

Section 1: 10-K405 (FORM 10-K FOR THE FISCAL YEAR ENDED 12/31/2000)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)
☒Annual report pursuant to Section 13 or 15(d) of the Securities Exchange
Act of 1934

For the fiscal year ended December 31, 2000 or

☐Transition report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

Commission File Number 0-20288

Columbia Banking System, Inc.
(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

91-1422237
(I.R.S. Employer
Identification Number)

1102 Broadway Plaza
Tacoma, Washington 98402
(Address of principal executive offices) (Zip code)

Registrant's Telephone Number, Including Area Code: (253) 305-1900

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, No Par Value
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K (17 C.F.R. 229.405) is not contained herein, and will
not be contained, to the best of registrant's knowledge, in definitive proxy
or information statements incorporated by reference in Part III of this Form
10-K or any amendment to this Form 10-K. ☒

The aggregate market value of Common Stock held by non-affiliates of
registrant at February 28, 2001 was \$175,739,657. The number of shares of
registrant's Common Stock outstanding at February 28, 2001 was 11,914,553.

Documents incorporated by reference and parts of Form 10-K into which
incorporated:

Registrant's definitive Proxy Statement Dated April 2,
2001..... Part III

COLUMBIA BANKING SYSTEM, INC

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NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report and Form 10-K includes forward looking statements, which management believes are a benefit to shareholders. These forward looking statements describe Columbia's management's expectations regarding future events and developments such as future operating results, growth in loans and deposits, continued success of Columbia's style of banking and the strength of the local economy. The words "will," "believe," "expect," "should," and "anticipate" and words of similar construction are intended in part to help identify forward looking statements. Future events are difficult to predict, and the expectations described above are necessarily subject to risk and uncertainty that may cause actual results to differ materially and adversely. In addition to discussions about risks and uncertainties set forth from time to time in Columbia's filings with the SEC, factors that may cause actual results to differ materially from those contemplated by such forward looking statements include, among others, the following possibilities: (1) local and national general and economic conditions are less favorable than expected or have a more direct and pronounced effect on Columbia than expected and adversely affect Columbia's ability to continue its internal growth at historical rates and maintain the quality of its earning assets; (2) changes in interest rates reduce interest margins more than expected and negatively affect funding sources; (3) projected business increases following strategic expansion or opening or acquiring new branches are lower than expected; (4) costs or difficulties related to the integration of acquisitions are greater than expected; (5) competitive pressure among financial institutions increases significantly; (6) legislation or regulatory requirements or changes adversely affect the businesses in which Columbia is engaged.

THE COMPANY

General

Columbia Banking System, Inc. (the "Company") is a registered bank holding company whose wholly owned subsidiary, Columbia State Bank ("Columbia Bank"), conducts a full-service commercial banking business. Headquartered in Tacoma, Washington, the Company provides a full range of banking services to small and medium-sized businesses, professionals and other individuals through 28 banking offices located in the Tacoma metropolitan area and contiguous parts of the Puget Sound region of Washington, as well as the Longview and Woodland communities in southwestern Washington. Substantially all of the Company's loans, loan commitments and core deposits are geographically concentrated in its service areas. Columbia Bank is a Washington state-chartered commercial bank, the deposits of which are insured by the Federal Deposit Insurance Corporation (the "FDIC"). The Bank is subject to regulation by the FDIC and the Washington State Department of Financial Institutions (Division of Banks). Although Columbia Bank is not a member of the Federal Reserve System, the Board of Governors of the Federal Reserve System has certain supervisory authority over the Company, which can also affect Columbia Bank.

The Company was reorganized and additional management was added in 1993 in order to take advantage of commercial banking business opportunities resulting from increased consolidation of banks in the Company's principal market area, primarily through acquisitions by out-of-state holding companies, and the resulting dislocation of customers. Since the reorganization, Columbia Bank has grown from four branch offices at January 1, 1993 to its present 28 branch offices and has plans to open additional branches in 2001 as discussed below. In the five years ended December 31, 2000, the Company has achieved significant growth in profitability, assets, loans and deposits, as shown in the following chart.

	At/For Year Ended	Five Year Compounded
	December 31, 2000	Annual Growth Rate

	(dollars in thousands)	
Net Income.....	\$ 10,070	22%
Assets.....	1,496,495	24
Loans.....	1,192,520	23
Deposits.....	1,327,023	24

Business Overview

The Company's goal is to become the premier super community bank headquartered in the Pacific Northwest while establishing a significant presence in selected northwest markets. Internal growth will be augmented by strategic business combinations. The Company will build on its reputation for excellent customer service in order to be recognized in all markets it serves

as the bank of choice for retail deposit customers, small to medium-sized businesses and affluent households. The Company also expects to achieve superior financial performance at the earliest practical date, consistent with development of its northwest franchise.

Management believes the ongoing consolidation among financial institutions in the northwest part of the U.S. has created significant gaps in the ability of large banks operating in the states comprising that area to serve certain customers, particularly the Company's target customer base of small and medium-sized businesses, professionals and other individuals. The Company's business strategy is to provide its customers with the financial sophistication and breadth of products of a regional banking company while retaining the appeal and service level of a community bank. Management believes that as a result of the Company's strong commitment to highly personalized relationship-oriented customer service, its varied products, its strategic branch locations and the long-standing community presence of its managers, lending officers and branch personnel, it is well positioned to attract new customers and to increase its market share of loans, deposits, and other financial services in the markets it now serves and in areas contiguous to those markets. The Company has closely followed the recent changes to federal banking laws which allow financial institutions to engage in a broader range of activities than previously permitted. The new legislation also authorizes the creation of financial holding companies to facilitate such expanded activity. As the Company pursues its aggressive growth strategy, it is likely that the Company will utilize the new financial holding company structure to accommodate an expansion of its products and services.

The Company intends to effect its growth strategy through a combination of growth at existing branch offices, new branch openings (usually following the hiring of an experienced branch manager and/or lending officer with strong community ties and banking relationships), Columbia On Call(TM) telephone banking, Columbia OnLine(TM) internet banking, development of complimentary lines of business, and acquisitions. In particular, the Company anticipates continued expansion in Pierce County, north into King County, south into Thurston County and northwest into Kitsap County. Aggressive expansion within the Seattle and "Eastside" areas of King County was begun in 2000 with the hiring of additional experienced bankers with extensive knowledge of the market. During the year 2001, the Company intends to establish a private banking and commercial banking presence in Seattle, expand its presence in Bellevue, establish retail banking offices in Issaquah and Redmond and determine other appropriate expansion locations.

In order to fund its lending activities and to allow for increased contact with customers, the Company is establishing a branch system catering primarily to retail depositors, supplemented by business customer deposits and other borrowings. The Company believes this mix of funding sources will enable it to expand lending activities rapidly while attracting a stable core deposit base. In order to support its strategy of growth, without compromising its personalized banking approach or its commitment to asset quality, the Company has made significant investments in experienced branch, lending and administrative personnel and has incurred significant costs related to its branch expansion. Although the Company's expense ratios have improved since 1993, management anticipates that the expense ratios will remain relatively high by industry standards for the foreseeable future due to the Company's aggressive growth strategy and emphasis on convenience and personal service. Management has consistently emphasized control of noninterest expense. See the discussion of noninterest expense for further detail.

The Company has 28 branches, 15 in Pierce County, 7 in King County, 4 in Cowlitz County, 1 in Kitsap County, and 1 in Thurston County. Since beginning its major Pierce County expansion in August 1993, the Company has expanded from 4 branches primarily through internal growth. In April 2000, Columbia Bank opened its third branch in the Auburn area with its newly constructed Forest Villa Branch. In November, the Bank moved its Edgewood-Milton branch into a larger, more convenient new facility just south of its prior

location. In addition, construction was completed on a permanent West Olympia facility in February 2001. During the later half of 2000, the Bank also announced plans for Pierce County branches at 11th and Martin Luther King Way, 84th & Pacific, and Bonney Lake, with target opening dates during 2001. The Company's plan to significantly increase its presence in the King County market, as discussed above, will result in the addition of at least three new offices in that market during 2001. New branches normally do not contribute to net income for many months after opening.

In addition to the ongoing expansion of its branch network, the Company continuously reviews new products and services to give its customers more financial service options. Also, new technology and services are reviewed for business development and cost saving purposes. During the third quarter, the Company introduced its new online banking service Columbia On-Line(TM). Customers are able to conduct a full range of services on a real time basis, including, balance inquiries, transfers, bill paying, loan information, and check image viewing. This online service has also enhanced the delivery of cash management services to its commercial customers.

Market Area

The economy of the Company's principal market areas, while primarily dependent upon aerospace, foreign trade and natural resources, including agriculture and timber, has become more diversified over the past decade as a result of the success of software companies such as Microsoft and the establishment of numerous research and biotechnology firms. Additionally, four military bases are located in the market areas. The Washington economy and that of the Puget Sound region generally have experienced strong growth and stability in recent years.

Pierce County, the area in which the Company's expansion in recent years has been primarily focused and the location of Tacoma, is located in the South Puget Sound region. With 15 branch offices in Pierce County at the end of 2000, the Company has positioned itself to increase its market share in this County of approximately 706,000 residents, the second most populous county in Washington State. With two large military installations (McChord Air Force and

Fort Lewis Army bases), government related employment represents approximately 20% of the County's total employment.

King County to the north of Tacoma is Washington's most populous county and the location of Seattle, the State's largest city. The County has approximately 1.7 million residents. Bellevue, where the Company has two banking offices, is located in an area known as the "Eastside," a metropolitan area with a population of approximately 237,000 that includes several King County cities located east of Seattle. A large portion of that economy is linked to the aerospace, construction, computer software and biotechnology industries. Microsoft is headquartered just north of Bellevue and several biotech firms are located on the Eastside. In recent years, the area has experienced relatively rapid growth in population and employment, and household incomes are among the highest in Washington. The Company's aggressive expansion in Seattle, Bellevue, and other areas of the Eastside is intended to produce a substantial increase in the Company's share of this market; the largest banking market in the State.

The Company has five branches in south King County, an area of several residential communities whose employment base is supported by light industrial, aerospace, and forest products industries. With its close proximity to Tacoma, the south King County market area is considered an important natural extension of the Company's Pierce County market area. The Weyerhaeuser Corporation maintains its world headquarters in Federal Way, which is located in south King County adjacent to the King/Pierce County line. The Auburn and Kent Valley areas to the east of Federal Way are high residential and commercial growth markets and considered by management to be natural areas of expansion for the Company.

The Company's market area also includes the Longview and Woodland communities in southwest Washington. The population of Cowlitz County, in which Longview and Woodland are located, is approximately 95,000. Cowlitz County's economy has become more diversified in recent years, but remains materially

dependent on the forest products industry and, as a result, is relatively vulnerable to the cyclical downturns of that industry as well as environmental disputes.

The State Capital of Olympia, with a population of approximately 40,000, and the neighboring community of Lacey, with a population of approximately 29,000, are the principal cities in Thurston County. The County has an approximate population of 204,000. The area enjoys a stable economic climate due largely to state government employment and the proximity of the Fort Lewis Army Base and McChord Air Force Base. According to the Washington State Almanac (an annual publication of demographic information of Washington State counties and cities), approximately 39% of the average employment in Thurston County was through federal, state, and local government agencies. The area also has a significant population of retired military personnel.

Kitsap County, with a population of approximately 230,000 (sixth largest in the State), is home to the Bremerton Naval shipyard, the Trident Submarine Base, and the City of Port Orchard. Directly west of Seattle across Puget Sound, commuters and visitors are able to travel by ferry in 30 to 60 minutes to jobs and entertainment in Seattle from residences in Kitsap County. According to the Washington State Almanac, approximately 37% of the average employment in Kitsap County is government related.

Competition

The Company anticipates that the substantial consolidation among financial institutions in Washington that has occurred to date will continue due in part to recent federal legislation concerning interstate banking. Federal law allows mergers or other combinations, relocations of a bank's main office and branching across state lines. Several other financial institutions, which have greater resources than the Company, compete with the Company for banking business in the Company's market area. Among the advantages of some of these institutions are their ability to make larger loans, finance extensive advertising campaigns, access international money markets and allocate their investment assets to regions of highest yield and demand. The Company currently does not have a significant market share of the deposit-taking or lending activities in the areas in which it conducts operations, other than in Pierce County where its share of bank deposits has grown substantially over the last several years. In June 2000, the Federal Deposit Insurance Corporation (FDIC) market share report classified the Company with 17.4% of the deposit market share in Pierce County, which placed the Company second in the County. Although the Company has been able to compete effectively in its market areas to date, there can be no assurance that it will be able to continue to do so in the future.

In addition to competition from other banking institutions, the Company continues to experience increased competition from non-banking companies such as credit unions, financial services companies and brokerage houses. Recent amendments to the federal banking laws to eliminate certain barriers between banking and commercial firms are expected to result in even greater competition in the future.

Looking Forward--2001 Performance Goals

The Company anticipates that business conditions in its principal market areas will provide good opportunities to expand in 2001. Management expects that growth will be centered in the Pierce County and King County market areas. Periods of concern about slowing economic growth often provide community oriented banks that have strong credit quality and good knowledge of the local economy, such as the Company, with attractive opportunities to acquire desirable new business relationships from larger banks. These opportunities will be pursued with the same credit discipline the Company has shown during its rapid growth beginning in 1993. Management expects the recently initiated expansion in King County to reduce earnings in the short term as the Company adds key personnel and facilities in order to accelerate loan and deposit growth in the second half of 2001. In light of recent and anticipated reductions in short term interest rates, management expects

declining margins in the first half of the year during which loan rates are expected to reprice more quickly than deposit rates. Management expects forecasted growth of loans and deposits to offset some of the anticipated margin decline.

The following 2001 performance goals anticipate declining short-term interest rates and stable credit quality for the year. The Company originally announced these objectives when management believed that full year 2000 diluted earnings per share were \$1.17. Subsequent to that January 25, 2001 announcement, management determined that deterioration of a single large credit relationship required a substantial addition to the Company's allowance for loan losses as of December 31, 2000. Thus earnings for the year 2000 were revised to \$0.84 per diluted share. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further details. The 2001 goals set forth below, as it relates to growth in earnings, reflects expected increases from the originally announced per share earnings of \$1.17. Management continues to expect earnings per share in 2001 to be in a range of \$1.25 to \$1.30. A more pronounced decline in interest rates than is currently expected or any further deterioration of the credit relationship discussed above could reduce the anticipated performance of the Company. Columbia's performance goals for 2001, based on current economic and market conditions, include the following:

- Loan Growth in the 15-20% Range
- Deposit Growth in the 15-20% Range
- Revenue Growth of 13-15%
- Return on Average Equity Greater Than 12%
- Return on Average Assets Approximating 1%
- Efficiency Ratio Less Than 66%
- Earnings Per Share Growth 9-11%*

* Earnings per share growth reflects the Company's expansion into King County, thus reducing EPS growth expectations by approximately 4 percentage points for 2001.

COLUMBIA BANKING SYSTEM, INC.

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
	(dollars in thousands except per share amounts)				
For the Year					
Net interest income.....	\$ 58,268	\$ 49,509	\$ 41,960	\$ 35,231	\$ 25,344
Provision for loan losses.....	9,800	2,400	1,900	4,726	1,635
Noninterest income.....	11,587	10,146	8,182	10,624	4,785
Noninterest expense.....	44,753	39,644	32,794	29,066	23,380
Net income.....	10,070	11,670	10,201	9,275*	4,635*
Per Share					
Basic earnings.....	\$ 0.86	\$ 1.00	\$ 0.88	\$ 0.81*	\$ 0.56*
Diluted earnings.....	0.84	0.98	0.85	0.79*	0.54*
Book value.....	9.59	8.51	7.71	6.86	6.30
Averages					
Total Assets.....	\$1,375,600	\$1,131,416	\$ 939,274	\$ 764,728	\$ 595,252
Earning assets.....	1,265,716	1,039,628	863,193	711,484	554,941
Loans.....	1,149,013	927,373	748,587	613,671	473,887
Securities.....	97,585	99,149	83,657	71,424	51,056
Deposits.....	1,197,653	994,096	813,685	656,206	507,612
Shareholders' equity....	107,555	94,718	84,680	64,384	45,669
Financial Ratios					
Net interest margin.....	4.62%	4.78%	4.87%	4.96%	4.58%
Return on average assets.....	0.73	1.03	1.09	1.21*	0.78*
Return on average equity.....	9.36	12.32	12.05	14.41*	10.15*
Efficiency ratio.....	64.07	66.46	65.40	65.74	75.57
Average equity to average assets.....	7.82	8.37	9.02	8.42	7.67
At Year-End					
Total assets.....	\$1,496,495	\$1,237,157	\$1,059,919	\$ 864,555	\$ 706,448
Loans.....	1,192,520	1,048,006	828,639	685,889	523,151
Allowance for loan losses.....	18,791	9,967	9,002	8,440	5,282
Deposits.....	1,327,023	1,043,544	938,345	740,430	596,504
Shareholders' equity....	113,823	99,214	89,566	78,353	68,224
Number of full-time equivalent employees...	513	469	439	327	294
Number of banking offices.....	28	27	25	21	20
Nonperforming assets:					
Nonaccrual loans.....	\$ 12,506	\$ 4,360	\$ 3,603	\$ 1,462	\$ 2,256
Restructured loans.....	1,136	187	1,783	20	25
Real estate owned.....	1,291	1,263	901	231	484
	-----	-----	-----	-----	-----
Total nonperforming assets.....	\$ 14,933	\$ 5,810	\$ 6,287	\$ 1,713	\$ 2,765
	=====	=====	=====	=====	=====
Nonperforming loans to period-end loans.....	1.14%	0.43%	0.65%	0.22%	0.44%
Nonperforming assets to period-end assets.....	1.00%	0.47%	0.59%	0.20%	0.39%
Net loan chargeoffs.....	\$ 976	\$ 1,435	\$ 1,338	\$ 1,568	\$ 693
Risk-Based Capital Ratios:					

Tier I capital.....	8.58%	9.12%	9.89%	10.77%	12.51%
Total capital.....	9.54	10.01	10.88	11.93	13.48
Leverage ratio.....	7.77	8.46	8.72	9.33	10.17

	1997(1)	1996(1)
	-----	-----
	(dollars in thousands except per share amounts)	
* Financial information excluding certain items:		
For the Year		
Net income excluding unusual items.....	\$ 8,165	\$ 5,247
Per Share:		
Basic earnings excluding unusual items.....	\$ 0.72	\$ 0.63
Diluted earnings excluding unusual items.....	0.69	0.62
Financial Ratios		
Return on average assets excluding unusual items.....	1.07%	0.88%
Return on average equity excluding unusual items.....	12.68%	11.49%

(1) 1997 unusual items include: key man life insurance proceeds of \$3.5 million (non-taxable), additional loan loss provision of \$1.3 million (net of tax), and merger related expenses of \$1.1 million (net of tax). In 1996 there was one unusual item, a Savings Association Insurance Fund special assessment of \$612,000.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Columbia Banking System, Inc.

This discussion should be read in conjunction with the consolidated condensed financial statements of Columbia Banking System, Inc. (the "Company"), and notes thereto presented elsewhere in this report. In the following discussion, unless otherwise noted, references to increases or decreases in average balances in items of income and expense for a particular period and balances at a particular date refer to the comparison with corresponding amounts for the period or date one year earlier.

Results of Operations

The results of operations of the Company are dependent to a large degree on the Company's net interest income. The Company also generates noninterest income through service charges and fees, merchant services fees, and income from mortgage banking operations. The Company's operating expenses consist primarily of compensation and employee benefit expense, and occupancy expense. Like most financial institutions, the Company's interest income and cost of funds are affected significantly by general economic conditions, particularly changes in market interest rates, and by government policies and actions of regulatory authorities.

Net income for the year decreased 14% to \$10.1 million compared to net income of \$11.7 million in 1999 and \$10.2 million in 1998. On a diluted per share basis, 2000 net income was \$0.84 per share, compared with net income of \$0.98 per share in 1999, and \$0.85 per share in 1998. This decline in 2000 net income was the result of an additional loan loss provision of \$6.0 million in the fourth quarter 2000 to increase the Company's allowance for loan losses.

Net Interest Income. Net interest income increased \$8.8 million, or 18%, in 2000 compared with an increase of \$7.5 million, or 18%, in 1999. The 2000 and 1999 increases in net interest income were largely due to the overall growth of the Company. Net interest income was favorably affected by average interest-earning assets increasing more rapidly than average interest-bearing liabilities, with the difference funded by noninterest-bearing deposits and shareholders' equity. Average interest-earning assets increased \$226.1 million and \$176.4 million in 2000 and 1999, respectively, while average interest-bearing liabilities increased \$204.1 million and \$146.9 million, respectively.

Net interest margin (net interest income divided by average interest-earning assets) decreased to 4.62% in 2000, compared with 4.78% in 1999 and 4.87% in 1998. Average interest-earning assets increased to \$1.3 billion, or 22%, during fiscal year 2000, compared with \$1.0 billion for fiscal year 1999. The average yield on interest-earning assets increased to 8.71% in 2000 from 8.13% in fiscal year 1999. In comparison, average interest-bearing liabilities increased to \$1.0 billion, or 24%, and the average cost of interest-bearing liabilities increased to 4.93% from 4.12% in fiscal year 1999.

During fiscal year 2000, competition and rising deposit interest rates created downward pressure on the Company's net interest margin. Loan and investment interest rates exhibited an increasing trend from the middle of 1999 through the first nine months of 2000. Although loan yields rose with increases in the "prime rate", competition for deposits to fund continued strong loan demand within the Company's market areas placed upward pressure on the cost of deposits and borrowings. To fund strong loan demand during 2000, the Company made greater use of borrowings from the FHLB of Seattle and certificates of deposit. The funding of new loan production at higher incremental rates, versus the Company's historical mix of deposits, caused the average cost of interest-bearing liabilities to increase faster than the yield on interest-earning assets.

