsel and other professional advisors for any purpose reasonably related to the Board's responsibilities. Each director is entitled to inspect the Corporation's books and records and obtain such other data and information as the director may reasonably request, inspect facilities as reasonably appropriate for the performance of director duties, and receive notice of all meetings in which a director is entitled to participate and copies of all Board and committee meeting minutes.

Independent Inquiries and Advisors. The Board is authorized to conduct investigations, and to retain, at the expense of the Corporation, independent legal, accounting, investment banking, or other professional advisors selected by the Board, for any matters relating to the purpose or responsibilities of the Board.

Reliance on Information. In discharging responsibilities as a director, a director is entitled to rely in good faith on reports or other information provided by the Corporation's management, independent auditors, and other persons as to matters the director reasonably believes to be within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Transactions Affecting Director Independence. Without the prior approval of a majority of disinterested members of the full Board, and, if required by the listing standards, the Audit Committee, the Corporation will not make significant charitable contributions to organizations in which a director or a family member of the director is affiliated, enter into consulting contracts with (or otherwise provide indirect forms of compensation to) a director, or enter into any relationships or transactions (other than service as a director and Board committee member) between the Corporation and the director (or any business or nonprofit entity or organization in which the director is a general partner, controlling shareholder, officer, manager, or trustee, or materially financially interested). Notwithstanding the foregoing, to the extent required to comply with SEC rules, no member of the Audit Committee will be an affiliated person of the Corporation or receive any direct or indirect compensation from the Corporation other than for service as a director and on committees on which the individual serves.

Continuing Education. The Board has a continuing education policy whereby each Board member is encouraged to meet requirements to annually attend a director-related conference and complete four hours of Corporation-sponsored training events or pre-approved self-study programs.

Risk Oversight. The Board should understand the principal risks associated with the Corporation's business on an ongoing basis and it is the responsibility of management to ensure that the Board and its committees are kept well informed of these changing risks on a timely basis. It is important that the Board oversee the key risk decisions of management, which includes comprehending the appropriate balance between risks and rewards. The Board reserves oversight of the major risks facing the Corporation and has delegated risk oversight responsibility to the appropriate committees in the following areas:

- The Risk Committee is the primary point of contact between the Board and senior management in assessing enterprise-wide risk management activities and effectiveness,

and is responsible to review management's strategies and policies for managing enterprise-wide risks and the processes established to identify, measure, monitor and manage those risks.

- The Audit Committee oversees risks relating to financial matters, financial reporting and auditing.
- The Compensation and Human Capital Committee, in coordination with the Risk Committee, oversees risks relating to the design and implementation of the Corporation's compensation policies.
- The Credit Risk Committee oversees risks relating to the Corporation's credit risk structure and the processes established to identify, understand, measure, monitor and manage the Corporation's credit risks.

Succession Planning. The Board shall implement a management succession plan for the Chief Executive Officer, key executive officers and other senior management. The succession plan is developed by Corporation management with oversight by the Compensation and Human Capital Committee, which recommends the plan to the Board for approval. The Board or the Compensation and Human Capital Committee shall review the succession plan periodically, oversee the development and evaluation of potential candidates for executive positions and recommend to the Board any candidates for succession under the succession plan.

Management Responsibilities

Financial Reporting and Legal Compliance. The Board's governance and oversight functions do not relieve the primary responsibilities of the Corporation's management to: (1) make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (2) devise and maintain an effective system of internal accounting controls; (3) devise and maintain effective disclosure controls and procedures and internal controls over financial reporting; (4) prepare financial statements that are accurate and complete and fairly present the financial condition, results of operation and cash flows of the Corporation; and (5) devise and maintain systems, procedures and corporate culture which promote compliance with legal and regulatory requirements and the ethical conduct of the Corporation's business.

Corporate Communications. Executive management has the primary responsibility to establish policies concerning the Corporation's communications with investors, the press, customers, suppliers and employees.

Communication of Corporate Governance Guidelines. Management will ensure that the Corporation's shareholders have access to a copy of the Corporation's Code of Ethics and Business Conduct, as well as copies of the charters of the Audit, Compensation and Human Capital, and Corporate Governance/Nominating Committees and, if applicable, other key committees of the Board.