Provision for Loan Losses. The Company's provision for loan losses was \$9.8 million for 2000, compared with \$2.4 million for 1999 and \$1.9 million for 1998. For the years ended December 31, 2000, 1999 and 1998, net loan charge-offs amounted to \$976,000, \$1.4 million and \$1.3 million, respectively. During 2000, the

allowance for loan losses increased \$8.8 million to \$18.8 million as compared with \$10.0 million and \$9.0 million at the end of 1999 and 1998, respectively. The allowance for loan losses as a percentage of loans (excluding loans held for sale at each date) increased to 1.58% at December 31, 2000 as compared to

0.95% and 1.09% of loans at December 31, 1999 and 1998, respectively. The increase was primarily due to an additional loan loss provision of \$6.0 million taken in the fourth quarter 2000 to strengthen the Company's allowance for loan losses in light of deterioration of a single large credit relationship and to further protect against pressures that might arise from a slowing economy. At year-end 2000, the allowance for loan losses to nonperforming loans was 137.74% compared to 219.19% and 167.14% at December 31, 1999 and 1998, respectively. Management anticipates that continued growth of its loan portfolio when coupled with some early evidence of slowing economic activity will require continued additions to its loan loss allowance during 2001, but in amounts substantially smaller than the amounts added in 2000.

Noninterest Income. Total noninterest income increased \$1.4 million, or 14%, in 2000, and \$2.0 million, or 24%, in 1999, despite decreases in residential mortgage loan originations due to the effect of higher long-term interest rates. Increases in noninterest income during 2000 were centered in account service charges and merchant services income. In general, increases in account service charges and merchant services income are due to the growth of the Company. Income from mortgage banking declined by \$307,000, or 29%, in 2000 and \$614,000, or 37% in 1999. The changes each year reflected the impact of movements in long-term interest rates upon mortgage loan activity.

Noninterest Expense. Total noninterest expense increased \$5.1 million, or 13%, in 2000 and \$6.9 million, or 21%, in 1999. The increase in 2000 was primarily due to personnel costs associated with the Company's expansion as well as merchant services, taxes and licenses, and other expenses. Expenses such as merchant services are volume driven and reflect the Company's rapid growth. The Company's efficiency ratio (noninterest expense divided by the sum of net interest income plus noninterest income) was 64.1% for 2000 compared with 66.5% and 65.4% for 1999 and 1998, respectively. The Company places emphasis on control of noninterest expense, however, management anticipates that the ratios will remain relatively high by industry standards for the foreseeable future due to the Company's aggressive growth strategy.

Set forth below is a schedule showing additional detail concerning increases and decreases in the Company's noninterest expense. The portion of compensation expense related to loan originations is deferred and deducted from interest income over the life of the related loans.

	Year Ended December 31,				
	2000	Increase/ (Decrease)	1999	Increase/ (Decrease)	1998
	(in thousands)				
Compensation and employee benefits.....	\$24,104	\$2,595	\$21,509	\$3,584	\$17,925
Loan origination costs.....	(1,326)	394	(1,720)	389	(2,109)
Net compensation and Employee benefits (as reported).....	22,778	2,989	19,789	3,973	15,816
Occupancy.....	6,092	(428)	6,520	1,305	5,215
Professional Services.....	1,060	134	926	(25)	951
Advertising and promotion....	1,602	(110)	1,712	(136)	1,848
Printing and supplies.....	709	(30)	739	51	688
Regulatory assessments.....	259	(145)	404	206	198
Data processing.....	2,294	318	1,976	245	1,731
Losses on real estate owned..	318	285	33	(29)	62
Telephone and network.....	907	192	715	250	465
Postage & delivery.....	510	(54)	564	91	473
ATM network.....	484	94	390	109	281
Merchant processing.....	1,989	630	1,359	558	801
Taxes, licenses and fees.....	2,055	570	1,485	165	1,320
Other.....	3,696	664	3,032	87	2,945
Total noninterest expense..	\$44,753	\$5,109	\$39,644	\$6,850	\$32,794

Credit Risk Management

The extension of credit in the form of loans or other credit substitutes to individuals and businesses is a major portion of the Company's principal business activity. Company policies and applicable laws and regulations require risk analysis as well as ongoing portfolio and credit management. The Company manages its credit risk through lending limit constraints, credit review, approval policies and extensive, ongoing internal monitoring. The Company also manages credit risk through diversification of the loan portfolio by type of loan, type of industry, aggregation of debt limits to a single borrower and the type of borrower.

In analyzing its existing portfolio, the Company reviews its consumer and residential loan portfolios by risk rating each loan and analyzing their performance as a pool of loans since no single loan is individually significant or judged by its risk rating size or potential risk of loss. In contrast, the monitoring process for the commercial business, private banking, real estate construction, and commercial real estate portfolios includes periodic reviews of individual loans with risk ratings assigned to each loan and performance judged on a loan by loan basis. The Company reviews these loans to assess the ability of the borrower to service all of its interest and principal obligations and as a result the risk rating may be adjusted accordingly. In the event that full collection of principal and interest is not reasonably assured, the loan is appropriately downgraded and, if warranted, placed on non-accrual status even though the loan may be current as to principal and interest payments. Additionally, the Company would assess whether an impairment of a loan as provided in SFAS No. 114, "Accounting by Creditors for Impairment of a Loan", would warrant specific reserves or a write-down of the loan. See "Provision and Allowance For Loan Losses."

Loan policies, credit quality criteria, portfolio guidelines and other controls are established under the guidance of the Company's chief credit officer and approved, as appropriate, by the Board. Credit Administration, together with appropriate loan committees, has the responsibility for administering the credit approval process. As another part of its control process, the Company uses an independent internal credit review and examination function to provide assurance that loans and commitments are made and maintained as prescribed by its credit policies. This includes a review of documentation when the loan is initially extended and subsequent on-site examination to ensure continued performance and proper risk assessment.

Loan Portfolio Analysis

The Company is a full service commercial bank, which originates a wide variety of loans. Consistent with the trend begun in 1993, the Company continues to have success originating commercial business and commercial real estate loans.

The following table sets forth the Company's loan portfolio by type of loan for the dates indicated:

December 31,										
	2000	% of Total	1999	% of Total	1998	% of Total	1997	% of Total	1996	% of Total
(in thousands)										
Commercial business.....	\$ 496,125	41.6 %	\$ 426,060	40.6 %	\$332,638	40.1 %	\$270,946	39.5 %	\$194,843	37.2 %
Real estate:										
One- to four-family residential.....	55,922	4.7	64,669	6.2	61,132	7.4	71,095	10.4	77,359	14.8
Five or more family residential and commercial properties.....	428,884	36.0	377,708	36.0	291,868	35.2	206,628	30.1	151,179	28.9
Total real estate....	484,806	40.7	442,377	42.2	353,000	42.6	277,723	40.5	228,538	43.7
Real estate construction:										
One- to four-family residential.....	33,548	2.8	32,742	3.1	26,444	3.2	29,695	4.3	31,446	6.0
Five or more family residential and commercial properties.....	74,451	6.3	45,886	4.4	23,213	2.8	33,806	4.9	10,724	2.1
Total real estate construction.....	107,999	9.1	78,628	7.5	49,657	6.0	63,501	9.2	42,170	8.1
Consumer.....	106,633	8.9	103,296	9.9	94,572	11.4	74,710	10.9	58,249	11.1
Subtotal.....	1,195,563	100.3	1,050,361	100.2	829,867	100.1	686,880	100.1	523,800	100.1
Less deferred loan fees and other.....	(3,043)	(0.3)	(2,355)	(0.2)	(1,228)	(0.1)	(991)	(0.1)	(649)	(0.1)
Total loans.....	\$1,192,520	100.0 %	\$1,048,006	100.0 %	\$828,639	100.0 %	\$685,889	100.0 %	\$523,151	100.0 %
Loans held for sale.....	\$ 14,843		\$ 5,479		\$ 10,023		\$ 4,377		\$ 11,341	

Total loans (excluding loans held for sale) at December 31, 2000, increased \$144.5 million, or 14%, from year-end 1999. Commercial business loans and five or more family residential and commercial properties were the categories contributing a majority of the increase.

Commercial Loans: Commercial loans increased \$70.1 million, or 16%, to \$496.1 million from year-end 1999, representing 41.6% of total loans compared with 40.6% of total loans at December 31, 1999. Management is committed to providing competitive commercial lending in the Company's primary market areas. The Company expects to continue to expand its commercial lending products and to emphasize in particular its relationship banking with businesses, business owners and affluent individuals.

Real Estate Loans: Residential one- to four-family loans decreased \$8.7 million to \$55.9 million at December 31, 2000, representing 4.7% of total loans, compared with \$64.7 million, or 6.2% of total loans at December 31, 1999. These loans are used by the Company to collateralize advances from the FHLB. The Company's underwriting standards require that one- to four-family portfolio loans generally be owner-occupied and that loan amounts not exceed 80% (90% with private mortgage insurance) of the appraised value or cost, whichever is lower, of the underlying collateral at origination. Generally, management's policy is to originate for sale to third parties residential loans secured by properties located within the Company's primary market areas.

The Company makes multi-family and commercial real estate loans in its primary market areas. Multi-family and commercial real estate lending increased \$51.2 million, or 13.5%, to \$428.9 million at December 31, 2000, representing 36.0% of total loans, from \$377.7 million, or 36.0% of total loans at December 31, 1999. The increase in multi-family and commercial real estate lending during 2000 reflects a mix of owner occupied and income property transactions. Generally, multi-family and commercial real estate loans are made to borrowers who have existing banking relationships with the Company. The Company's underwriting standards generally require that the loan-to-value ratio for multi-family and commercial loans not exceed 75% of appraised value or cost, whichever is lower, and that commercial properties maintain debt coverage ratios (net operating income

divided by annual debt servicing) of 1.2 or better. Underwriting standards can be influenced by competition. The Company endeavors to maintain the highest practical underwriting standards while balancing the need to remain competitive in its lending practices.

Real Estate Construction Loans: The Company originates a variety of real estate construction loans. One- to four-family residential construction loans are originated for the construction of custom homes (where the home buyer is the borrower) and provides financing to builders for the construction of pre-sold homes and speculative residential construction. Construction loans on one- to four-family residences increased \$806,000 to \$33.5 million at December 31, 2000, representing 2.8% of total loans, from \$32.7 million, or 3.1% of total loans at December 31, 1999. Multi-family and commercial real estate construction loans increased \$28.6 million to \$74.5 million at December 31, 2000, representing 6.3% of total loans, from \$45.9 million, or 4.4% of total loans at December 31, 1999.

The Company endeavors to limit its construction lending risk through adherence to strict underwriting procedures.

Consumer Loans: At December 31, 2000, the Company had \$106.6 million of consumer loans outstanding, representing 8.9% of total loans, as compared with \$103.3 million, or 9.9% of total loans, at December 31, 1999. The balance at December 31, 1999, included approximately \$6.0 million of short-term loans made to a group of individuals in connection with a single transaction which matured in February 2000. Consumer loans made by the Company include automobile loans, boat and recreational vehicle financing, home equity and home improvement loans and miscellaneous personal loans.

Foreign Outstanding: Columbia Bank is not involved with loans to foreign companies and foreign countries.

Loan Growth by Market Area: Management's growth strategy has concentrated on the Tacoma/Pierce County market. The results of that strategy are evident in the following summary of loan growth by market area. In addition, management is aggressively pursuing growth in King County and Thurston County and has committed additional resources to those markets as well as to the Cowlitz County and Kitsap County markets.

	December 31,		Increase	
	2000	1999	Amount	Percent
	(in thousands)			
Pierce County.....	\$ 883,205	\$ 781,803	\$101,402	13.0%
All other counties.....	309,315	266,203	43,112	16.2
Total.....	\$1,192,520	\$1,048,006	\$144,514	13.8%
	=====	=====	=====	=====

Nonperforming Assets

Nonperforming assets consist of: (i) nonaccrual loans, which generally are loans placed on a nonaccrual basis when the loan becomes past due 90 days or when there are otherwise serious doubts about the collectibility of principal or interest; (ii) restructured loans, for which concessions, including the reduction of interest rates below a rate otherwise available to that borrower or the deferral of interest or principal, have been granted due to the borrower's weakened financial condition (interest on restructured loans is accrued at the restructured rates when it is anticipated that no loss of original principal will occur); and (iii) real estate owned. Potential problem loans are loans which are currently performing and are not included in nonaccrual or restructured loans, but about which there are serious doubts as to the borrower's ability to comply with present repayment terms and which may later be included in nonaccrual, past due or restructured loans.

The following tables set forth, at the dates indicated, information with respect to nonaccrual loans, restructured loans, total nonperforming loans (nonaccrual loans plus restructured loans), real estate owned, total nonperforming assets, accruing loans past-due 90 days or more, impaired loans, and potential problem loans of the Company:

	December 31,				
	2000	1999	1998	1997	1996
	(in thousands)				
Nonaccrual:					
One-to four-family residential.....	\$ 410	\$ 23	\$ 722	\$ 661	\$1,645
Commercial real estate.....	698	1,784	1,542		
Commercial business.....	11,091	2,176	1,214	728	385
Consumer.....	307	377	125	73	226
Total nonaccrual loans.....	12,506	4,360	3,603	1,462	2,256
Restructured:					
One-to four-family residential.....			15	20	25
One-to four-family residential construction.....	1,136	122	1,768		
Commercial business.....		65			
Total restructured loans.....	1,136	187	1,783	20	25

Total nonperforming loans.....	\$13,642	\$4,547	\$5,386	\$1,482	\$2,281
Real estate owned.....	1,291	1,263	901	231	484
Total nonperforming assets.....	\$14,933	\$5,810	\$6,287	\$1,713	\$2,765
Accruing loans past-due 90 days or more.....			\$ 40		\$ 111
Impaired loans.....	\$12,925	\$4,147	4,539	\$ 728	385
Potential problem loans.....	1,631	2,234	1,862	669	346
Allowance for loan losses.....	18,791	9,967	9,002	8,440	5,282
Nonperforming loans to loans.....	1.14%	0.43%	0.65%	0.22%	0.44%
Nonperforming assets to total assets..	1.00	0.47	0.59	0.20	0.39

The consolidated financial statements are prepared according to the accrual basis of accounting. This includes the recognition of interest income on the loan portfolio, unless a loan is placed on a nonaccrual basis, which occurs when there are serious doubts about the collectibility of principal or interest. The policy of the Company generally is to discontinue the accrual of interest on all loans past due 90 days or more and place them on nonaccrual status.

Impaired loans, generally, refer to commercial business, commercial real estate, and real estate construction loans that are restructured in a troubled debt restructuring involving a modification of terms, or that are nonaccrual loans, or loans past due 90 days and still accruing.

Nonaccrual loans and other nonperforming assets are centered in a small number of lending relationships which management considers to be adequately reserved. In the fourth quarter 2000, deterioration of a single large credit relationship with a principal amount of \$8.0 million caused the Company to place the loan on nonaccrual and include it in impaired loans. Management views this as a prudent action but is optimistic that additional collateral being obtained will reduce the amount of the impairment. Substantially, all nonperforming loans are to borrowers within the State of Washington.

Real estate owned, which is comprised of foreclosed real estate loans, increased \$28,000 to \$1.3 million at December 31, 2000. During fiscal year 2000, the Company foreclosed and transferred to REO \$1.0 million of loans collateralized by real estate, and incurred write-downs of \$419,000 on existing REO. At December 31, 2000, REO consisted of three foreclosed properties.

Total nonperforming assets totaled \$14.9 million, or 1.00% of period-end assets at December 31, 2000, compared to \$5.8 million, or 0.47% of period-end assets at December 31, 1999.

Nonperforming loans were \$13.6 million, or 1.14% of total loans (excluding loans held for sale), at December 31, 2000, compared to \$4.5 million, or 0.43% of total loans at December 31, 1999 due principally to increases in the commercial business and commercial real estate categories.

Provision and Allowance for Loan Losses

The Company maintains an allowance for loan losses to absorb losses inherent in the loan portfolio. The size of the allowance is determined through quarterly assessments of the probable estimated losses in the loan portfolio. The Company's methodology for making such assessments and determining the adequacy of the allowance includes the following key elements:

1. Formula based allowances calculated on minimum thresholds and historical performance of the portfolio for the past five years.
2. Specific allowances for identified problem loans in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan."
3. Unallocated allowance.

On a quarterly basis (semi-annual in the case of economic and business conditions reviews) the senior credit officers of the Company review with Executive Management and the Board of Directors the various additional factors that management considers when determining the adequacy of the allowance. These factors include the following as of the applicable balance sheet date:

1. Existing general economic and business conditions affecting the Company's market place
2. Credit quality trends, including trends in nonperforming loans
3. Collateral values
4. Seasoning of the loan portfolio
5. Bank regulatory examination results
6. Findings of internal credit examiners
7. Duration of current business cycle

The allowance is increased by provisions charged to operations, and is reduced by loans charged off, net of recoveries.

While management believes it uses the best information available to determine the allowance for loan losses, unforeseen market conditions could result in adjustments to the allowance, and net income could be significantly affected, if circumstances differ substantially from the assumptions used in determining the allowance.

At December 31, 2000, the Company's allowance for loan losses was \$18.8

million, or 1.58% of the total loan portfolio, and 137.7% of nonperforming loans. This compares with an allowance of \$10.0 million, or 0.95% of the total loan portfolio, and 219.2% of nonperforming loans, at December 31, 1999. The increase in the allowance as a percentage of loans was due to the \$9.8 million in loan loss provisions during fiscal year 2000 as compared with \$2.4 million during 1999. For the years ended December 31, 2000, 1999 and 1998, net loan charge-offs amounted to \$976,000, \$1.4 million, and \$1.3 million, respectively.

In the fourth quarter 2000, the Company took an additional loan loss provision of \$6.0 million to increase its allowance for loan losses to reflect the deterioration of a single substantial credit relationship. As a result of

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the deterioration of this single relationship, the Company undertook a comprehensive review of the process currently in place to detect and react to other potential loan portfolio deterioration. Based on that review, management is confident that the problems with the single loan are not symptomatic of other similar problems in the loan portfolio. In addition, management is retaining a nationally recognized firm with expertise in commercial loan credit review to conduct an independent assessment of the Company's loan and collateral monitoring procedures. Consistent with the Company's practice of maintaining prudent reserves, the additional \$6.0 million provision to the allowance for loan losses has been set aside now to provide against the ultimate loss that may result from the loan, and to further protect against pressures that might arise from a slowing economy. Based on information currently known to the Company, management believes that substantial progress is being made to strengthen the large credit relationship discussed above and that there is good reason to believe that a significant portion of the principal loan balance may ultimately be collected.

During the year 2000, the Company refined its allowance calculations to reflect historical performance of the loan portfolio during the prior five years. Adjustments to the percentages of the allowance allocated to loan categories were made based on trends with respect to delinquencies and problem loans within each pool of loans. In addition, the provision for loan losses was increased to reflect continued rapid growth in loans and management's assessment of economic and business conditions. There were no other significant changes during the year in estimation methods or assumptions that affected the Company's methodology for assessing the appropriateness of the allowance. The most recent prior substantial adjustments to the allowance occurred in 1997. In that year management concluded that loss potential had increased in the loan portfolio as a result of average annual growth in the portfolio of approximately 31% since 1993 combined with indications of a business downturn resulting from the effect of global economic conditions from the Asian financial crisis and, in particular, potential adverse effects on the aerospace, foreign trade and timber industries. This judgement was made despite the absence of a manifested increase in nonaccrual loans or nonperforming assets but after considering the additional factors management considers when determining the adequacy of the allowance, as discussed above. Thus management substantially increased the provision in 1997 to reserve for such loss potential.

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During the year 2000, the Company's experience with loan losses did not exceed prior years. The Company's loan loss allowance as a percentage of total loans increased to 1.58% at December 31, 2000 from 0.95% at December 31, 1999 due to an increase of \$7.4 million of loan loss provisions in 2000 as compared with 1999. Management anticipates that continued growth of the loan portfolio and a slowing of growth in the local economy will require continued additions to the allowance for loan losses during the year 2001.

The following table provides an analysis of net losses by loan type for the last five years:

	December 31,				
	2000	1999	1998	1997	1996
	(dollars in thousands)				
Total loans, net at end of period(1).....	\$1,192,520	\$1,048,006	\$828,639	\$685,889	\$523,151
Daily average loans.....	1,149,013	927,373	748,587	613,671	473,887
Balance of allowance for loan losses at beginning of period....	\$ 9,967	\$ 9,002	\$ 8,440	\$ 5,282	\$ 4,340
Charge-offs:					
One- to four-family residential construction.....	(21)	(314)	(57)	(364)	(7)
Commercial business...	(1,448)	(1,006)	(1,195)	(1,025)	(514)
Consumer.....	(309)	(299)	(333)	(270)	(199)
Total charge-offs...	(1,778)	(1,619)	(1,585)	(1,659)	(720)
Recoveries:					
One- to four-family residential.....				1	7
One- to four-family residential construction.....	8				
Commercial business...	756	118	175	43	17
Consumer.....	38	66	72	47	3
Total recoveries....	802	184	247	91	27
Net charge-offs.....	(976)	(1,435)	(1,338)	(1,568)	(693)
Provision charged to					

expense.....	9,800	2,400	1,900	4,726	1,635
	-----	-----	-----	-----	-----
Balance of allowance for loan losses at end of period.....	\$ 18,791	\$ 9,967	\$ 9,002	\$ 8,440	\$ 5,282
	=====	=====	=====	=====	=====
Net charge-off to average loans outstanding.....	0.08 %	0.16 %	0.18 %	0.26 %	0.15 %
Allowance for loan losses to total loans..	1.58	0.95	1.09	1.23	1.01
Allowance for loan losses to nonperforming loans.....	137.74	219.19	167.14	569.50	231.57
	=====	=====	=====	=====	=====

(1) Excludes loans held for sale

Loan Loss Allowance Allocation

The table below shows the allocation of the Allowance for Loan Losses for the last five years. The allocation is based on an evaluation of loan problems, historical ratios of loan losses and other factors which may affect future loan losses in the categories of loans shown.

Balance at End of Period Applicable to:	December 31,									
	2000		1999		1998		1997		1996	
	-----		-----		-----		-----		-----	
	Amount	% of Total Loans*	Amount	% of Total Loans*	Amount	% of Total Loans*	Amount	% of Total Loans*	Amount	% of Total Loans*
	(dollars in thousands)									
Commercial business.....	\$15,650	41.3%	\$6,388	40.4%	\$5,540	40.0%	\$4,109	39.4%	\$3,178	37.2%
Real estate and construction:										
One-to four-family residential.....	754	7.5	969	9.3	972	10.6	1,041	14.7	1,115	20.8
Five or more family residential and commercial properties.....	1,892	42.3	1,990	40.4	2,008	38.0	1,414	35.0	490	30.9
Consumer.....	369	8.9	339	9.9	482	11.4	334	10.9	499	11.1
Unallocated.....	126		281				1,542			
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total.....	\$18,791	100.0%	\$9,967	100.0%	\$9,002	100.0%	\$8,440	100.0%	\$5,282	100.0%
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

* Represents the total of all outstanding loans in each category as a percent of total loans outstanding.

Securities

The Company's securities (securities available for sale and securities held to maturity) increased by \$22.6 million to \$110.7 million from year-end 1999 to year-end 2000. The Company had no sales of securities during 2000. Purchases during the year totaled \$20.5 million while maturities and prepayments totaled \$1.7 million. U.S. Treasury and government agency securities comprise 66.4% of the investment portfolio, with mortgage-backed securities at 8.2% and state and municipal securities at 10.5%. The average maturity of the securities portfolio was 5 years, 4 months at December 31, 2000.

Approximately 93.3% of the Company's securities are classified as available for sale and carried at fair value. These securities are used by management as part of its asset/liability management strategy and may be sold in response to changes in interest rates and/or significant prepayment risk. For further information on investment securities, including gross unrealized gains and losses in the portfolio and gross realized gains and losses on sales of securities, see Note 4 to the consolidated financial statements.

Premises and Equipment

In 2000, fixed assets increased \$9.2 million, or 23.5% from 1999. The net change includes purchases of \$12.6 million, disposals of \$100,000 and depreciation expense of \$3.3 million. The Company's capital expenditures in 2001 are anticipated to be approximately \$7.5 million. Such expenditures are expected to include approximately \$3.5 million for new buildings and for remodeling existing structures, and \$4.0 million for new furniture, equipment, and software.

Liquidity and Sources of Funds

The Company's primary sources of funds are customer deposits and advances from the FHLB. These funds, together with loan repayments, loan sales, retained earnings, equity and other borrowed funds, are used to make loans, to acquire securities and other assets, and to fund continuing operations.

Deposit Activities

The Company experienced overall average deposit growth of 20.5% and 22.2% in 2000 and 1999, respectively. All categories of deposits increased during

both years. The increase occurred primarily in certificates of deposit. To fund strong loan demand during the fiscal year 2000, the Company has made greater use of certificates of deposit. The average interest-bearing and noninterest-bearing demand deposits increased 6.2% and 12.9%, respectively, in 2000, and 31.0% and 23.3%, respectively in 1999.

Average deposits are summarized in the following table:

	Years Ended December 31,				
	2000	1999	1998	1997	1996
	(in thousands)				
Demand and other noninterest-bearing.....	\$ 207,812	\$184,094	\$149,353	\$111,492	\$ 74,940
Interest-bearing demand.....	399,561	376,079	287,007	223,514	160,020
Savings.....	46,722	45,478	39,768	38,301	32,438
Certificates of deposit.....	543,558	388,445	337,557	282,899	240,214
	-----	-----	-----	-----	-----
Total average deposits.....	\$1,197,653	\$994,096	\$813,685	\$656,206	\$507,612
	=====	=====	=====	=====	=====

The Company is establishing a branch system catering primarily to retail depositors, supplemented by business customer deposits and other borrowings. The branch system deposits are intended to provide a stable core funding base for the Company. Together with that stable core deposit base, management's strategy for funding growth is also to make use of brokered and other wholesale deposits. The Company's use of brokered and other wholesale deposits increased in 1999 and management anticipates continued use of such deposits to fund increasing loan demand. During 2000, total deposits increased \$283.5 million to \$1.3 billion at December 31, 2000. Brokered and other wholesale deposits (excluding public deposits) increased \$27.7 million to \$53.0 million, or 4.0% of total deposits, at December 31, 2000, from \$25.3 million, or 2.4% of total deposits, at December 31, 1999.

Brokered and other wholesale deposits are summarized below. The average interest rate for these deposits was 6.35% and 5.60% at December 31, 2000 and 1999, respectively.

	December 31,			
	2000		1999	
	-----		-----	
	Percent		Percent	
	of Total		of Total	
Amount Maturing:	Amount	Deposits	Amount	Deposits
-----	-----	-----	-----	-----
	(dollars in thousands)			
Due through 1 year.....	\$12,787	0.96%	\$ 5,327	0.51%
After 1 but through 3 years.....	35,124	2.65	9,000	0.86
After 3 but through 5 years.....	5,071	0.38	11,000	1.06
	-----	----	-----	----
Total brokered and other wholesale deposits.....	\$52,982	3.99%	\$25,327	2.43%
	=====	=====	=====	=====

The increase in deposits during 2000 is largely due to the Company's growth strategy. The following table is a summary of year-end deposits by county.

	December 31,			
	2000		Increase	
	-----		-----	
	2000		1999	Amount Percent
	-----		-----	-----
	(in thousands)			
Pierce County.....	\$ 931,498	\$ 737,268	\$194,230	26.3%
All other counties.....	395,525	306,276	89,249	29.1
	-----	-----	-----	----
Total.....	\$1,327,023	\$1,043,544	\$283,479	27.2%
	=====	=====	=====	=====

Borrowings

The Company relies on FHLB advances to supplement its funding sources, and the FHLB serves as the Company's primary source of long-term borrowings. In addition, the Company uses short-term borrowings from the FHLB when necessary. FHLB advances are secured by one- to four-family real estate mortgages and certain other assets. At December 31, 2000, the Company had short-term advances of \$40.0 million at an interest rate of 6.90%. At December 31, 2000 the maximum borrowing line from the FHLB was \$126.0 million. Management anticipates that the Company will continue to rely on the same sources of funds in the future, and will use those funds primarily to make loans and purchase securities.

The Company has a \$20 million line of credit with a large commercial bank. The interest rate on the line is indexed to the prime rate and at December 31, 2000, the balance outstanding was \$4.5 million. In the event of the discontinuance of the line by either party, the Company has up to two years to repay the debt.

The details of short-term borrowings were as follows:

	Years Ended December 31,		
	2000	1999	1998
	(in thousands)		
Short-term borrowings			
Balance at year-end.....	\$ 40,000	\$83,700	
Average balance during the year.....	54,813	12,763	\$1,379
Maximum month-end balance during the year.....	101,000	83,700	6,500
Weighted average rate during the year.....	6.62%	5.34%	5.70%
Weighted average rate at December 31.....	6.90	5.70	

Interest Rate Sensitivity

Columbia Bank is exposed to interest rate risk, which is the risk that changes in prevailing interest rates will adversely affect assets, liabilities, capital, income and expenses at different times or in different amounts. Generally, there are four sources of interest rate risk as described below:

Repricing risk--Generally, repricing risk is the risk of adverse consequences from a change in interest rates that arises because of differences in the timing of when those interest rate changes affect an institution's assets and liabilities.

Basis risk--Basis risk is the risk of adverse consequence resulting from unequal changes in the spread between two or more rates for different instruments with the same maturity.

Yield curve risk--Yield curve risk is the risk of adverse consequence resulting from unequal changes in the spread between two or more rates for different maturities for the same instrument.

Option risk--In banking, option risks are known as borrower options to prepay loans and depositor options to make deposits, withdrawals, and early redemptions. Option risk arises whenever bank products give customers the right, but not the obligation, to alter the quantity of the timing of cash flows.

The Company maintains an asset/liability management policy that provides guidelines for controlling exposure to interest rate risk. The guidelines direct management to assess the impact of changes in interest rates upon both earnings and capital. The guidelines further provide that in the event of an increase in interest rate risk beyond preestablished limits, management will consider steps to reduce interest rate risk to acceptable levels.

The analysis of an institution's interest rate gap (the difference between the repricing of interest-earning assets and interest-bearing liabilities during a given period of time) is one standard tool for the measurement of the exposure to interest rate risk. The Company believes that because interest rate gap analysis does not address all factors that can effect earnings performance, it should be used in conjunction with other methods of evaluating interest rate risk.

The following table sets forth the estimated maturity or repricing, and the resulting interest rate gap of the Company's interest-earning assets and interest-bearing liabilities at December 31, 2000. The amounts in the table are derived from the Company's internal data and are based upon regulatory reporting formats. Therefore, they may not be consistent with financial information appearing elsewhere herein that has been prepared in accordance with generally accepted accounting principles. The amounts could be significantly affected by external factors such as changes in prepayment assumptions, early withdrawal of deposits and competition. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while other types may lag behind changes in market interest rates. Additionally, certain assets, such as adjustable-rate mortgages, have features which restrict changes in the interest rates of such assets both on a short-term basis and over the lives of such assets. Further, in the event of a change in market interest rates, prepayment and early withdrawal levels could deviate significantly from those assumed in calculating the tables. Finally, the ability of many borrowers to service their adjustable-rate debt may decrease in the event of a substantial increase in market interest rates.

December 31, 2000	Estimated Maturity or Repricing					Total
	0-3 months	4-12 months	1-5 years	5-10 years	More than 10 years	
	(dollars in thousands)					
Interest-Earning Assets						
Interest-earning deposits.....	\$ 48,153					\$ 48,153
Securities.....	593	\$ 1,180	\$ 65,421	\$ 41,253	\$ 10,814	119,261
Loans:						
Business and commercial real estate.....	450,681	33,152	296,804	23,724	18,870	823,231
One-to four-family and						

owner-occupied residential real estate.....	63,293	47,844	121,661	7,755	16,776	257,329
Consumer.....	52,508	10,398	32,555	11,953	6,883	114,297
	-----	-----	-----	-----	-----	-----
Total interest- earning assets.....	\$615,228	\$ 92,574	\$516,441	\$ 84,685	\$ 53,343	\$1,362,271
	=====	=====	=====	=====	=====	=====
Noninterest-earning assets.....		12,506			121,718	134,224
	-----	-----	-----	-----	-----	-----
Total assets.....	\$615,228	\$ 105,080	\$516,441	\$ 84,685	\$175,061	\$1,496,495
	=====	=====	=====	=====	=====	=====
Percent of total interest-earning assets.....	45.16%	6.80 %	37.91%	6.22%	3.91%	100.00%
	=====	=====	=====	=====	=====	=====
Interest-Bearing Liabilities						
Deposits:						
Money market						
checking.....	\$100,154	\$ 100,154	\$100,154			\$ 300,462
NOW accounts.....	23,331		93,322			116,653
Savings accounts.....	15,327			\$ 15,327	\$ 15,327	45,981
Time certificates of deposit.....	215,252	357,834	65,535	21		638,642
FHLB advances.....		40,000				40,000
Other borrowings.....		4,500				4,500
	-----	-----	-----	-----	-----	-----
Total interest- bearing liabilities.....	\$354,064	\$ 502,488	\$259,011	\$ 15,348	\$ 15,327	\$1,146,238
	=====	=====	=====	=====	=====	=====
Noninterest-bearing liabilities and equity.....	180,457		45,114		124,686	350,257
	=====	=====	=====	=====	=====	=====
Total liabilities and equity.....	\$534,521	\$ 502,488	\$304,125	\$ 15,348	\$140,013	\$1,496,495
	=====	=====	=====	=====	=====	=====
Percent of total interest-earning assets.....	25.99%	36.88 %	19.01%	1.13%	1.13%	84.14%
	=====	=====	=====	=====	=====	=====
Rate sensitivity gap....	\$261,164	\$(409,914)	\$257,430	\$ 69,337	\$ 38,016	\$ 216,033
Cumulative rate sensitivity gap.....	261,164	(148,750)	108,680	178,017	216,033	
	-----	-----	-----	-----	-----	-----
Rate sensitivity gap as a percentage of interest-earning assets.....	19.17%	(30.08)%	18.90%	5.09%	2.78%	15.86%
	=====	=====	=====	=====	=====	=====
Cumulative rate sensitivity gap as a percentage of interest- earning assets.....	19.17%	(10.91)%	7.99%	13.08%	15.86%	
	=====	=====	=====	=====	=====	=====

Interest Rate Sensitivity on Net Interest Income

A number of measures are used to monitor and manage interest rate risk, including income simulations and interest sensitivity (gap) analyses. An income simulation model is the primary tool used to assess the direction and magnitude of changes in net interest income resulting from changes in interest rates. Key assumptions in the model include prepayment speeds on mortgage-related assets, cash flows and maturities of other investment securities, loan and deposit volumes and pricing. These assumptions are inherently uncertain and, as a result, the model cannot precisely estimate net interest income or precisely predict the impact of higher or lower interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude and frequency of interest rate changes and changes in market conditions and management strategies, among other factors.

Based on the results of the simulation model as of December 31, 2000 the Company would expect an increase in net interest income of \$3.1 million and an decrease in net interest income of \$1.1 million if interest rates gradually decrease or increase, respectively, from current rates by 100 basis points over a twelve-month period. Based on the results of the simulation model as of December 31, 1999, the Company would expect an increase in net interest income of \$2.8 million and a decrease in net interest income of \$966,000 if interest rates gradually decrease or increase, respectively, from current rates by 100 basis points over a twelve-month period.

Income Tax

For the years ending December 31, 2000, 1999 and 1998, the Company recorded income tax provisions of \$7.3 million, \$5.9 million and \$5.2 million, respectively.

Capital

The Company's shareholders' equity increased to \$113.8 million at December 31, 2000, from \$99.2 million at December 31, 1999. The increase is due primarily to net income for the year of \$10.1 million. Shareholders' equity was 7.61% and 8.02% of total assets at December 31, 2000 and December 31, 1999, respectively.

Banking regulations require bank holding companies to maintain a minimum "leverage" ratio of core capital to adjusted quarterly average total assets of at least 3%. At December 31, 2000, the Company's leverage ratio was 7.77%, compared with 8.46% at December 31, 1999. In addition, banking regulators have

adopted risk-based capital guidelines, under which risk percentages are assigned to various categories of assets and off-balance sheet items to calculate a risk-adjusted capital ratio. Tier I capital generally consists of common shareholders' equity, less goodwill and certain identifiable intangible assets, while Tier II capital includes the allowance for loan losses and subordinated debt, both subject to certain limitations. Regulatory minimum risk-based capital guidelines require Tier I capital of 4% of risk-adjusted assets and total capital (combined Tier I and Tier II) of 8% to be considered "adequately capitalized". The Company's Tier I and total capital ratios were 8.58% and 9.54%, respectively, at December 31, 2000, compared with 9.12% and 10.01%, respectively, at December 31, 1999.

During 1992, the Federal Deposit Insurance Corporation (the "FDIC") published the qualifications necessary to be classified as a "well capitalized" bank, primarily for assignment of FDIC insurance premium rates beginning in 1993. To qualify as "well capitalized," banks must have a Tier I risk-adjusted capital ratio of at least 6%, a total risk-adjusted capital ratio of at least 10%, and a leverage ratio of at least 5%. Failure to qualify as "well capitalized" can negatively impact a bank's ability to expand and to engage in certain activities. Management believes, as of December 31, 2000, that the Bank meets all capital adequacy requirements, but is below the criteria necessary to be "well-capitalized" as defined by regulations.

Applicable federal and Washington state regulations restrict capital distributions by institutions such as Columbia Bank, including dividends. Such restrictions are tied to the institution's capital levels after giving effect to distributions. The Company's ability to pay cash dividends is substantially dependent upon receipt of dividends from the Bank.

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On April 25, 2000, the Company announced a 10% stock dividend payable on May 24, 2000, to shareholders of record on May 10, 2000. Average shares outstanding and net income per share for all periods presented have been retroactively adjusted to give effect to this transaction. On April 28, 1999, the Company announced a 5% stock dividend payable on May 26, 1999, to shareholders of record on May 12, 1999.

Unregistered Securities Offerings

The Company has issued securities in unregistered offerings pursuant to state and federal exemptions from registration during the past three years as follows. No underwriters were involved in any of these issuances. The proceeds from each of these offerings, if any, were used for working capital.

Management Restricted Stock Purchases.

1998 Issuances. In 1998, the Company entered into restricted stock award agreements with four of its senior executives under which the Company issued shares of restricted common stock as follows: 17,325 shares to Mr. Gallagher, 8,662 shares to Ms. Dressel, 8,662 shares to Mr. Whitney, and 8,662 shares to Mr. Russell, all as adjusted for stock splits and dividends. The shares were issued for no consideration into escrow until the recipient has served for five years or waiver of that requirement. The issuance of these shares was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 (the "Act").

Also in 1998, the Company issued 34,650 shares (as adjusted) of restricted common stock to Mr. William Philip, the Company's then-chief executive officer. The shares were issued for no consideration into escrow until he had served for five years or earlier mandatory retirement. Mr. Philip retired as chief executive officer at year end 1999, resigned as Chairman and Director in 2000, and has been acting in a consulting capacity since that time. Upon his resignation, Mr. Philip's restricted stock award agreement was amended to provide that Mr. Philip's performance as a consultant to the Company would count towards his five-year vesting requirement. The issuance of these shares was exempt from registration pursuant to Section 4(2) of the Act.

2000 Issuances. In 2000, the Company sold an aggregate of 50,000 shares of restricted common stock to four of its senior executives, in return for a full recourse promissory note from each executive. These notes are due on or before the seventh anniversary of the note, for the full amount of the purchase price of the shares, with interest payable annually at the fixed rate of 5.87% per annum, the mid-term federal rate established by the Internal Revenue Service and effective in the month of December 2000. Specifically, the Company issued 15,000 shares each to Mr. Gallagher and Ms. Dressel in exchange for a \$196,875 promissory note from each, and 10,000 shares each to Messrs. Russell and Whitney in exchange for a \$131,250 promissory note from each. These issuances were exempt from registration pursuant to Section 4(2) of the Act.

Impact of Inflation and Changing Prices

The impact of inflation on the Company's operations is increased operating costs. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than the effect of general levels of inflation. Although interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services, increases in inflation generally have resulted in increased interest rates.

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Business Segment Information

The Company is managed along three major lines of business: commercial banking, retail banking, and real estate lending. The treasury function of the Company, although not considered a line of business, is responsible for the management of investments and interest rate risk.

The principal activities conducted by commercial banking are the origination of commercial business loans and private banking services. Retail

banking includes all deposit products, with their related fee income, and all consumer loan products as well as commercial loan products offered in the Bank's branch offices. Real estate lending offers single-family residential, multi-family residential, and commercial real estate loans, and the associated loan servicing activities.

Prior to 1999, the Company was managed as one segment, not by discrete operating segments. With the appointment of new executive officers in 1999, the Company began reviewing financial performance along the three major lines described above. The Executive Management Committee, which is the senior decision making group of the Company, is comprised of five members including the Vice Chairman and Chief Executive Officer, the President and Chief Operating Officer, and three Executive Vice presidents.

The Company generates segment results that include balances directly attributable to business line activities. Overhead and other indirect expenses are not allocated to the major lines of business. The Company's Executive Management Committee manages the major lines collectively, since in the opinion of management, all the lines are interrelated.

The financial results of each segment were derived from the Company's general ledger system. Since the Company is not specifically organized around lines of business, most reportable segments are comprised of more than one operating segment. Expenses incurred directly by sales and back office support functions are not allocated to the major lines of business.

Since SFAS No. 131 requires no segmentation or methodology standardization, the organizational structure of the Company and its business line financial results are not necessarily comparable across companies. As such, the Company's business line performance may not be directly comparable with similar information from other financial institutions.

Financial highlights by lines of business:

Condensed Statement of Operations:

	Year Ended December 31, 2000				
	Commercial Banking	Retail Banking	Real Estate Lending	Other	Total
	(in thousands)				
Net interest income after provision for loan loss.....	\$ 9,759	\$ 42,606	\$ 5,917	\$ (9,814)	\$ 48,468
Other income.....	638	4,272	767	5,910	11,587
Other expense.....	(2,356)	(16,010)	(2,052)	(24,335)	(44,753)
Contribution to overhead and profit.....	\$ 8,041	\$ 30,868	\$ 4,632	\$(28,239)	15,302
Income taxes.....					(5,232)
Net income.....					\$ 10,070
Total assets.....	\$337,193	\$637,825	\$322,648	\$198,829	\$1,496,495
	=====	=====	=====	=====	=====

	Year Ended December 31, 1999				
	Commercial Banking	Retail Banking	Real Estate Lending	Other	Total
	(in thousands)				
Net interest income after provision for loan loss.....	\$ 9,925	\$ 30,979	\$ 7,377	\$ (1,172)	\$ 47,109
Other income.....	522	3,847	1,114	4,663	10,146
Other expense.....	(2,445)	(13,112)	(1,882)	(22,205)	(39,644)
Contribution to overhead and profit.....	\$ 8,002	\$ 21,714	\$ 6,609	\$(18,714)	17,611
Income taxes.....					(5,941)
Net income.....					\$ 11,670
Total assets.....	\$369,390	\$479,272	\$266,051	\$122,444	\$1,237,157
	=====	=====	=====	=====	=====

	Year Ended December 31, 1998				
	Commercial Banking	Retail Banking	Real Estate Lending	Other	Total
	(in thousands)				
Net interest income after provision for loan loss.....	\$ 7,770	\$ 26,545	\$ 6,212	\$ (467)	\$ 40,060
Other income.....	180	3,356	1,801	2,845	8,182
Other expense.....	(1,845)	(10,874)	(1,731)	(18,344)	(32,794)
Contribution to overhead					

and profit.....	\$ 6,105	\$ 19,027	\$ 6,282	\$(15,966)	15,448
Income taxes.....					(5,247)
Net income.....					\$ 10,201
Total assets.....	\$275,756	\$420,120	\$206,286	\$148,757	\$1,050,919
	=====	=====	=====	=====	=====

QUARTERLY COMMON STOCK PRICES AND DIVIDEND PAYMENTS

The Company's common stock trades on The Nasdaq Stock Market under the symbol COLB. Price information generally appears daily in the Nasdaq National Market Issues section of The Wall Street Journal and in most major Pacific Northwest metropolitan newspapers. On December 29, 2000, the last sale price for the Company's stock in the over-the-counter market was \$15 9/16.

The Company presently intends to retain earnings to support anticipated growth. Accordingly, the Company does not intend to pay cash dividends on its common stock in the foreseeable future. Please refer to the "Capital" section of the "Management Discussion and Analysis of Financial Condition and Results of Operations" and Notes 3 and 12 to the consolidated financial statements, contained elsewhere in this report, for regulatory capital requirements and restrictions on dividends to shareholders.

At February 28, 2001, the number of shareholders of record was 1,345. This figure does not represent the actual number of beneficial owners of common stock because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who may vote the shares.

The following are high and low sales prices as reported in Nasdaq according to information furnished by the National Association of Securities Dealers. Prices do not include retail mark-ups, mark-downs or commissions.

2000 ----	High ----	Low ----
First quarter*.....	\$ 13	\$10 1/4
Second quarter.....	13	10
Third quarter.....	14 1/4	12 1/16
Fourth quarter.....	15 9/16	12 7/16
For the year.....	\$15 9/16	10
1999* -----	High ----	Low ---
First quarter.....	\$16 2/3	\$13
Second quarter.....	16 1/4	10 1/2
Third quarter.....	14 3/4	11
Fourth quarter.....	15 9/16	10 9/16
For the year.....	\$16 2/3	10 1/2

* Restated for a 10% stock dividend paid on May 24, 2000

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Columbia Banking System, Inc.

We have audited the accompanying consolidated balance sheets of Columbia Banking System, Inc. and its subsidiary (the Company) as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Columbia Banking System, Inc. and subsidiary as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Seattle, Washington
March 23, 2001

COLUMBIA BANKING SYSTEM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31,

2000 1999 1998

(in thousands except
per-share)

Interest Income			
Loans.....	\$102,838	\$77,807	\$66,858
Securities available for sale.....	5,650	5,619	4,696
Securities held to maturity.....	268	287	419
Deposits with banks.....	1,240	639	1,654
Total interest income.....	109,996	84,352	73,627
Interest Expense			
Deposits.....	47,662	32,898	29,759
Federal Home Loan Bank advances.....	3,630	1,939	1,908
Other borrowings.....	436	6	
Total interest expense.....	51,728	34,843	31,667
Net Interest Income	58,268	49,509	41,960
Provision for loan losses.....	9,800	2,400	1,900
Net interest income after provision for loan losses.....	48,468	47,109	40,060
Noninterest Income			
Service charges and other fees.....	6,295	5,812	4,414
Mortgage banking.....	756	1,063	1,677
Merchant services fees.....	3,671	2,655	1,617
Other.....	865	616	474
Total noninterest income.....	11,587	10,146	8,182
Noninterest Expense			
Compensation and employee benefits.....	22,778	19,789	15,816
Occupancy.....	6,092	6,520	5,215
Merchant processing.....	1,989	1,359	801
Advertising and promotion.....	1,602	1,712	1,848
Data processing.....	2,294	1,976	1,731
Taxes, licenses and fees.....	2,055	1,485	1,320
Other.....	7,943	6,803	6,063
Total noninterest expense.....	44,753	39,644	32,794
Income before income taxes.....	15,302	17,611	15,448
Provision for income taxes.....	5,232	5,941	5,247
Net Income.....	\$ 10,070	\$11,670	\$10,201
Net Income Per Common Share:			
Basic.....	\$ 0.86	\$ 1.00	\$ 0.88
Diluted.....	0.84	0.98	0.85
Average number of common shares outstanding.....	11,678	11,652	11,603
Average number of diluted common shares outstanding...	11,973	11,927	11,965

See accompanying notes to consolidated financial statements.

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COLUMBIA BANKING SYSTEM, INC.

CONSOLIDATED BALANCE SHEETS

December 31,

2000 1999

(in thousands)

ASSETS

Cash and due from banks.....	\$ 72,292	\$ 43,027
Interest-earning deposits with banks.....	48,153	170
Total cash and cash equivalents.....	120,445	43,197
Securities available for sale (at fair value).....	103,287	81,029
Securities held to maturity (fair value of \$7,501 and \$7,040, respectively).....	7,435	7,084
FHLB stock.....	8,539	6,916
Loans held for sale.....	14,843	5,479
Loans, net of unearned income.....	1,192,520	1,048,006
Less: allowance for loan losses.....	18,791	9,967
Loans, net.....	1,173,729	1,038,039
Interest receivable.....	10,306	7,609
Premises and equipment, net.....	48,357	39,166
Real estate owned.....	1,291	1,263
Other.....	8,263	7,375

Total Assets.....\$1,496,495 \$1,237,157

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Noninterest-bearing.....	\$ 232,247	\$ 181,716

exercise of stock options.....		378		378	
Issuance of shares of common stock--10% stock dividend.....	1,061	12,337	(12,337)		
	-----	-----	-----	-----	-----
Balance at December 31, 2000.....	11,867	\$92,673	\$ 21,649	\$ (499)	\$113,823
	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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COLUMBIA BANKING SYSTEM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Operating Activities			
Net income.....	\$ 10,070	\$ 11,670	\$ 10,201
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Provision for loan losses.....	9,800	2,400	1,900
Deferred income tax expense (benefit).....	(2,235)	(724)	30
Losses on real estate owned.....	224	4	35
Depreciation and amortization.....	1,923	2,270	2,304
Net realized (gains) losses on sale of assets.....	16	2	(55)
(Increase) decrease in loans held for sale..	(9,364)	4,544	(5,646)
Increase in interest receivable.....	(2,697)	(1,189)	(1,397)
Net changes in other assets and liabilities.....	3,444	(452)	(223)
	-----	-----	-----
Net cash provided by operating activities.....	11,181	18,525	7,149
Investing Activities			
Proceeds from maturities of securities available for sale.....	83	15,191	49,250
Purchase of securities available for sale....	(19,215)	(8,150)	(82,780)
Proceeds from maturities of mortgage-backed securities available for sale.....	727	625	5,075
Purchase of mortgage-backed securities available for sale.....			(8,710)
Proceeds from maturities of securities held to maturity.....	933	1,559	4,698
Purchases of securities held to maturity.....	(1,286)	(2,287)	(1,380)
Purchases of FHLB stock.....	(1,623)	(927)	
Loans originated and acquired, net of principal collected.....	(145,113)	(220,761)	(144,585)
Purchases of premises and equipment.....	(12,556)	(5,324)	(12,546)
Proceeds from disposal of premises and equipment.....	15	10	20
Proceeds from sale of real estate owned.....	772	562	308
Other, net.....		(446)	(419)
	-----	-----	-----
Net cash used by investing activities.....	(177,263)	(219,948)	(191,069)
Financing Activities			
Net increase in deposits.....	283,479	105,199	197,915
Net increase in other borrowings.....	1,500	3,000	
Proceeds from FHLB advances.....	40,000	83,700	
Repayment of FHLB advances.....	(83,700)	(25,000)	(14,000)
Tax benefits from exercise of stock options...	378		
Proceeds from issuance of common stock, net...	1,673	1,303	711
	-----	-----	-----
Net cash provided by financing activities.....	243,330	168,202	184,626
	-----	-----	-----
Increase (decrease) in cash and cash equivalents.....	77,248	(33,221)	706
Cash and cash equivalents at beginning of period.....	43,197	76,418	75,712
	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 120,445	\$ 43,197	\$ 76,418
	=====	=====	=====
Supplemental information:			
Cash paid for interest.....	\$ 48,411	\$ 33,734	\$ 31,007
Cash paid for income taxes.....	7,227	6,586	5,547
Loans foreclosed and transferred to real estate owned.....	1,024	921	1,000

See accompanying notes to consolidated financial statements.

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COLUMBIA BANKING SYSTEM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Three Years Ended December 31, 2000

Columbia Banking System, Inc. (the "Company") is a registered bank holding company whose wholly owned subsidiary, Columbia State Bank ("Columbia Bank"), conducts a full-service commercial banking business. Headquartered in Tacoma,

Washington, the Company provides a full range of banking services to small and medium-sized businesses, professionals and other individuals through banking offices located in the Tacoma metropolitan area and contiguous parts of the Puget Sound region of Washington, as well as the Longview and Woodland communities in southwestern Washington. Substantially all of the Company's loans, loan commitments and core deposits are geographically concentrated in its service areas.

1. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements of the Company include the accounts of the corporation and its wholly owned subsidiary after the elimination of all material intercompany transactions and accounts.

Securities Available for Sale

Securities to be held for indefinite periods of time and not intended to be held to maturity or on a long-term basis are classified as available for sale and carried at fair value. Unrealized gains and losses are recorded net of tax as "other comprehensive income" in the consolidated statements of shareholders' equity. Securities available for sale include securities that management intends to use as part of its asset/liability management strategy and that may be sold in response to changes in interest rates and/or significant prepayment risk.

Securities Held to Maturity

Securities held to maturity are those securities which the Company has both the ability and intent to hold to maturity. Events which may be reasonably anticipated are considered when determining the Company's intent to hold investment securities until maturity. Securities held to maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts using a method that approximates the interest method.

Other than temporary declines in fair value are recognized as a reduction in current earnings. Gains and losses on the sale of all securities are determined using the specific identification method.

Loans

Loans are stated at their principal amount outstanding, less any unamortized discounts and deferred net loan fees. Loans held for sale are carried at the lower of cost or market value. The amount by which cost exceeds market for loans held for sale is accounted for as a valuation allowance, and changes in the allowance are included in the determination of net income in the period in which the change occurs.

The policy of the Company is to discontinue the accrual of interest on all loans past due 90 days or more and place them on nonaccrual status.

Loan Fee Income

Loan origination fees and direct loan origination costs are deferred and the net amount is recognized as an adjustment to yield over the contractual life of the related loans. Fees related to lending activities other than the origination or purchase of loans are recognized as noninterest income during the period the related services are performed.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level believed to be sufficient to absorb probable losses inherent in the loan portfolio. Management's determination of the adequacy of the allowance is based on a number of factors, including the level of nonperforming loans, loan loss experience, credit concentrations, a review of the quality of the loan portfolio, collateral values and uncertainties in economic conditions.

The Bank evaluates commercial real estate and commercial business loans for impairment on an individual basis. A loan is considered impaired when it is probable that the bank will be unable to collect all amounts due according to the terms of the loan. Factors involved in determining impairment include, but are not limited to, the financial condition of the borrower, value of the underlying collateral, and current economic conditions. The valuation of impaired loans is based on either the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The amount by which the recorded investment in the loan exceeds either the present value of expected future cash flows or the value of the impaired loan's collateral when applicable, would be a specifically allocated reserve for loan losses. Any portion of an impaired loan classified as loss under regulatory guidelines is charged-off.

Premises and Equipment

Land, buildings, leasehold improvements and equipment are carried at amortized cost. Buildings and equipment are depreciated over their estimated useful lives using the straight-line method. Leasehold improvements are amortized over the shorter of their useful lives or lease terms. Gains or losses on dispositions are reflected in operations. Expenditures for improvements and major renewals are capitalized, and ordinary maintenance, repairs and small purchases are charged to operations as incurred.

Real Estate Owned

All real estate acquired in satisfaction of a loan is considered held for disposal and reported as "real estate owned." Real estate owned is carried at the lower of cost or fair value less estimated cost of disposal. Cost at the time of foreclosure is defined as the fair value of the asset less estimated disposal costs.

Income Tax

The provision for income tax is based on income and expense reported for financial statement purposes, using the "asset and liability method" for accounting for deferred income tax. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against any deferred tax assets for which it is more likely than not that the deferred tax asset will not be realized.

Earnings Per Share

Earnings per share is computed using the weighted average number of common and diluted common shares outstanding during the period. Basic EPS is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The only reconciling items affecting the calculation of earnings per share is the inclusion of stock options and restricted stock awards increasing the shares outstanding in diluted earnings per share of 295,000, 275,000, and 362,000 in 2000, 1999, and 1998, respectively.

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Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are used in determining the level of the allowance for loan losses, valuation allowance on deferred tax assets, depreciation of premises and equipment and others.

Statements of Cash Flows

For purposes of the statements of cash flows, cash and cash equivalents include cash and due from banks, interest-earning deposits with banks and federal funds sold with maturities of 90 days or less.

Reclassification

Certain amounts in the 1999 and 1998 consolidated financial statements have been reclassified to conform with the 2000 presentation. These reclassifications had no effect on net income.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") 133, "Accounting for Derivative Instruments and Hedging Activities". In June 2000, the FASB issued SFAS 138, which amends certain provisions of SFAS 133 to clarify specific areas causing difficulties in implementation. The Company has not historically engaged in any hedging activities, and does not anticipate that it will enter into any transaction that will qualify for hedge accounting as defined by SFAS 133. The Company adopted SFAS 133 and the corresponding amendments under SFAS 138 effective on January 1, 2001, and does not own any derivative instruments. The adoption of SFAS 133, as amended by SFAS 138, did not have a material impact on the Company's consolidated results of operations, financial position or cash flows.

On December 3, 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. The Company adopted the guidance in SAB 101 effective October 31, 2000. The adoption of SAB 101 did not have a material impact on the Company's consolidated results of operations, financial position or cash flows.

SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", was issued in September 2000 and replaces SFAS No. 125 of the same title. This statement revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but carries over most of SFAS No. 125's provisions without reconsideration. This statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001 and is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The adoption of this statement by the Company is not expected to materially affect the results of operations or financial condition of the Company.

2. Stock Dividend and Stock Split

On April 25, 2000, the Company announced a 10% stock dividend payable on May 24, 2000, to shareholders of record as of May 10, 2000. On April 28, 1999, the Company announced a 5% stock dividend payable on May 26, 1999, to shareholders of record on May 12, 1999. On April 22, 1998, the Company announced a three shares for two stock split payable on May 20, 1998, to shareholders of record on May 6, 1998. Average shares outstanding, net income per share, and book value per share for all periods presented have been retroactively adjusted to give effect to these transactions.

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3. Restrictions on Subsidiary Cash, Loans and Dividends

Columbia Bank is required to maintain reserve balances with the Federal Reserve Bank. The average required reserves for the year ended December 31, 2000 and 1999, were approximately \$9.1 million and \$5.7 million, respectively. The required reserves are based on specified percentages of the Bank's total average deposits, which are established by the Federal Reserve Board.

Under Federal Reserve regulations, Columbia Bank, generally, is limited as to the amount it may loan to the Company, to 10% of its capital stock and additional paid-in capital. Such loans must be collateralized by specified obligations.

Under Washington State banking regulations, Columbia Bank is limited as to the ability to declare or pay dividends to the Company up to the amount of the Bank's net profits then on hand, less any required transfers to additional paid-in capital.

4. Securities

At December 31, 2000, there were no securities of any issuer, other than the U.S. Government and its agencies and corporations, that exceeded ten percent of shareholders' equity.

The following table summarizes the amortized cost, gross unrealized gains and losses and the resulting fair value of securities available for sale.

Securities Available for Sale

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(in thousands)				
December 31, 2000:				
U.S. Treasury & government agency....	\$ 74,458		\$ (976)	\$ 73,482
Corporate securities.....	15,615	\$416		16,031
Mortgage-backed.....	9,313		(205)	9,108
State & municipal securities.....	4,599	67		4,666
	-----	-----	-----	-----
Total.....	\$103,985	\$483	\$(1,181)	\$103,287
	=====	=====	=====	=====
December 31, 1999:				
U.S. Treasury & government agency....	\$ 74,517	\$ 7	\$(3,902)	\$ 70,622
Mortgage-backed.....	10,043		(627)	9,416
Corporate securities.....	994		(3)	991
	-----	-----	-----	-----
Total.....	\$ 85,554	\$ 7	\$(4,532)	\$ 81,029
	=====	=====	=====	=====
December 31, 1998:				
U.S. Treasury & government agency....	\$ 81,549	\$474		\$ 82,023
Mortgage-backed.....	10,672	1		10,673
Corporate securities.....	992	38		1,030
	-----	-----	-----	-----
Total.....	\$ 93,213	\$513		\$ 93,726
	=====	=====	=====	=====

There were no sales of securities available for sale during the years ended December 31, 2000, 1999, and 1998.

At December 31, 2000 and 1999, securities available for sale with a fair value of \$29.3 million and \$25.5 million, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

The following table summarizes the amortized cost, fair value, and average yield of securities available for sale by contractual maturity groups:

	December 31, 2000		
	Amortized Cost	Fair Value	Yield
(in thousands)			
U.S. Government Agency			
After 1 but through 5 years.....	\$58,716	\$58,071	5.74%
After 5 but through 10 years.....	15,442	15,113	6.36%
After 10 years.....	300	298	7.06%
	-----	-----	-----
Total.....	\$74,458	\$73,482	5.88%
	=====	=====	=====
Corporate Securities			
Due through 1 year.....	\$ 500	\$ 500	6.50%
After 1 but through 5 years.....	497	410	6.99%
After 5 but through 10 years.....	14,618	15,121	7.44%
	-----	-----	-----
Total.....	\$15,615	\$16,031	7.40%
	=====	=====	=====
Mortgage-Backed Securities(1)			
After 1 but through 5 years.....	\$ 1,908	\$ 1,901	6.35%
After 10 years.....	7,405	7,207	5.96%
	-----	-----	-----
Total.....	\$ 9,313	\$ 9,108	6.04%
	=====	=====	=====
State and Municipal Securities(2)			

After 1 but through 5 years.....	\$ 484	\$ 492	6.74%
After 10 years.....	4,115	4,174	7.28%
	-----	-----	----
Total.....	\$ 4,599	\$ 4,666	7.23%
	=====	=====	=====

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- (1) The maturities reported for mortgage-backed securities are based on contractual maturities and principal amortization.
- (2) Yields on fully taxable equivalent basis, based on a marginal tax rate of 35%.

The following table summarizes the amortized cost, gross unrealized gains and losses and the resulting fair value of securities held to maturity.

Securities Held To Maturity

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	-----	-----	-----	-----
	(in thousands)			
December 31, 2000:				
State and municipal securities.....	\$6,937	\$ 64		\$7,001
Corporate securities.....	498	2		500
	-----	----	----	-----
Total.....	\$7,435	\$ 66		\$7,501
	=====	=====	=====	=====
December 31, 1999:				
State and municipal securities.....	\$6,587	\$ 12	\$(54)	\$6,545
Corporate securities.....	497		(2)	495
	-----	----	----	-----
Total.....	\$7,084	\$ 12	\$(56)	\$7,040
	=====	=====	=====	=====
December 31, 1998:				
U.S. Treasury & government agency.....	\$ 497	\$ 7		\$ 504
State and municipal securities.....	5,115	121		5,236
Corporate & other securities.....	496	18		514
FHLMC preferred stock.....	250	1		251
	-----	----	----	-----
Total.....	\$6,358	\$147		\$6,505
	=====	=====	=====	=====

The following table summarizes the amortized cost, fair value, and average yield of securities held to maturity by contractual maturity groups:

	December 31, 2000		
	-----	-----	-----
	Amortized Cost	Fair Value	Yield(2)
	-----	-----	-----
	(in thousands)		
State and Municipal Securities(2)			
Due through 1 year.....	\$ 780	\$ 781	6.32%
After 1 but through 5 years.....	4,049	4,072	6.54%
After 5 but through 10 years.....	1,817	1,823	6.42%
After 10 years.....	291	326	9.51%
	-----	-----	----
Total.....	\$6,937	\$7,002	6.61%
	=====	=====	=====
Corporate Securities			
After 1 but through 5 years.....	\$ 498	\$ 500	6.77%
	-----	-----	----
Total.....	\$ 498	\$ 500	6.77%
	=====	=====	=====

-
- (2) Yields on fully taxable equivalent basis, based on a marginal tax rate of 35%.

There were no sales of securities held to maturity during the years ended December 31, 2000, 1999, and 1998.

5. Loans

The following is an analysis of the loan portfolio by major types of loans (net of unearned income):

	December 31,	
	-----	-----
	2000	1999
	-----	-----
	(in thousands)	
Commercial business.....	\$ 496,125	\$ 426,060
Real estate:		
One- to four-family residential.....	55,922	64,669
Five or more family residential and commercial properties.....	428,884	377,708

Total real estate.....	484,806	442,377
Real estate construction:		
One- to four-family residential.....	33,548	32,742
Five or more family residential and commercial properties.....	74,451	45,886
Total real estate construction.....	107,999	78,628
Consumer.....	106,633	103,296
Subtotal.....	1,195,563	1,050,361
Less deferred loan fees, net and other.....	(3,043)	(2,355)
Total loans, net of unearned income.....	\$1,192,520	\$1,048,006
Loans held for sale.....	\$ 14,843	\$ 5,479
	=====	=====

The following table summarizes certain information related to nonperforming loans:

	December 31,		
	2000	1999	1998
	(in thousands)		
Loans accounted for on a nonaccrual basis.....	\$12,506	\$4,360	\$3,603
Restructured loans.....	1,136	187	1,783
Total nonperforming loans.....	\$13,642	\$4,547	\$5,386
	=====	=====	=====
Originally contracted interest.....	\$ 599	\$ 385	\$ 408
Less recorded interest.....	(133)	(191)	(221)
Reduction in interest income.....	\$ 466	\$ 194	\$ 187
	=====	=====	=====

At December 31, 2000 and 1999, the recorded investment in impaired loans was \$12.9 million and \$4.1 million, respectively. A specific allowance for loan losses has been made for impaired loans of \$7.0 million at December 31, 2000, and no allowance for loan losses for impaired loans has been made for the year ended December 31, 1999. The average recorded investment in impaired loans for the periods ended December 31, 2000, 1999 and 1998 was \$5.8 million \$4.5 million, and \$3.0 million, respectively. Interest income recognized on impaired loans was an immaterial amount.

At December 31, 2000 and 1999, there were no commitments for additional funds for loans accounted for on a nonaccrual basis.

At December 31, 2000 and 1999, the Company had no loans to foreign domiciled businesses or foreign countries, or loans related to highly leveraged transactions.

The Company's banking subsidiary has granted loans to officers and directors of the Company and related interests. These loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than the normal risk of collectibility. The aggregate dollar amount of these loans was \$24.5 million and \$25.1 million at

December 31, 2000 and 1999, respectively. During 2000, \$3.9 million of new related party loans were made, and repayments totaled \$4.5 million. During 1999, \$1.8 million of new related party loans were made, and repayments totaled \$4.3 million.

6. Allowance for Loan Losses

Transactions in the allowance for loan losses are summarized as follows:

	Years ended December 31,		
	2000	1999	1998
	(in thousands)		
Balance at beginning of period.....	\$ 9,967	\$ 9,002	\$ 8,440
Loans charged off.....	(1,778)	(1,619)	(1,585)
Recoveries.....	802	184	247
Net charge-offs.....	(976)	(1,435)	(1,338)
Provision charged to operating expense.....	9,800	2,400	1,900
Balance at end of period.....	\$18,791	\$ 9,967	\$ 9,002
	=====	=====	=====

7. Premises and Equipment

The Company's executive offices will be relocated to the "Columbia Bank Center" in downtown Tacoma upon the building's completion in early 2001. The Company will lease space in the building as its' major tenant. The operating lease agreement is for 62,105 square feet at \$115,000 per month. With an expiration date of January 1, 2016, the lease agreement provides for two renewal options of five years each. The Company's executive offices and the

Main Office of Columbia Bank are located in approximately 51,000 square feet of owned space in downtown Tacoma. The Company purchased its current Main Office building in March of 2000. The Company intends to lease to others all floors of the 5 story building except for the first floor where the Main Office Branch is located and some additional space on the 4th floor.

As of December 31, 2000, Columbia Bank had 15 offices in Pierce County, including the Main Office (3 leased and 12 owned), three offices in Longview (two owned and one leased), two offices in Bellevue (1 leased and 1 owned), three offices in Auburn (owned), one office in Federal Way (leased), one office in Kent (owned) one office in Woodland (owned), one office in West Olympia (leased), and one office in Port Orchard (owned). Commerce Plaza, one of Columbia Bank's banking offices in Longview, houses a retail banking office and other tenants. In addition, construction was completed on a permanent (owned) West Olympia facility in February 2001.

Land, buildings, and furniture and equipment, less accumulated depreciation and amortization, were as follows:

	December 31,	
	2000	1999
	(in thousands)	
Land.....	\$ 12,621	\$ 10,910
Buildings.....	31,086	22,579
Leasehold improvements.....	847	1,736
Furniture and equipment.....	15,990	14,429
Vehicles.....	234	207
Computer software.....	2,600	2,345
	-----	-----
Total cost.....	63,378	52,206
Less accumulated depreciation and amortization.....	(15,021)	(13,040)
	-----	-----
Total.....	\$ 48,357	\$ 39,166
	=====	=====

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Total depreciation and amortization expense on buildings and furniture and equipment was \$3.3 million, \$3.2 million, and \$2.6 million for the years ended December 31, 2000, 1999 and 1998, respectively.

As of December 31, 2000, the Company is obligated under various noncancellable lease agreements for property and equipment (primarily for land and buildings) which require future minimum rental payments, exclusive of taxes and other charges, as follows:

	Year ending December 31, 2000

	(in thousands)
2001.....	\$ 2,147
2002.....	2,105
2003.....	2,087
2004.....	1,963
2005.....	1,951
2006 and thereafter.....	18,681

Total minimum payments.....	\$28,934
	=====

Total rental expense on buildings and equipment was \$1.1 million, \$1.6 million, and \$1.2 million for the years ended December 31, 2000, 1999 and 1998, respectively.

8. Deposits

Year-end deposits are summarized in the following table:

	Years ended December 31,		
	2000	1999	1998
	(in thousands)		
Demand and other noninterest-bearing.....	\$ 232,247	\$ 181,716	\$180,445
Interest-bearing demand.....	116,653	100,680	91,430
Money market.....	300,462	296,246	267,372
Savings.....	45,981	45,577	43,342
Certificates of deposits less than \$100,000....	358,074	268,755	242,979
Certificates of deposit greater than \$100,000...	273,606	150,570	112,777
	-----	-----	-----
Total.....	\$1,327,023	\$1,043,544	\$938,345
	=====	=====	=====

9. Federal Home Loan Bank Advances and Long-term Debt

The Company had Federal Home Loan Bank (FHLB) short-term advances of \$40.0 million and \$83.7 million at December 31, 2000 and 1999, respectively. In addition, the Company had long-term debt of \$4.5 million and \$3.0 million at December 31, 2000 and 1999, respectively.

FHLB advances and long-term debt are at the following interest rates:

	December 31,	
	2000	1999
	(dollars in thousands)	
8.50.....	\$ 4,500	
7.50.....		\$ 3,000
6.90.....	40,000	
5.70.....		83,700
Total.....	\$44,500	\$86,700
	=====	=====

Aggregate maturities of FHLB advances and long-term debt due in years ending after December 31, 2000, are as follows:

	Amount
	(in thousands)
2001.....	\$40,000
2002.....	4,500

FHLB advances are collateralized by a blanket pledge of residential real estate loans with a recorded value of approximately \$48.0 million at December 31, 2000, and \$100.4 million at December 31, 1999. Penalties are generally required for prepayments of certain long-term FHLB advances.

The Company has a \$20 million line of credit with a large commercial bank. The interest rate on the line is indexed to the prime rate. At December 31, 2000, the balance outstanding was \$4.5 million and is included in other borrowings on the consolidated balance sheet. In the event of the discontinuance of the line by either party, the Company has up to two years to repay the debt.

10. Income Tax

The components of income tax expense are as follows:

	Years ended December 31,		
	2000	1999	1998
	(in thousands)		
Current.....	\$ 7,467	\$6,665	\$5,217
Deferred (benefit).....	(2,235)	(724)	30
Total.....	\$ 5,232	\$5,941	\$5,247
	=====	=====	=====

Significant components of the Company's deferred tax assets and liabilities at December 31, 2000 and 1999 are as follows:

	December 31,	
	2000	1999
	(in thousands)	
Deferred tax assets:		
Allowance for loan losses.....	\$ 6,667	\$ 3,444
Unrealized loss on investment securities available for sale.....	244	1,539
Depreciation.....		402
Total deferred tax assets.....	6,911	5,385
Deferred tax liabilities:		
FHLB stock dividends.....	(1,305)	(1,087)
Depreciation.....	(518)	
Other.....	(19)	(169)
Total deferred tax liabilities.....	(1,842)	(1,256)
Net deferred tax assets.....	\$ 5,069	\$ 4,129
	=====	=====

A reconciliation of the Company's effective income tax rate with the federal statutory tax rate is as follows:

	Years ended December 31,					
	2000		1999		1998	
	Amount		Amount		Amount	
	Percent	Percent	Percent	Percent	Percent	Percent
	(dollars in thousands)					
Income tax based on statutory rate.....	\$5,356	35%	\$6,161	35%	\$5,407	35%
Increase (reduction) resulting from:						
Tax credits.....	(127)	(1)	(68)	(0)	(32)	(1)
Change in effective graduated tax rate.....			(173)	(1)	(155)	(1)
Other nondeductible items.....	3	0	21	0	27	1
Income tax.....	\$5,232	34%	\$5,941	34%	\$5,247	34%
	=====	===	=====	===	=====	===

11. Stock Options

The Company has a stock option plan ("the Plan") to provide additional incentives to employees and directors thereby helping to attract and retain the best available personnel. The Company applies Accounting Principles Board (APB) Opinion 25 and related interpretations in accounting for the Plan. Accordingly, no compensation cost has been recognized for the Plan since the exercise price of all options has been equal to the fair value of the Company's stock at the grant date. At December 31, 2000, a maximum of 1,385,306 option shares were authorized under the Plan, of which 1,280,530 were granted, 353,449 have been exercised, 119,920 have been terminated, and 224,696 were available for future grants.

At December 31, 2000 and 1999, the Company had stock options outstanding of 807,161 shares and 744,134 shares, respectively, for the purchase of common stock at options prices ranging from \$2.25 to \$22.51 per share. The Company's policy is to recognize compensation expense at the date the options are granted based on the difference, if any, between the then market value of the Company's common stock and the stated option price.

The following table outlines the stock option activity for 2000, 1999 and 1998:

	Number of Option Shares	Weighted Average Price of Option Shares	Weighted Average Issue Date Fair Value
	(in thousands)		
Balance at January 1, 1998.....	694,471	\$ 6.41	
Granted.....	106,753	21.16	\$11.05
Exercised.....	(115,640)	4.32	
Terminated.....	(433)	16.02	
	-----	-----	
Balance at December 31, 1998.....	685,151	8.98	
Granted.....	102,937	13.94	5.97
Exercised.....	(32,692)	5.82	
Terminated.....	(11,262)	12.50	
	-----	-----	
Balance at December 31, 1999.....	744,134	9.74	
Granted.....	214,450	13.02	6.78
Exercised.....	(128,807)	5.06	
Terminated.....	(22,616)	13.98	
	-----	-----	
Balance at December 31, 2000.....	807,161	\$11.24	
	=====	=====	
Total Vested at December 31, 2000....	409,618	\$ 7.37	
	=====	=====	

Financial data pertaining to outstanding stock options were as follows:

December 31, 2000					
Ranges of Exercise Prices	Number of Option Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price of Option Shares	Number of Exercisable Option Shares	Weighted Average Exercise Price of Exercisable Option Shares
\$ 2.25-\$ 4.50	33,453	0.9 Years	\$ 3.21	33,453	\$ 3.21
4.50- 6.75	183,328	1.3	5.78	183,328	5.78
6.75- 9.00	122,666	4.4	8.40	122,666	8.40
9.00- 11.26	41,884	6.9	10.09	36,384	10.03
11.26- 13.51	223,202	7.7	12.88	18,192	11.68
13.51- 15.76	103,565	5.9	14.33	15,595	15.58
15.76- 18.01	19,935	5.1	16.02		
20.26- 22.51	79,128	5.4	22.31		
	-----	-----	-----	-----	-----
	807,161	4.9 Years	\$11.24	409,618	\$ 7.37
	=====	=====	=====	=====	=====

Had compensation cost for the Company's Plan been determined based on the fair value at the option grant dates, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	Year Ended December 31,		
	2000	1999	1998
	(dollars in thousands except per share)		
Net income attributable to common stock:			
As reported.....	\$10,070	\$11,670	\$10,201
Pro forma.....	9,685	11,299	9,947
Net income per common share:			
Basic:			
As reported.....	\$ 0.86	\$ 1.10	\$ 0.97
Pro forma.....	0.83	1.07	0.94
Diluted:			
As reported.....	\$ 0.84	\$ 1.08	\$ 0.94
Pro forma.....	0.81	1.04	0.91

The fair value of options granted under the Company's stock option plan is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2000, 1999 and 1998; expected volatility of 46.56% in 2000, 42.00% in 1999 and 57.00% in 1998; risk-free rates of 5.23% for 2000, 5.79% for 1999 and 4.51% for 1998; no annual dividend yields; and expected lives of five years for fiscal years 1998 and 1999, and six years for fiscal year 2000.

The Company periodically grants restricted stock awards to its named executives. The purpose of such awards is to reward the executives for prior service to the Company and to incent such executives to continue to serve the Company in the future. In each case, the awards provide for the immediate issuance of shares of Company common stock to the executive, with such shares held in escrow until the executive meets certain conditions. In 1998, the Company granted restricted stock awards of 43,311 shares to its named executives. The fair value of the restricted stock awards are amortized over a 5 year period. Amortization expense was approximately \$343,000, \$330,000 and \$377,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

12. Regulatory Capital Requirements

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgements by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital to risk-weighted assets (as defined in the regulations) and of Tier 1 capital to average assets (as defined in the regulations). Management believes, as of December 31, 2000 and 1999, that the Corporation and the Bank met all capital adequacy requirements to which they are subject.

To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables. Management believes, as of December 31, 2000, that the Bank meets all capital adequacy requirements, but is below the criteria necessary to be "well capitalized" as defined by regulations. The Company's and the Bank's actual amounts and ratios as of December 31, 2000 and 1999 are also presented in the table.

Actual capital amounts and ratios for the Company and the Columbia bank are presented in the table below:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2000:						
Total Capital (to risk-weighted assets)						
The Company.....	\$127,051	9.5%	\$106,537	8.0%	NA	N.A
Columbia Bank.....	130,445	9.8%	106,412	8.0%	133,014	10.0%
Tier 1 Capital (to risk-weighted assets)						
The Company.....	114,260	8.6%	53,268	4.0%	NA	N.A
Columbia Bank.....	117,654	8.8%	53,206	4.0%	79,809	6.0%
Tier 1 Capital (to average assets)						

The Company.....	114,260	7.8%	58,849	4.0%	NA	N.A
Columbia Bank.....	117,654	8.0%	58,796	4.0%	73,495	5.0%
As of December 31, 1999:						
Total Capital (to risk-weighted assets)						
The Company.....	\$112,091	10.0%	\$ 89,582	8.0%	NA	N.A
Columbia Bank.....	113,591	10.3%	88,384	8.0%	110,480	10.0%
Tier 1 Capital (to risk-weighted assets)						
The Company.....	102,124	9.1%	44,791	4.0%	NA	N.A
Columbia Bank.....	103,624	9.4%	44,192	4.0%	66,288	6.0%
Tier 1 Capital (to average assets)						
The Company.....	102,124	8.5%	48,285	4.0%	NA	N.A
Columbia Bank.....	103,624	8.6%	48,213	4.0%	60,267	5.0%

13. Employee Benefit Plan

The Company maintains a defined contribution plan which allows employees to contribute up to 15% of their compensation to the plan. Employees who are at least 20 years of age and have completed 6 months of service are eligible to participate in the plan. The Company is required to match 50% of employee contributions up to 3% of each employee's total compensation. The Company contributed approximately \$376,000, \$316,000 and \$273,000 in matching funds to the plan during the years ended December 31, 2000, 1999 and 1998, respectively.

The Company's defined contribution plan provides for a nonmatching, discretionary contribution as determined annually by the Board of Directors of the Company. The Company's discretionary contributions were approximately \$827,000, \$721,000, and \$581,000 for the years ended 2000, 1999, and 1998, respectively.

The Company maintains an "Employee Stock Purchase Plan" ("ESPP"). The Plan was amended by the Board of Directors on January 26, 2000. Under the amended plan, substantially all employees of the Company are eligible to participate in the ESPP. The amended plan provides for offerings every six months at which time Common Stock is issued for cash at a price of the lower of 90% of the fair market value of the stock at the beginning or end of the offering period. Prior to being amended, the ESPP provided for quarterly offerings with a purchase price of 90% of the fair market value of the Common Stock at the end of the offering period. The new offering period took effect March 1, 2000 with a short period starting March 1, 2000 and ending June 30, 2000 and a full six month offering period beginning July 1, 2000. Under the ESPP, 26,688 shares were acquired by employees for approximately \$285,000 in 2000. There is no charge to income as a result of issuance of stock under this plan. The discount offered to employees approximates the cost of raising capital and does not have a material effect on net income and earnings per share. At December 31, 2000, 87,914 shares of common stock were available for issuance under this plan.

14. Commitments and Contingent Liabilities

In the normal course of business, the Company makes loan commitments (unfunded loans and unused lines of credit) and issues standby letters of credit to accommodate the financial needs of its customers. Standby letters of credit commit the Company to make payments on behalf of customers under specified conditions. Historically, no significant losses have been incurred by the Company under standby letters of credit. Both arrangements have credit risk essentially the same as that involved in extending loans to customers and are subject to the Company's normal credit policies, including the obtaining of collateral, where appropriate. At December 31, 2000 and 1999, the Company's loan commitments amounted to \$349.5 million and \$372.7 million, respectively. Standby letters of credit were \$8.3 million and \$6.5 million at December 31, 2000 and 1999, respectively. In addition, commitments under commercial letters of credit used to facilitate customers' trade transactions amounted to \$7,900 and \$984,000 at December 31, 2000 and 1999, respectively.

The Company and its subsidiary are from time to time defendants in and are threatened with various legal proceedings arising from their regular business activities. Management, after consulting with legal counsel, is of the opinion that the ultimate liability, if any, resulting from these pending or threatened actions and proceedings will not have a material effect on the financial position or results of operations of the Company and its subsidiary.

15. Fair Value of Financial Instruments

The following table summarizes carrying amounts and estimated fair values of selected financial instruments as well as assumptions used by the Company in estimating fair value:

		December 31,			
		2000		1999	
Assumptions Used in Estimating Fair Value		Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in thousands)					
Assets					
Cash and due from banks.....	Approximately equal to carrying value	\$ 72,292	\$ 72,292	\$ 43,027	\$ 43,027
Interest-earning deposits					

with banks.....	Approximately equal to carrying value	48,153	48,153	170	170
Securities available for sale.....	Quoted market prices	103,287	103,287	81,029	81,029
Securities held to maturity.....	Quoted market prices	7,435	7,502	7,084	7,040
Loans held for sale.....	Approximately equal to carrying value	14,843	14,843	5,479	5,479
Loans.....	Discounted expected future cash flows, net of allowance for loan losses	1,173,729	1,293,828	1,038,039	1,139,118
Liabilities					
Deposits.....	Fixed-rate certificates of deposit: Discounted expected future cash flows All other deposits: Approximately equal to carrying value	\$1,327,023	\$1,332,665	\$1,043,544	\$1,047,786
Federal Home Loan Bank advances.....	Discounted expected future cash flows	40,000	39,981	83,700	83,700
Other borrowings.....	Discounted expected future cash flows	4,500	4,500	3,000	3,000

Off-Balance-Sheet Financial Instruments

The fair value of commitments, guarantees and letters of credit at December 31, 2000 approximates the recorded amounts of the related fees, which are not material. The fair value is estimated based upon fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate commitments, the fair value estimation takes into consideration an interest rate risk factor. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements.

16. Business Segment Information

The Company is managed along three major lines of business: commercial banking, retail banking, and real estate lending. The treasury function of the Company, although not considered a line of business, is responsible for the management of investments and interest rate risk.

The principal activities conducted by commercial banking are the origination of commercial business loans and private banking services. Retail banking includes all deposit products, with their related fee income, and all

consumer loan products as well as commercial loan products offered in the Bank's branch offices. Real estate lending offers single-family residential, multi-family residential, and commercial real estate loans, and the associated loan servicing activities.

Prior to 1999, the Company was managed as one segment, not by discrete operating segments. With the appointment of new executive officers in 1999, the Company began reviewing financial performance along the three major lines described above. The Executive Management Committee, which is the senior decision making group of the Company, is comprised of five members including the Vice Chairman and Chief Executive Officer, the President and Chief Operating Officer, and three Executive Vice Presidents.

The Company generates segment results that include balances directly attributable to business line activities. Overhead and other indirect expenses are not allocated to the major lines of business. The Company's Executive Management Committee manages the major lines collectively, since in the opinion of management, all the lines are interrelated.

The financial results of each segment were derived from the Company's general ledger system. Since the Company is not specifically organized around lines of business, most reportable segments are comprised of more than one operating segment. Expenses incurred directly by sales and back office support functions are not allocated to the major lines of business.

Since SFAS No. 131 requires no segmentation or methodology standardization, the organizational structure of the Company and its business line financial results are not necessarily comparable across companies. As such, the Company's business line performance may not be directly comparable with similar information from other financial institutions.

Financial highlights by lines of business:

Condensed Statement of Operations:

	Year Ended December 31, 2000				
	Commercial Banking	Retail Banking	Real Estate Lending	Other	Total
	(in thousands)				
Net interest income after provision for loan loss.....	\$ 9,759	\$ 42,606	\$ 5,917	\$ (9,814)	\$ 48,468
Other income.....	638	4,272	767	5,910	11,587
Other expense.....	(2,356)	(16,010)	(2,052)	(24,335)	(44,753)
Contribution to overhead and profit.....	\$ 8,041	\$ 30,868	\$ 4,632	\$(28,239)	15,302

Income taxes.....					(5,232)
Net income.....					\$ 10,070
Total assets.....	\$337,193	\$637,825	\$322,648	\$198,829	\$1,496,495

Year Ended December 31, 1999

	Commercial Banking	Retail Banking	Real Estate Lending	Other	Total
	(in thousands)				
Net interest income after provision for loan loss.....	\$ 9,925	\$ 30,979	\$ 7,377	\$ (1,172)	\$ 47,109
Other income.....	522	3,847	1,114	4,663	10,146
Other expense.....	(2,445)	(13,112)	(1,882)	(22,205)	(39,644)
Contribution to overhead and profit.....	\$ 8,002	\$ 21,714	\$ 6,609	\$(18,714)	17,611
Income taxes.....					(5,941)
Net income.....					\$ 11,670
Total assets.....	\$369,390	\$479,272	\$266,051	\$122,444	\$1,237,157

Year Ended December 31, 1998

	Commercial Banking	Retail Banking	Real Estate Lending	Other	Total
	(in thousands)				
Net interest income after provision for loan loss.....	\$ 7,770	\$ 26,545	\$ 6,212	\$ (467)	\$ 40,060
Other income.....	180	3,356	1,801	2,845	8,182
Other expense.....	(1,845)	(10,874)	(1,731)	(18,344)	(32,794)
Contribution to overhead and profit.....	\$ 6,105	\$ 19,027	\$ 6,282	\$(15,966)	15,448
Income taxes.....					(5,247)
Net income.....					\$ 10,201
Total assets.....	\$275,756	\$420,120	\$206,286	\$148,757	\$1,050,919

17. Parent Company Financial Information

Condensed Statement of Operations--Parent Company Only

	Years ended December 31,		
	2000	1999	1998
	(in thousands)		
Income			
Interest on loans.....	\$ 23	\$ 21	\$ 20
Interest on securities available for sale.....		57	376
Dividend from bank subsidiary.....	2,000		
Interest-earning deposits:			
Unrelated banks.....	13	128	154
Other.....	10		67
Total Income.....	2,046	206	617
Expense			
Compensation and employee benefits.....	348	318	(16)
Interest.....	436	1	
Other.....	739	312	278
Total Expenses.....	1,523	631	262
Income (loss) before income tax benefit and equity in undistributed net income of subsidiary.....	523	(425)	355
Income tax expense (benefit).....	(517)	(145)	100
Income (loss) before equity in undistributed net income of subsidiary.....	1,040	(280)	255
Equity in undistributed net income of subsidiary...	9,030	11,950	9,946
Net Income.....	\$10,070	\$11,670	\$10,201

Condensed Balance Sheet--Parent Company Only

	December 31,	
	2000	1999
	(in thousands)	

Assets		
Cash and due from subsidiary bank.....	\$ 301	\$ 32
Interest-earning deposits with unrelated banks.....	292	122
	-----	-----
Total cash and cash equivalents.....	593	154
Loans.....	1,016	360
Investment in bank subsidiary.....	117,155	100,637
Other assets.....	1,317	1,327
	-----	-----
Total Assets.....	\$120,081	\$102,478
	=====	=====
Liabilities and Shareholders' Equity		
Borrowed funds.....	\$ 4,500	\$ 3,000
Other liabilities.....	1,758	264
	-----	-----
Total liabilities.....	6,258	3,264
Shareholders' equity.....	113,823	99,214
	-----	-----
Total Liabilities and Shareholders' Equity.....	\$120,081	\$102,478
	=====	=====

Condensed Statement of Cash Flows--Parent Company Only

	Years ended December 31,		
	2000	1999	1998
	(in thousands)		
Operating Activities			
Net income.....	\$10,070	\$ 11,670	\$10,201
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Equity in undistributed earnings of subsidiary..	(9,030)	(11,950)	(9,946)
Provision for depreciation and amortization.....	14	12	14
Net changes in other assets and liabilities.....	1,490	129	(124)
	-----	-----	-----
Net cash provided (used) by operating activities.....	2,544	(139)	145
Investing Activities			
Purchase of securities available for sale.....			(5,995)
Proceeds from maturities of securities available for sale.....		6,000	6,800
Loans originated or acquired, net of principal collected.....	(656)		
Contribution of capital--bank subsidiary, net.....	(5,000)	(12,980)	
Other, net.....		(1,050)	2
	-----	-----	-----
Net cash provided (used) by investing activities.....	(5,656)	(8,030)	807
Financing Activities			
Proceeds from other borrowings.....	1,500	3,000	
Tax benefits from exercise of stock options.....	378		
Proceeds from issuance of common stock.....	1,673	1,303	711
	-----	-----	-----
Net cash provided by financing activities.....	3,551	4,303	711
	-----	-----	-----
Increase (decrease) in cash and cash equivalents.....	439	(3,866)	1,663
Cash and cash equivalents at beginning of period..	154	4,020	2,357
	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 593	\$ 154	\$ 4,020
	=====	=====	=====

18. Summary of Quarterly Financial Information--Unaudited

Columbia Banking System, Inc.

Quarterly financial information for the years ended December 31, 2000 and 1999 is summarized as follows:

2000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year Ended December 31,
----	-----	-----	-----	-----	-----
	(in thousands, except per share amounts)				
Total interest income.....	\$24,813	\$27,010	\$28,348	\$29,825	\$109,996
Total interest expense.....	10,959	12,561	13,495	14,713	51,728
	-----	-----	-----	-----	-----
Net interest income.....	13,854	14,449	14,853	15,112	58,268
Provision for loan losses.....	900	900	900	7,100	9,800
Noninterest income.....	2,593	2,907	3,018	3,069	11,587
Noninterest expense.....	10,823	11,284	11,305	11,341	44,753
	-----	-----	-----	-----	-----
Income (loss) before income tax.....	4,724	5,172	5,666	(260)	15,302
Provision for income tax.....	1,628	1,781	1,947	(124)	5,232
	-----	-----	-----	-----	-----
Net income (Loss).....	\$ 3,096	\$ 3,391	\$ 3,719	\$ (136)	\$ 10,070
	=====	=====	=====	=====	=====
Net income (Loss) per common share:					

Basic.....	\$ 0.27	\$ 0.29	\$ 0.32	\$ (0.01)	\$ 0.86
Diluted.....	0.26	0.28	0.31	(0.01)	0.84
	=====	=====	=====	=====	=====
	First	Second	Third	Fourth	Year Ended
	Quarter	Quarter	Quarter	Quarter	December 31,
1999	-----	-----	-----	-----	-----
----	(in thousands, except per share amounts)				
Total interest income.....	\$19,351	\$20,173	\$21,725	\$23,103	\$ 84,352
Total interest expense.....	8,057	8,363	8,859	9,564	34,843
	-----	-----	-----	-----	-----
Net interest income.....	11,294	11,810	12,866	13,539	49,509
Provision for loan losses.....	600	600	600	600	2,400
Noninterest income.....	2,263	2,577	2,608	2,698	10,146
Noninterest expense.....	9,796	9,764	9,919	10,165	39,644
	-----	-----	-----	-----	-----
Income before income tax.....	3,161	4,023	4,955	5,472	17,611
Provision for income tax.....	1,073	1,361	1,666	1,841	5,941
	-----	-----	-----	-----	-----
Net income.....	\$ 2,088	\$ 2,662	\$ 3,289	\$ 3,631	\$ 11,670
	=====	=====	=====	=====	=====
Net income per common share:					
Basic.....	\$ 0.18	\$ 0.23	\$ 0.28	\$ 0.31	\$ 1.00
Diluted.....	0.17	0.22	0.28	0.30	0.98
	=====	=====	=====	=====	=====

FINANCIAL DATA SUPPLEMENT

CONSOLIDATED FIVE-YEAR STATEMENTS OF OPERATIONS(1)

Columbia Banking System, Inc.

	Years ended December 31,				
	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
	(dollars in thousands, except per share amounts)				
Interest Income:					
Loans.....	\$ 102,838	\$ 77,807	\$ 66,858	\$ 56,176	\$ 43,240
Securities available for sale.....	5,650	5,619	4,696	3,800	2,360
Securities held to maturity.....	268	287	419	628	702
Deposits with banks.....	1,240	639	1,654	1,457	1,583
	-----	-----	-----	-----	-----
Total interest income....	109,996	84,352	73,627	62,061	47,885
Interest Expense:					
Deposits.....	47,662	32,898	29,759	24,775	20,370
Federal Home Loan Bank advances.....	3,630	1,939	1,908	1,971	1,938
Other borrowings.....	436	6		84	233
	-----	-----	-----	-----	-----
Total interest expense...	51,728	34,843	31,667	26,830	22,541
	-----	-----	-----	-----	-----
Net Interest Income.....	58,268	49,509	41,960	35,231	25,344
Provision for loan losses..	9,800	2,400	1,900	4,726	1,635
	-----	-----	-----	-----	-----
Net interest income after provision for loan losses.....	48,468	47,109	40,060	30,505	23,709
Noninterest income.....	11,587	10,146	8,182	7,106	4,785
Key man life insurance proceeds.....				3,518	
Noninterest expense.....	44,753	39,644	32,794	27,832	22,768
SAIF special assessment....					612
Merger expenses.....				1,234	
	-----	-----	-----	-----	-----
Noninterest expense.....	44,753	39,644	32,794	29,066	23,380
	-----	-----	-----	-----	-----
Income before income tax...	15,302	17,611	15,448	12,063	5,114
Provision for income tax...	5,232	5,941	5,247	2,788	479
	-----	-----	-----	-----	-----
Net Income.....	\$ 10,070	\$ 11,670	\$ 10,201	\$ 9,275	\$ 4,635
	=====	=====	=====	=====	=====
Net Income Per Common Share:					
Basic.....	\$ 0.86	\$ 1.00	\$ 0.88	\$ 0.81	\$ 0.56
Diluted.....	0.84	0.98	0.85	0.79	0.54
Average number of common shares outstanding (basic).....	11,678	11,652	11,603	11,406	8,307
Average number of common shares outstanding (diluted).....	11,973	11,927	11,965	11,741	8,544
	=====	=====	=====	=====	=====
Total assets at end of period.....	\$1,496,495	\$1,237,157	\$1,059,919	\$864,555	\$706,448
Long-term obligations.....	4,500	3,000	25,000	39,000	34,000
Cash dividends.....					
	=====	=====	=====	=====	=====

(1) These unaudited schedules provide selected financial information concerning the Company which should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report.

CONSOLIDATED FIVE-YEAR SUMMARY OF AVERAGE BALANCES
AND NET INTEREST REVENUE

Columbia Banking System, Inc.

	2000			1999		
	Average Balances(1)	Interest	Average Rate	Average Balances(1)	Interest	Average Rate
	(dollars in thousands)					
Interest-Earning Assets						
Loans:						
Commercial business....	\$ 475,807	\$45,280	9.52%	\$ 371,549	\$32,338	8.70%
Real estate(2):						
One- to four-family residential.....	108,063	9,389	8.69	90,233	7,437	8.24
Five or more family residential and commercial properties.....	463,002	38,431	8.30	374,788	29,985	8.00
Consumer.....	102,141	9,737	9.53	90,803	8,047	8.86
Total loans.....	1,149,013	102,837	8.95	927,373	77,807	8.39
Securities(3).....	97,585	6,152	6.30	99,149	6,085	6.14
Interest-earning deposits with banks....	19,118	1,240	6.49	13,106	639	4.87
Total interest-earning assets.....	1,265,716	110,229	8.71	1,039,628	84,531	8.13
Noninterest-earning assets.....	109,884			91,788		
Total assets.....	\$1,375,600			\$1,131,416		
	=====			=====		
Interest-Bearing Liabilities						
Certificates of deposit.....	\$ 543,558	\$33,053	6.08%	\$ 388,445	\$20,332	5.23%
Savings accounts.....	46,722	937	2.01	45,478	936	2.06
Interest-bearing demand and money market accounts.....	399,561	13,672	3.42	376,079	11,630	3.09
Total interest-bearing deposits.....	989,841	47,662	4.82	810,002	32,898	4.06
Federal Home Loan Bank advances.....	54,813	3,630	6.62	35,684	1,939	5.43
Other borrowings.....	5,245	436	8.31	109	6	5.16
Total interest-bearing liabilities.....	1,049,899	51,728	4.93	845,795	34,843	4.12
Demand and other noninterest-bearing deposits.....	207,812			184,094		
Other noninterest- bearing liabilities....	10,334			6,809		
Shareholders' equity....	107,555			94,718		
Total liabilities and shareholders' equity.....	\$1,375,600			\$1,131,416		
	=====			=====		
Net interest revenue(3).....		\$58,501			\$49,688	
		=====			=====	
Net interest spread...			3.78%			4.01%
			=====			=====
Net interest margin...			4.62%			4.78%
			=====			=====
Average interest-earning assets to average interest-bearing liabilities.....			120.56%			122.92%
			=====			=====

(1) Nonaccrual loans were included in their respective loan categories. Amortized net deferred loan fees were included in the interest income calculations. The amortization of net deferred loan fees was \$1.4 million in 2000, \$962,000 in 1999, and \$503,000 in 1998.
(2) Real estate average balances include real estate construction loans.
(3) Yields on fully taxable equivalent basis, based on a marginal tax rate of 35% for calendar year 2000, and 34% for all prior years presented.

CONSOLIDATED FIVE-YEAR SUMMARY OF AVERAGE BALANCES
AND NET INTEREST REVENUE--(Continued)

Columbia Banking System, Inc.

	Average Balances(1)	Interest	Average Rate	Average Balances(1)	Interest	Average Rate	Average Balances(1)	Interest	Average Rate
(dollars in thousands)									
Interest-Earning Assets									
Loans:									
Commercial business.....	\$307,174	\$28,039	9.13%	\$218,560	\$20,172	9.23%	\$158,460	\$14,153	8.93%
Real estate(2):									
One- to four-family residential.....	96,999	8,512	8.78	109,659	10,936	9.97	112,986	10,468	9.26
Five or more family residential and commercial properties.....	264,314	23,008	8.70	217,412	18,727	8.61	144,340	13,473	9.33
Consumer.....	80,100	7,299	9.11	68,040	6,341	9.32	58,101	5,146	8.86
Total loans.....	748,587	66,858	8.93	613,671	56,176	9.15	473,887	43,240	9.12
Securities(3).....	83,657	5,221	6.24	71,424	4,513	6.32	51,056	3,126	6.12
Interest-earning deposits with banks..	30,949	1,654	5.35	26,389	1,456	5.52	29,998	1,583	5.28
Total interest-earning assets.....	863,193	73,733	8.54	711,484	62,145	8.73	554,941	47,949	8.64
Noninterest-earning assets.....	76,081			53,244			40,311		
Total assets.....	\$939,274			\$764,728			\$595,252		
Interest-Bearing Liabilities									
Certificates of deposit.....	\$337,557	\$18,917	5.60%	\$282,899	\$16,017	5.66%	\$240,214	\$13,771	5.73%
Savings accounts.....	39,768	997	2.51	38,301	1,054	2.75	32,438	943	2.91
Interest-bearing demand and money market accounts.....	287,007	9,845	3.43	223,514	7,704	3.45	160,020	5,656	3.53
Total interest-bearing deposits.....	664,332	29,759	4.48	544,714	24,775	4.55	432,672	20,370	4.71
Federal Home Loan Bank advances.....	34,538	1,908	5.52	35,597	1,971	5.54	34,096	1,914	5.61
Other borrowings.....				1,681	84	5.02	3,454	257	7.44
Total interest-bearing liabilities.....	698,870	31,667	4.53	581,992	26,830	4.61	470,222	22,541	4.79
Demand and other noninterest-bearing deposits.....	149,353			111,492			74,940		
Other noninterest-bearing liabilities.....	6,371			6,860			4,421		
Shareholders' equity.....	84,680			64,384			45,669		
Total liabilities and shareholders' equity.....	\$939,274			\$764,728			\$595,252		
Net interest revenue(3).....		\$42,066			\$35,315			\$25,408	
Net interest spread.....			4.01%			4.12%			3.85%
Net interest margin.....			4.87%			4.96%			4.58%
Average interest-earning assets to average interest-bearing liabilities...			123.51%			122.25%			118.02%

CONSOLIDATED ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE

The following table sets forth the amounts of the changes in consolidated net interest income attributable to changes in volume and changes in interest rates for the Company. Changes attributable to the combined effect of volume and interest rates have been allocated proportionately to the changes due to volume and the changes due to interest rates.

2000 Compared to 1999			1999 Compared to 1998			
Increase (Decrease)			Increase (Decrease)			
Due to			Due to			
Volume	Rate	Total	Volume	Rate	Total	
(in thousands)						
Interest Income(1)						
Loans:						
Commercial business.....	\$ 9,710	\$3,232	\$12,942	\$ 5,525	\$(1,226)	\$ 4,299
One- to four-family residential.....	1,532	420	1,952	(574)	(501)	(1,075)
Five or more family residential and commercial properties...	7,286	1,160	8,446	8,652	(1,675)	6,977
Consumer.....	1,052	638	1,690	942	(194)	748
Total loans.....	19,580	5,450	25,030	14,545	(3,596)	10,949
Securities.....	(92)	159	67	949	(85)	864
Interest-earning deposits with banks.....	349	252	601	(881)	(134)	(1,015)
Total interest revenue (TE).....	\$19,837	\$5,861	\$25,698	\$14,613	\$(3,815)	\$10,798
Interest Expense						
Deposits:						
Certificates of deposit..	\$ 9,054	\$3,667	\$12,721	\$ 2,517	\$(1,102)	\$ 1,415
Savings accounts.....	15	(14)	1	247	(308)	(61)
Interest-bearing demand..	755	1,287	2,042	2,661	(876)	1,785

Total interest on deposits.....	9,824	4,940	14,764	5,425	(2,286)	3,139
Federal Home Loan Bank advances.....	1,201	490	1,691	61	(30)	31
Other borrowings.....	425	5	430		6	6
Total interest expense.....	\$11,450	\$5,435	\$16,885	\$ 5,486	\$(2,310)	\$ 3,176
	=====	=====	=====	=====	=====	=====

The change in interest not due solely to volume or rate has been allocated in proportion to the absolute dollar amounts of the change in each.

TE = Taxable Equivalent

(1) Nonaccrual loans were included in their respective loan categories. Amortized net deferred loan fees were included in the interest income calculations. The amortization of net deferred loan fees was \$1.4 million in 2000, \$962,000 in 1999, and \$503,000 in 1998.

Loan Maturities and Sensitivity to Changes in Interest Rates

The following table presents, (i) the aggregate maturities of loans in each major reportable category named below of the Company's loan portfolio and (ii) the aggregate amounts of variable and fixed rate loans that mature after one year.

December 31, 2000	Maturing			
	Due Through 1 Year	Over 1 but Through 5 Years	Over 5 Years	Total
	(in thousands)			
Commercial business.....	\$298,564	\$133,531	\$ 64,030	\$496,125
Real estate construction.....	30,616	20,777	56,606	107,999
Total.....	\$329,180	\$154,308	\$120,636	\$604,124
	=====	=====	=====	=====
Fixed rate loans.....		\$ 80,647	\$ 34,908	\$115,555
Variable rate loans.....		73,661	85,728	159,389
Total.....		\$154,308	\$120,636	\$274,944
		=====	=====	=====

Average Deposit Liabilities

The following table presents the average balances outstanding and weighted average interest rate for each major category of deposits:

	Years ended December 31,					
	2000		1999		1998	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
	(dollars in thousands)					
Interest-bearing demand and money market accounts.....	\$ 399,561	3.42%	\$376,079	3.09%	\$287,007	3.43%
Savings accounts.....	46,722	2.01	45,478	2.06	39,768	2.51
Certificates of deposit.....	543,558	6.08	388,445	5.23	337,557	5.60
Total interest-bearing deposits.....	989,841	4.82	810,002	4.06	664,332	4.48
Demand and other noninterest-bearing....	207,812		184,094		149,353	
Total deposits.....	\$1,197,653		\$994,096		\$813,685	
	=====		=====		=====	

The following table shows the amount and maturity of certificates of deposit that had balances of more than \$100,000:

	December 31, 2000

	(in thousands)
Remaining maturity	
3 months and under.....	\$105,233
Over 3 through 6 months.....	51,441
Over 6 through 12 months.....	68,127
Over 12 months.....	48,805
Total.....	\$273,606
	=====

Profitability in banking depends on interest rate differentials. In general, the difference between the interest earned on a bank's loans, securities and other interest-earning assets and the interest paid on a bank's deposits and other interest-bearing liabilities are the major source of a bank's earnings. Thus, the earnings and growth of the Company are affected not only by general economic conditions, but also by the monetary and fiscal policies

of the United States and its agencies, particularly the Federal Reserve. The Federal Reserve System implements national monetary policy for such purposes as controlling inflation and recession by its open-market operations in United States government securities, control of the discount rate applicable to borrowings from the Federal Reserve and the establishment of reserve requirements against certain deposits. The actions of the Federal Reserve in these areas influence growth of bank loans, investments and deposits and also affect interest rates charged on loans and paid on deposits. The nature and impact of future changes in monetary policies and their impact on the Company are not predictable.

Supervision and Regulation

The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956 ("BHC Act") registered with and subject to examination by the Federal Reserve Board ("FRB"). The Company's bank subsidiary is a Washington-state chartered commercial bank and is subject to examination, supervision, and regulation by the Washington State Department of Financial Institutions--Division of Banks ("Division"). The FDIC insures Columbia Bank's deposits and in that capacity also regulates the Bank.

The Company's earnings and activities are affected by legislation, by actions of the FRB, the Division, the FDIC and other regulators, and by local legislative and administrative bodies and decisions of courts in Washington state. For example, these include limitations on the ability of Columbia Bank to pay dividends to the Company, and numerous federal and state consumer protection laws imposing requirements on the making, enforcement, and collection of consumer loans, and restrictions by regulators on the sale of mutual funds and other uninsured investment products to customers.

Congress enacted major federal financial institution legislation in 1999. Title I of the Gramm-Leach-Bliley Act, which became effective March 11, 2000, allows bank holding companies to elect to become financial holding companies. In addition to the activities previously permitted bank holding companies, financial holding companies may engage in non-banking activities that are financial in nature, such as securities, insurance, and merchant banking activities, subject to certain limitations. It is likely that the Company will utilize the new structure to accommodate an expansion of its products and services.

The activities of bank holding companies, such as the Company, that are not financial holding companies are generally limited to managing or controlling banks. Nonbank activities of such bank holding companies are generally limited to acquisitions of up to 5% of voting shares and activities previously determined by the FRB by regulation or order to be closely related to banking.

Additional legislation may be enacted or regulations imposed to further regulate banking and financial services or to limit finance charges or other fees or charges earned in such activities. There can be no assurance whether any such legislation or regulation will place additional limitations on the Company's operations or adversely affect its earnings.

Federal law imposes certain restrictions on transactions between the Company and any nonbank subsidiaries, on the one hand, and Columbia Bank on the other. With certain exceptions, federal law also imposes limitations on, and requires collateral for, extensions of credit by insured depository institutions, such as Columbia Bank, and to their non-bank affiliates, such as the Company.

Subject to certain limitations and restrictions, a bank holding company, with prior approval of the FRB, may acquire an out-of-state bank. Banks in states that do not prohibit out-of-state mergers may merge with the approval of the appropriate federal banking agency. A state bank may establish a de novo branch out of state if such branching is expressly permitted by the other state.

Among other things, applicable federal and state statutes and regulations which govern a bank's activities relate to minimum capital requirements, required reserves against deposits, investments, loans, legal lending limits, mergers and consolidations, borrowings, issuance of securities, payment of dividends, establishment of

branches and other aspects of its operations. The Division and the FDIC also have authority to prohibit banks under their supervision from engaging in what they consider to be unsafe and unsound practices.

Under longstanding FRB policy, a bank holding company is expected to act as a source of financial strength for its subsidiary banks and to commit resources to support such banks. The Company could be required to commit resources to its subsidiary banks in circumstances where it might not do so, absent such policy.

The Company and Columbia Bank are subject to risk-based capital and leverage guidelines issued by federal banking agencies for banks and bank holding companies. These agencies are required by law to take specific prompt corrective actions with respect to institutions that do not meet minimum capital standards and have defined five capital tiers, the highest of which is "well-capitalized."

Columbia Bank is required to file periodic reports with the FDIC and the Division and is subject to periodic examinations and evaluations by those regulatory authorities. These examinations must be conducted every 12 months, except that certain well-capitalized banks may be examined every 18 months. The FDIC and the Division may each accept the results of an examination by the other in lieu of conducting an independent examination.

In the liquidation or other resolution of a failed insured depository institution, deposits in offices and certain claims for administrative expenses and employee compensation are afforded a priority over other general unsecured claims, including non-deposit claims, and claims of a parent company such as the Company. Such priority creditors would include the FDIC, which succeeds to the position of insured depositors.

The Company is also subject to the information, proxy solicitation, insider trading restrictions and other requirements of the Securities Exchange Act of 1934.

EXECUTIVE OFFICERS AND EMPLOYEES

Executive Officers of the Company

The following table sets forth certain information about the executive officers of the Company.

Name ----	Age ---	Position -----	Has Served as an Executive Officer of the Company Since -----
J. James Gallagher(1)...	62	Director, Vice Chairman and Chief Executive Officer	1998
Melanie J. Dressel(2)...	48	Director, President and Chief Operating Officer--the Company; President and Chief Executive Officer--Columbia Bank	1997
H. R. Russell(3).....	46	Executive Vice President--Senior Credit Officer	1996
Evans Q. Whitney(4).....	57	Executive Vice President, Retail Banking	1994
Gary R. Schminkey(5)....	43	Executive Vice President and Chief Financial Officer	1993
Donald A. Andersen(6)...	55	Senior Vice President, Senior Loan Production Officer--Columbia Bank	1996
Janet D. Hildebrand(7)..	52	Senior Vice President, Credit Administrator--Columbia Bank	1998

-
- (1) Mr. Gallagher assumed the position of Chief Executive Officer of the Company on January 1, 2000. Prior to that time and since July 1998, Mr. Gallagher served as Vice Chairman. From January 1994 until his appointment at Columbia, Mr. Gallagher was a principal of Gordon, Thomas, Honeywell, Malanca, Peterson & Daheim, P.L.L.C., a law firm headquartered in Tacoma, Washington, where he served as outside legal counsel for the Company. Mr. Gallagher, who is a former bank regulator, has over 30 years of experience as legal counsel to financial institutions throughout the Northwest.
- (2) Ms. Dressel assumed the position of President and Chief Operating Officer of the Company and Chief Executive Officer of the Columbia Bank on January 1, 2000. Prior to that time and since July 1998, Ms. Dressel served Columbia Bank as President and Chief Operating Officer and, since May 1997, as Executive Vice President. Prior to that time and since June 1993, Ms. Dressel served Columbia Bank as Senior Vice President--Private Banking. Ms. Dressel also served as Executive Vice President of the Company since May 1997. She became a Director of the Company in 1998. Ms. Dressel served as Senior Vice President and directed the private banking division of Puget Sound National Bank for nearly five years and was employed by Bank of California for over 14 years.
- (3) Mr. Russell joined Columbia Bank as Senior Vice President--Commercial Loans in October 1993. He was appointed Executive Vice President--Senior Credit Officer for Columbia Bank in May 1997. Mr. Russell was employed by Puget Sound National Bank and its successor institution for nearly 14 years, having served as Vice President--Commercial Loan Officer from 1991 to 1993.
- (4) Mr. Whitney joined Columbia Bank as Senior Vice President--Human Resources in March 1993. In July 1998, Mr. Whitney was appointed Executive Vice President--Retail Banking--for Columbia Bank and the Company. Mr. Whitney was employed by PSB and Puget Sound National Bank for nearly 27 years, having served as Senior Vice President--Human Resources for PSB and Puget Sound National Bank from 1991 to 1993.
- (5) Mr. Schminkey joined Columbia Bank as Vice President and Controller in March 1993. In 1994, he was appointed Senior Vice President--Chief Financial Officer of Columbia Bank and the Company and subsequently was appointed Executive Vice President--Chief Financial Officer in December 1998. Mr. Schminkey was employed by PSB, Puget Sound National Bank and its successor institution for nearly 10 years, having served from 1991 to 1993 as Assistant Vice President--Assistant Controller for PSB and

during that same period as Vice President--Accounting and Finance for Puget Sound National Bank and its successor institution.

- (6) Mr. Andersen joined Columbia Bank as Senior Vice President--Commercial Loans in January 1995. Mr. Andersen was employed by Puget Sound National Bank and its successor institution for nearly 25 years, having served as Vice President--Commercial Loan Officer from 1991 to 1995.
- (7) Ms. Hildebrand joined Columbia Bank as Senior Vice President--Credit Administrator in August 1997. Ms. Hildebrand was employed by First Interstate Bank of Washington and its successor, Wells Fargo Bank, for 23 years, having served as Senior Vice President and Regional Manager of Loan Review prior to leaving that institution in 1997.

All officers are elected by the Board of Directors and serve at the pleasure of the Board for an unspecified term.

Employees

At December 31, 2000, the Company had 513 full-time equivalent employees. The Company has placed a high priority on staff development. This development involves selective hiring and extensive training (including customer service training). New hires are selected on the basis of both technical skills and customer service capabilities. Emphasis has been placed upon hiring and retaining additional key officers in areas such as lending, administration and finance. None of the Company's employees are covered by a collective bargaining agreement with the Company, and management believes that its relationship with its employees is satisfactory.

ANNUAL REPORT ON FORM 10-K

Securities and Exchange Commission
Washington, DC 20549
Form 10-K
Annual Report pursuant to Section 13 of 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2000
Commission File Number 0-20288

Columbia Banking System, Inc.
Incorporated in the State of Washington
IRS Employer Identification Number: 91-1422237
Address: 1102 Broadway Plaza
P.O. Box 2156
Tacoma, Washington 98401-2156
Telephone: (253) 305-1900

Columbia (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Disclosures of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of Columbia's knowledge, in the definitive Proxy Statements incorporated by reference in Part III of this Form 10-K, or any amendment if this Form 10-K.

Certain information has been incorporated by reference as described herein into Part III of this report from Columbia's Proxy Statement dated April 2, 2001.

FORM 10-K CROSS REFERENCE INDEX

This Annual Report and Form 10-K incorporate into a single document the requirements of the accounting profession and the Securities and Exchange Commission, including a comprehensive explanation of 2000 results. Only those sections of the Annual Report referenced in the following cross-reference index are incorporated into the Form 10-K.

Form 10-K

Part and Item No.	Caption	Annual Report Page Number	Proxy Statement Page Number*
-----	-----	-----	-----
Part 1			
Item 1	Business.....	1-5, 33 (Note 4), 42 (Note 12), 44 (Note 16), 51-56	
Item 2	Properties.....	37 (Note 7)	
Item 3	Legal Proceedings.....	43 (Note 14)	
Item 4	Submission of Matters to a Vote of Security Holders.....	Not Applicable	
Part II			
Item 5	Market for the Registrant's Common Stock and Related Stockholder Matters.....	24	
Item 6	Selected Financial Data.....	6	
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7-23	

Item 7a	Quantitative and Qualitative Disclosures About Market Risk.....	18-20	
Item 8	Financial Statements and Supplementary Data.....	26-29, 49 (Note 18)	
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	Not Applicable	
Part III			
Item 10	Directors and Executive Officers of the Registrant.....	47-48	5, 18
Item 11	Executive Compensation*.....		9
Item 12	Security Ownership of Certain Beneficial Owners and Management....		3
Item 13	Certain Relationships and Related Transactions.....		18
Part IV			
Item 14	Exhibits, Financial Statement Schedules, and Reports on Form 8-K..	60	

* The Compensation Committee Report on Executive Compensation, the Stock Performance Graph and the Audit Committee Report are not incorporated into this Form 10-K Annual Report on reference.

Exhibits and Reports on Form 8-K

Exhibits:

The following exhibits are either filed herewith or have been previously filed with the Securities and Exchange Commission and are filed with this Form 10-K Annual Report through incorporation by reference:

- . Columbia's Restated Articles of Incorporation
- . Columbia's Restated Bylaws
- . Material Contracts, including certain compensatory plans and agreements
- . Subsidiary of the Company
- . Powers of Attorney of Directors Devine, Dressel, Fabulich, Fine, Folsom, Gallagher, Halleran, Hulbert, Matson, Quoidbach, Rodman, Snyder, Weyerhaeuser, and Will.

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A more detailed exhibit index has been filed with the SEC. Stockholders may obtain copies of that index, or any of the documents on that index by writing to Columbia Banking System, Inc., Investor Relations, P.O. Box 2156, MS 8300, Tacoma, WA 98401-2156.

Reports on Form 8-K:

The Company did not file any current reports on Form 8-K with the SEC during the fourth quarter of fiscal 2000.

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Independent Auditors

Deloitte & Touche LLP

Transfer Agent and Registrar

American Stock Transfer & Trust Company

Market Makers

Dain Rauscher
Herzog, Heine, Geduld, Inc.
Hoefer & Arnett, Inc.
Keefe, Bruyette & Woods, Inc.
Ragen MacKenzie Inc.
Ryan Beck & Co. Inc.

Regulatory and Securities Counsel

Davis Wright Tremaine, LLP

Annual Meeting

Sheraton Tacoma Hotel
1320 Broadway Plaza
Tacoma, Washington
Tuesday, May 15, 2001
1:00 p.m.

Stock Listing

The Company's common stock trades on the Nasdaq National Market tier of The Nasdaq Stock MarketSM under the symbol: COLB.

Financial Information

Columbia news and financial results are available through the Internet and mail.

Internet: For information about Columbia, including news and financial results, product information and service locations, access our home page on the World Wide Web, at <http://www.columbiabank.com>. You can also view or retrieve copies of Columbia's financial reports on the Internet by connecting to <http://www.sec.gov>.

Mail: At your request, we will mail you our quarterly earnings news release, quarterly financial data on Form 10-Q and additional annual reports. Immediate access to the Company's quarterly earnings news release via facsimile is provided by Company News On Call by calling (800) 758-

5804, access #152519. To be added to Columbia's mailing list for quarterly earnings news releases, or to request other information, please contact:

Jo Anne Coy
Vice President,
Marketing Director
P.O. Box 2156, MS 8300
Tacoma, WA 98401-2156
Tel (253) 305-1965
Fax (253) 305-0317
E-Mail: jcoy@columbiabank.com

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 30th day of March, 2001.

COLUMBIA BANKING SYSTEM, INC.
(Registrant)

/s/ J. James Gallagher
By _____
J. James Gallagher
Vice Chairman and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on the 30th day of March, 2001.

Principal Executive Officer:

/s/ J. James Gallagher
By _____
J. James Gallagher
Vice Chairman and
Chief Executive Officer

Principal Financial Officer:

/s/ Gary R. Schminkey

Gary R. Schminkey
Executive Vice President and
Chief Financial Officer

J. James Gallagher, pursuant to a power of attorney which is being filed with the Annual Report on Form 10-K, has signed this report on February 28, 2001 as attorney in fact for the following directors who constitute a majority of the Board.

[Richard S. DeVine]	[Thomas M. Hulbert]
[Melanie J. Dressel]	[Thomas L. Matson]
[Jack Fabulich]	[Robert E. Quidbach]
[Jonathan Fine]	[Donald Rodman]
[John P. Folsom]	[Sidney R. Snyder]
[J. James Gallagher]	[William T. Weyerhaeuser]
[John Halleran]	[James M. Will]

/s/ J. James Gallagher

J. James Gallagher
Attorney-in-fact

February 28, 2001

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Columbia Banking System, Inc. Board of Directors

Richard S. Devine Chairman Raleigh, Schwarz & Powell, Inc. President Chinook Resources, Inc.	Melanie J. Dressel President and Chief Operating Officer Columbia Banking System, Inc., President and Chief Executive Officer Columbia Bank	Jack Fabulich Honorary Chairman of Parker Paint Manufacturing, Inc. Commissioner Port of Tacoma
Jonathan Fine Chief Executive Officer United Way of King County	John P. Folsom President and Chief Executive Officer Raleigh, Schwarz & Powell, Inc.	J. James Gallagher Vice Chairman and Chief Executive Officer Columbia Banking System. Inc.
John A. Halleran Private Investor	Thomas M. Hulbert President and Chief Executive Officer Winsor Corporation President & Chief Executive Officer Hulco, Inc.	Thomas L. Matson Owner and President Tom Matson Dodge, Inc.
Robert E. Quidbach* Private Investor	Donald Rodman Owner and Executive Officer Rodman Realty	Sidney R. Snyder Vice Chairman Pacific Financial Corporation Washington State Senator Owner of Sid's Food Market

William T. Weyerhaeuser**
Chairman
Columbia Banking System, Inc.
Clinical Psychologist
Director
Potlach Corporation

James M. Will
President
Titus-Will Enterprises

* Robert E. Quidbach reached the age of 75 prior to the Annual Meeting of Shareholders to be held on May 15, 2001, and is retiring from the Board in accordance with the Company's Bylaws.
** On January 24, 2001, William T. Weyerhaeuser became Chairman of the Board.

Branch Locations

1	PIERCE COUNTY MAIN OFFICE 1102 Broadway Plaza Tacoma, WA 98402 (253) 305-1940 Vicki Powers	2	ALLENMORE 1959 South Union Tacoma, WA 98405 (253) 627-6909 Robert Bruback	3	EDGEWOOD/MILTON 1250 Meridian E Milton, WA 98354 (253) 952-6646 Michael Butcher
4	FIFE 5501 Pacific Hwy. E Fife, WA 98424 (253) 922-7870 Doug Hedger	5	FIRCREST 2401 Mildred St. W Fircrest, WA 98466 (253) 566-1172 Dan Patjens	6	GIG HARBOR 5303 Point Fosdick Dr. NW Gig Harbor, WA 98335 (253) 858-5105 Chris Gullett
7	LAKEWOOD 6202 Mount Tacoma Dr. SW Lakewood, WA 98499 (253) 581-4232 Jay Mayer	8	OLD TOWN 2200 North 30th St. Tacoma, WA 98403 (253) 272-0412 Connie Nelson	9	176th & MERIDIAN 17208 Meridian E Puyallup, WA 98373 (253) 445-6748 Alana Rouff
10	PUYALLUP 4220 S. Meridian Puyallup, WA 98373 (253) 770-0770 Stan Ausmus	11	SOUTH HILL MALL 3500 S. Meridian Suite 503 Puyallup, WA 98373 (253) 770-8161 Kathleen Knapper	12	SPANAWAY 17502 Pacific Ave. S Spanaway, WA 98387 (253) 539-3094 Joy Johnson
13	STADIUM 601 N. 1st. Tacoma, WA 98403 (253) 597-8811 Monica Stevens	14	SUMMIT 10409 Canyon Road E Puyallup, WA 98373 (253) 770-9323 Debra Hamilton	15	WESTGATE 5727 N. 21st St. Tacoma, WA 98406 (253) 761-8170 Connie Pentecost
16	KING COUNTY AUBURN 25 16th St. NE Auburn, WA 98002 (253) 939-9600 Patty Osthus	17	BELLEVUE 777 108th Ave. NE Suite 100 Bellevue, WA 98004 (425) 646-9696 Jeff Wemhoff	18	BELLEVUE WAY 10350 NE 10th St. Bellevue, WA 98004 (425) 452-7323 Barbara Graves
19	FEDERAL WAY 33370 Pacific Highway S Federal Way, WA 98003 (253) 925-9323 Mike Harris	20	FOREST VILLA 2749 Auburn Way S. Auburn, WA 98002 (253) 887-1186 Lillian McGinnis	21	KENT 504 W. Meeker Kent, WA 98032 (253) 852-8400 Shirley McGregor
22	SOUTH AUBURN 4101 A St. SE Auburn, WA 98002 (253) 939-9800 Rod Clemmer	23	COWLITZ COUNTY COMMERCE 1338 Commerce Ave. Longview, WA 98632 (360) 636-9200 Faith Pacheco	24	30th AVENUE 2207 30th Ave. Longview, WA 98632 (360) 423-8760 Faith Pacheco
25	TRIANGE MALL 620 A Triangle Mall Longview, WA 98632 (360) 501-5601 Faith Pacheco	26	WOODLAND 782 Goerig St. Woodland, WA 98674 (360) 225-9421 Carol Rounds	27	KITSAP COUNTY PORT ORCHARD 228 Bravo Terrace Port Orchard, WA 98366 (360) 876-8384 Rob Putas
28	THURSTON COUNTY WEST OLYMPIA 2820 Harrison Ave Olympia, WA 98502 (360) 375-5800 Diane Avery				

INDEX TO EXHIBITS

Exhibit
No.

- 3.1 Amended and Restated Articles of Incorporation. (3)
- 3.2 Restated Bylaws. (2)

- 4.1 Specimen of common stock certificate. (5)
- 10.1 Data processing servicing agreement dated May 3, 1993 between the Company and M&I Data Services. (1)
- 10.2 Deferred Compensation Plan for directors and certain key employees effective September 22, 1999. (2)
- 10.3 2000 Amended and Restated Stock Option Plan. (3)
- 10.4 Amended and Restated Employee Stock Purchase Plan. (5)
- 10.5 Office Lease, dated as of December 15, 1999, between the Company and Haub Brothers Enterprises Trust. (5)
- 10.6 Amended Employment Agreement between the Bank, the Company and J. James Gallagher effective December 20, 2000. (5) (4)
- 10.7 Amended Employment Agreement between the Bank, the Company and Melanie J. Dressel effective December 20, 2000. (5) (4)
- 10.8 Employment Agreement between the Bank, the Company and Harald R. Russell effective December 20, 2000. (5) (4)
- 10.9 Employment Agreement between the Bank, the Company and Evans Q. Whitney effective December 20, 2000. (5) (4)
- 10.10 Form of Severance Agreement between the Company and each of Mr. Schminkey, Mr. Andersen and Ms. Hildebrand, effective December 20, 2000. (5) (4)
- 10.11 Form of Promissory Note issued by each of Mr. Gallagher, Ms. Dressel, Mr. Whitney and Mr. Russell to the Company in consideration of the Company's 2000 issuance of restricted stock. (5)
- 10.12 Amended Restricted Stock Award Agreement between the Bank, the Company and J. James Gallagher effective July 1, 1998. (5)
- 10.13 Restricted Stock Award Agreement between the Bank, the Company and Melanie J. Dressel effective January 28, 1998. (5)
- 10.14 Restricted Stock Award Agreement between the Bank, the Company and Harald R. Russell effective January 28, 1998. (5)
- 10.15 Restricted Stock Award Agreement between the Bank, the Company and Evans Q. Whitney effective January 28, 1998. (5)
- 21 Subsidiary of the Company: Columbia State Bank.
- 23 Consent of Deloitte & Touche, LLP. (5)
- 24 Power of Attorney dated February 28, 2001. (5)

-
- (1) Incorporated by reference to the Company's Annual Report on Form 10-KSB for the year ended December 31, 1993.
- (2) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
- (3) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.
- (4) This document is a management contract containing compensatory arrangements and is required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.
- (5) Filed with this Annual Report on Form 10-K for the year ended December 31, 2000.

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Section 2: EX-4.1 (SPECIMEN OF COMMON STOCK CERTIFICATE)

Exhibit 4.1
COMMON STOCK
SHARES

incorporated under the laws
of the State of Washington

SEE REVERSE SIDE FOR
DEFINITIONS AND A
STATEMENT AS TO THE
RIGHTS, PREFERENCES
AND PRIVILEGES OF,
AND RESTRICTIONS ON,
SHARES

THIS CERTIFIES THAT

is the owner of

Fully Paid and Non-Assessable Shares of Common Stock, With No Par Value, of

COLUMBIA BANKING SYSTEM, INC.

transferable on the books of the Corporation by the holder hereof in person or
by duly authorized attorney upon surrender of this certificate, properly
endorsed. This certificate is not valid unless countersigned by the Transfer
Agent and registered by the Registrar.
WITNESS the facsimile signatures of its duly authorized officers.

Dated:

COUNTERSIGNED AND REGISTERED:
AMERICAN STOCK TRANSFER & TRUST COMPANY
TRANSFER AGENT AND REGISTRAR

BY

Secretary AUTHORIZED SIGNATURE

COLUMBIA BANKING SYSTEM, INC.

This certificate evidences shares of Common Stock of the Corporation.
Other classes of shares of the Corporation are, and may in the future be,
authorized and outstanding, and those classes may consist of one or more series
of shares, each with different rights, preferences and limitations. The
Corporation will furnish to any shareholder upon written request and without
charge a full statement of the designations, preferences, limitations and
relative rights of the shares of each class authorized to be issued and the
variations in the relative rights and preferences between the shares of each
series of a class of shares so far as the same have been fixed and determined,
and the authority of the Board of Directors to fix and determine the relative
rights and preferences of the subsequent series.

The following abbreviations, when used in the inscription on the face
of this certificate, shall be construed ass though they were written out in full
according to applicable laws or regulations:

TEN COM - as tenants in common	UNIF GIFT MIN ACT --.....Custodian.....
TEN ENT - as tenants by the entireties	(Cust) (Minor)
JT TEN - as joint tenants with right	under Uniform Gifts to
of survivorship and not	Minors Act.....
as tenants in common	(State)
	UNIF TRF MIN ACT --.....Custodian(until age)
	(Cust)
	under Uniform Transfers
	(Minor)
	to Minors Act.....
	(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell, assign
and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

Dated: _____

Signature(s) Guaranteed

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Section 3: EX-10.4 (AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN)

"Exercise Date" means the last day of each Offering Period.

"Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(1) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation The Nasdaq National Market or The Nasdaq Small Market of the Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day on the date of such determination, as reported in The Wall Street Journal or other source as the Committee deems reliable, or,

(2) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for such stock on the date of such determination, as reported in The Wall Street Journal or other source as the Committee deems reliable, or,

(3) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Committee.

"Offering Period" means a period of approximately six (6) months during which a Right granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after January 1 and terminating on the last Trading Day in the period ending the following June 30, or commencing on the first Trading Day on or after July 1 and terminating on the last Trading Day in the period ending the following December 31. The duration of Offering Periods may be changed pursuant to Section 4.1 of this Plan. The initial six-month Offering Period is a short period beginning on March 1, 2000, and terminating on June 30, 2000.

"Participant" means an Employee who has commenced participation in the Plan under Section 3.4.

"Purchase Price" means an amount equal to 90% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; provided that the Purchase Price may be adjusted by the Board pursuant to Section 12.5 of this Plan.

"Trading Day" means a day on which national stock exchanges and the Nasdaq System are open for trading.

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"Right(s)" means a right, in the nature of an option, of a Participant to purchase Stock under this Plan.

ARTICLE III - ELIGIBILITY AND PARTICIPATION

3.1 Initial Eligibility.

Any Employee who is employed by the Company on a given Enrollment Date is eligible to participate in the Plan.

3.2 Leave of Absence.

For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company, except as provided by Treasury Regulation Section 1.421-7(h).

3.3 Restrictions on Participation.

Notwithstanding any provisions of the Plan to the contrary, no Employee shall be granted a Right under the Plan:

(a) if, immediately after the grant, such Employee would own stock, and/or hold outstanding options (of any type and regardless of whether then exercisable in whole or in part or not at all) to purchase stock, possessing 5% or more of the total combined voting power or value of all classes of stock of the Company (as determined under the rules of Section 424(d) of the Code); or

(b) which permits his Rights to purchase stock under all employee stock purchase (Section 423) plans of the Company to accrue at a rate which exceeds \$25,000 in fair market value of the stock (determined at the time such Right under this or any other Section 423 Plan of the Company is granted) for each calendar year in which such Right is outstanding. For this purpose, the \$25,000 annual limit is cumulative, such that unused amounts from a prior calendar year during which a Right was outstanding may be carried forward to future calendar years, in accordance with Treasury Regulations Section 1.423-2(i).

3.4 Commencement of Participation.

An Employee may become a Participant in the Plan by completing an authorization for payroll deduction on the form provided by the Company and filing it with the Company's Human Resources Department prior to the applicable Enrollment Date. Payroll deductions for a Participant will commence on the first payroll date following the Enrollment Date and will end on the last payroll date in the Offering Period to which such authorization is applicable, unless sooner terminated by the Participant as provided in Article VIII of this Plan.

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ARTICLE IV - OFFERINGS

4.1 Offering Periods.

The Plan will be implemented by consecutive Offering Periods with a new Offering Period commencing on the first Trading Day on or after January 1 and July 1 each year, or on such other date as the Board or Committee shall determine, and continuing thereafter until terminated in accordance with Section 12.5 of this Plan. The Board or the Committee will have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without stockholder approval if such change is announced at least five (5) days prior to the scheduled beginning of the first Offering Period to be affected thereafter. The initial six-month offering period is a short period beginning on March 1, 2000, and terminating on June 30, 2000.

ARTICLE V - PAYROLL DEDUCTIONS

5.1 Amount of Deduction.

At the time a Participant files an authorization for payroll deduction, the Participant shall elect to have deductions made from his Compensation on each payday during the time he is a Participant in an Offering. A Participant's payroll deductions may not be less than 1% of Compensation for the payroll date to which the deduction is applied, and must be in whole percentage increments.

5.2 Participant's Account.

All payroll deductions made for a Participant shall be credited to his account under the Plan. A Participant may not make any separate cash payment into such account.

5.3 Changes in Payroll Deductions.

A Participant may terminate or change the amount of his prospective payroll deductions during any Offering Period by completing and filing with the Company a new authorization for a change in payroll deduction. The Board or Committee may, in its discretion, limit the number of participation rate changes during any Offering Period. The change in payroll deduction rate will be effective with the first full payroll period following five (5) business days after the Company's receipt of the new authorization, unless processed sooner by the Company. A Participant's authorization will remain in effect for successive Offering Periods unless terminated as provided in Article VIII of this Plan.

5.4 Leave of Absence.

If a Participant goes on a leave of absence and such leave of absence is not considered a termination of employment under Treasury Regulation Section 1.421-7(h), such Participant shall have the right to elect: (a) to withdraw the balance in his account pursuant to Section 8.1, (b) to discontinue further contributions to the Plan while on leave but remain a Participant in the Plan as to contributions made prior to the leave, or (c) if the leave is paid, to remain a Participant in

the Plan during such leave of absence, authorizing deductions to be made from payments by the Company to the Participant during such leave of absence.

5.5 Decrease in Payroll Deductions.

To the extent necessary to comply with Section 423(b)(8) of the Code and Section 3.3 of this Plan, a Participant's payroll deductions may be decreased to zero percent (0%) at any time during an Offering Period. Payroll deductions will recommence at the rate provided in such Participant's payroll deduction authorization at the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the Participant as provided in Article VII of this Plan.

5.6 Tax Withholding.

At the time Participant's Right is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the Participant must report such disposition to the Company and make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the Right or the disposition of the Common Stock. At any time, the Company may, if required, withhold from the Participant's compensation the amount necessary for the Company to meet any applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Participant.

ARTICLE VI - GRANTING OF RIGHTS

On the Enrollment Date of each Offering Period, each Participant will be granted a Right to purchase on the Exercise Date of such Offering Period up to a number of shares of Common Stock determined by dividing such Participant's accumulated payroll deductions in his account as of the Exercise Date by the Purchase Price; provided that such purchase shall be subject to the limitations set forth in Section 3.3 of this Plan.

ARTICLE VII - EXERCISE OF RIGHTS

7.1 Automatic Exercise.

Unless a Participant gives notice to the Company as hereinafter provided, his Right for the purchase of Common Stock with payroll deductions made during any Offering Period will be deemed to have been exercised automatically on the Exercise Date applicable to such Offering Period, for the purchase of the

maximum number of full shares of Common Stock which the accumulated payroll deductions in his account at the time will purchase at the Purchase Price. No fractional shares will be purchased; any accumulated payroll deductions in a Participant's account which are not sufficient to purchase a full share will be retained in the Participant's account for the subsequent Offering Period, subject to earlier withdrawal by the Participant as provided in Article VIII of this Plan. Any other monies left over in a Participant's account after the Exercise Date will be returned to the Participant.

7.2 Fractional Shares.

Fractional shares will not be issued under the Plan and any accumulated payroll deductions which would have been used to purchase fractional shares will be applied to succeeding Offerings or ultimately returned to the Participant, as described above.

7.3 Transferability of Rights.

During a Participant's lifetime, Rights held by such Participant shall be exercisable only by the Participant.

7.4 Delivery of Stock.

As promptly as practicable after each Exercise Date on which a purchase of Common Stock occurs, the Company will arrange the delivery to each Participant, as appropriate, of the shares purchased upon exercise of any Right. The Company may, in its discretion, provide a procedure for Participant shares to be held in account by the Company or its agent. Such shares will be held in book entry form until such time as a Participant requests issuance of a stock certificate representing all or a portion of the accumulated shares held in such Participant's account.

ARTICLE VIII - WITHDRAWAL

8.1 In General.

A Participant may withdraw payroll deductions credited to his account under the Plan at any time by giving written notice to the Human Resources Department. All of the Participant's payroll deductions credited to his account will be paid to him promptly after receipt of his notice of withdrawal, and no further payroll deductions will be made from his pay during such Offering Period. The Company may, at its option, treat any attempt to borrow by a Participant on the security of his accumulated payroll deductions as an election, under Section 8.1, to withdraw such deductions.

8.2 Effect on Subsequent Participation.

A Participant's withdrawal from any Offering Period will not have any effect upon his eligibility to participate in any succeeding Offering Period or in any similar plan which may hereafter be adopted by the Company.

8.3 Termination of Employment.

Upon termination of the Participant's employment with the Company for any reason, including retirement (but excluding death while in the employ of the Company or an approved leave of absence), the payroll deductions credited to the Participant's account will be returned to the Participant, or, in the case of the Participant's death subsequent to the termination of the Participant's employment, to the Participant's Beneficiary.

8.4 Termination of Employment Due to Death.

Upon termination of the Participant's employment because of the Participant's death, the Participant's Beneficiary shall have the right to elect, by written notice given to the Human Resources Department, prior to the earlier of the Exercise Date or the expiration of a period of sixty (60) days commencing with the date of the death of the Participant, either:

- (a) to withdraw all of the payroll deductions credited to the Participant's account under the Plan, or
- (b) to exercise, on the Exercise Date next following the date of the Participant's death, the Participant's Right for the purchase of the number of full shares of Stock which the accumulated payroll deductions in the Participant's account at the date of the Participant's death will purchase at the applicable Purchase Price, and any excess in such account will be returned to said Beneficiary.

In the event that no such written notice of election shall be duly received by the Human Resources Department, the Beneficiary shall automatically be deemed to have elected, pursuant to paragraph 8.4(b), to exercise the Participant's Right.

ARTICLE IX - NO INTEREST

No interest will be paid or allowed or any money paid into the Plan and credited to the account of any Participant, whether used to purchase Common Stock or returned to the participant or his Beneficiary.

ARTICLE X - STOCK

10.1 Maximum Shares.

The maximum number of shares of Common Stock which shall be issued under the Plan, subject to adjustment upon changes in capitalization of the Company as provided in Section 12.4, shall not exceed 100,000 shares for all Offering Periods. If the total number of shares for which Rights are exercised during any Offering Period exceeds the number of shares of Common Stock remaining under the Plan, and if the Plan is not amended to increase the available shares, the Board or the Committee shall make a pro rata allocation of the shares available (based on the relative number of Rights exercised by each Participant during that Offering Period), and the Plan shall terminate after exercise of such remaining Rights.

10.2 Participant's Interest In Common Stock.

The Participant will have no interest in Common Stock covered by his Right until such Right has been exercised.

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10.3 Registration of Common Stock.

Common Stock to be delivered to a Participant under the Plan will be registered in the name of the Participant, or, if the Participant so directs by written notice to the Human Resources Department prior to the Exercise Date applicable thereto, in the names of the Participant and one such other person as may be designated by the Participant, to the extent permitted by applicable law.

10.4 Restrictions on Exercise.

The Board or the Committee may, in its discretion, require as a condition to the exercise of any Right that the Participant shall have represented at the time of purchase, in form and substance satisfactory to the Company, that any disposition of the shares of Common Stock shall be effected in accordance with applicable securities laws, and that the Participant consents to having a legend placed on the share certificates to that effect which is acceptable to counsel for the Company.

ARTICLE XI - ADMINISTRATION

11.1 Appointment of the Committee.

The Plan shall be administered by the Committee, or if the Board so elects, the full Board. If the Board desires to directly exercise its powers under this Plan, then the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

11.2 Authority of Board or the Committee.

Subject to the express provisions of the Plan, the Committee shall have authority in its discretion to interpret and construe any and all provisions of the Plan, to adopt rules and regulations for administering the Plan, and to make all other determinations deemed necessary or advisable for administering the Plan. The Committee's determination on the foregoing matters shall be conclusive.

11.3 Procedure.

The quorum and action requirements for the Committee regarding the Plan shall be the same as for other activities conducted by the Committee. The Committee may correct any defect or omission or reconcile any inconsistency in the Plan, in the manner and to the extent it deems desirable.

11.4 Securities Compliance.

Shares will not be issued with respect to a Right unless the exercise of such Right and the issuance and delivery of such shares pursuant thereto complies with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, and the requirements of

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any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of a Right, the Company may require the Participant exercising the Right to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

ARTICLE XII - MISCELLANEOUS

12.1 Designation of Beneficiary.

A Participant may file a written designation of a Beneficiary who is to receive any Common Stock and/or cash to which the Participant may be entitled under this Plan in the event of the Participant's death subsequent to an Exercise Date on which the Right is exercised but prior to delivery to such Participant of any shares and cash. Such designation of Beneficiary must be in form satisfactory to the Company (including spousal consent to designation of any non-spouse primary Beneficiary by a married Participant) and may be changed

by the Participant at any time by written notice to the Human Resources Department. Upon the death of a Participant and upon receipt by the Company of proof of identity and existence at the Participant's death of a Beneficiary validly designated by him under the Plan, the Company shall deliver such Common Stock and/or cash to such Beneficiary. In the event of the death of a Participant and in the absence of a Beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such Common Stock and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Common Stock and/or cash to the spouse or to any one or more dependents of the Participant as the Company may designate. No Beneficiary shall, prior to the death of the Participant by whom he has been designated, acquire any interest in the Common Stock or cash credited to the Participant under the Plan.

12.2 Transferability.

Neither payroll deductions credited to a Participant's account nor any rights with regard to the exercise of a Right or to receive Common Stock under the Plan may be assigned, transferred, pledged, or otherwise disposed of in any way by the Participant other than by will or the laws of descent and distribution. Any such attempted assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 8.1.

12.3 Use of Funds.

All payroll deductions received or held by the Company under this Plan may be used by the Company for any corporate purpose and the Company shall not be obligated to segregate such payroll deductions.

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12.4 Adjustment Upon Changes in Capitalization, Dissolution, Liquidation,

Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the

stockholders of the Company, the number of shares subject to issuance under the Plan, as well as the price per share and the number of shares of Common Stock covered by each Right under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board or Committee, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

(b) Merger or Asset Sale. In the event of a proposed sale of all or

substantially all of the assets of the Company, or the merger of the Company with and into another corporation, each outstanding Right shall be assumed or an equivalent Right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the Right, the Offering Period then in progress shall be shortened by setting a new Exercise Date (the "New Exercise Date"). The New Exercise Date shall be before the date of the Company's proposed sale or merger. The Board shall notify each Participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the Participant's Right has been changed to the New Exercise Date and that the Participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Article VIII.

12.5 Amendment or Termination.

(a) The Board of Directors of the Company or the Committee may at any time and for any reason terminate or amend the Plan. Except as provided in Section 12.4 hereof, no such termination can affect Rights previously granted, provided that an Offering Period may be terminated by the Board of Directors or the Committee on any Exercise Date if the Board or the Committee determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its stockholders. Except as provided in Section 12.4 and Section 12.5 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any other applicable law, regulation or stock exchange rule), the Company shall obtain shareholder approval in such a manner and to such a degree as required.

(b) Without stockholder consent and without regard to whether any Participant Rights may be considered to have been "adversely affected," the Board (or its committee) shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the

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amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U. S. dollars, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly

completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts withheld from the Participant's Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Board or the Committee determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board or the Committee may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequences including, but not limited to:

- (1) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;
- (2) shortening any Offering Period so that the Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Board action; and
- (3) allocating shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

12.6 No Employment Rights.

The Plan does not, directly or indirectly, create in any Employee or class of Employees, any right with respect to continuation of employment by the Company, and it shall not be deemed to interfere in any way with the Company's right to terminate, or otherwise modify, an Employee's employment at any time.

12.7 Effect of Plan.

The provisions of the Plan shall, in accordance with its terms, be binding upon, and inure to the benefit of, each Participant and Beneficiary, and successors thereof, including, without limitation, estates and the executors, administrators or trustees, heirs and legatees, and any receiver, trustee in bankruptcy or creditor representative.

12.8 Governing Law.

The laws of the State of Washington will govern all matters relating to this Plan, except to the extent superseded by the laws of the United States.

COLUMBIA BANKING SYSTEM, INC.

By: _____

Its: _____

Date Amended By The Board: January 26, 2000

Date Adopted By The Board: January 25, 1995

Date Adopted By The Shareholders: April 26, 1995

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Section 4: EX-10.5 (OFFICE LEASE)

Exhibit 10.5

Basic Lease Information

OFFICE LEASE

Lease Date: December 15, 1999

Landlord: Haub Brothers Enterprises Trust
Address of Landlord: c/o Mr. John D. Barline
P.O. Box 1872
Tacoma, WA 98401-1872

Tenant: Columbia Banking Systems, Inc., a
Washington corporation

Address of Premises: 1301 South "A" Street

Contact: W. W. Philip
Telephone: 253-305-1900

Paragraph 1 Lease Term: One Hundred Eighty (180) Months, commencing 75 days after issuance of: (a) a certificate from Landlord's

Architect that the building has been substantially completed in accordance with the approved plans and specifications (the "Certificate of Construction Completion"); (b) a Certificate of Construction Completion for the building from the City of Tacoma; and (c) a Certificate from Landlord's Architect that the Landlord's obligations as enumerated in Exhibit "C" have been substantially completed except for normal punch list items. In the event this Lease commences on a date other than the first day of a calendar month, said term shall extend for said number of Months in addition to the remainder of the calendar month following the date of Lease commencement.

Paragraph 2 Rent: \$115,412.00 for floors 6, 7 and 8. This is based on 62,105 NRSF. The exact square footage will be verified in writing and adjusted upon substantial completion of the building. The rent will also be adjusted based on reduced costs, as more particularly described on Exhibit H.

Paragraph 17 Tenant's Percentage Share of Operating Expenses is estimated to be: (62,105 NRSF) 36.14% The exact percentage will be verified in writing and adjusted upon substantial completion of the building.

Paragraph 2 Security Deposit: \$0.00

The foregoing Basic Lease Information is hereby incorporated into and made a part of this Lease. Each reference in this Lease to any of the Basic Lease Information shall mean the respective information hereinabove set forth and shall be construed to incorporate all of the terms provided under the particular Lease paragraph pertaining to such information. In the event of any conflict between any Basic Lease Information and the Lease, the latter shall control.

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Lease Agreement

THIS LEASE is made as of this 15th day of December, 1999, between Haub

Brothers Enterprises Trust (hereinafter called "Landlord") and Columbia Banking
Systems, a Washington Corporation (hereinafter called "Tenant").

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord for the purposes and upon the terms and conditions hereinafter set forth, those premises (hereinafter called "Premises") containing approximately Sixty-Two Thousand One Hundred Five (62,105) square feet of net rentable office area (floors 6,7 and 8) as outlined on Exhibit "A" attached hereto and made a part

hereof, specified in the Basic Lease Information attached hereto, which Premises are within the building known as the 13th and A Street Building (the real property and all improvements, including said building are hereinafter called "Building") which is described in Exhibit "B" attached hereto. It is

acknowledged that the Lessee is desirous of possibly leasing additional space in the building (500sf more or less on the first floor). Should the parties agree upon such, then said space may be added as and addendum to the Lease

1. TERMS AND POSSESSION.

(a) The term of this Lease shall be One Hundred Eighty (180) Months, commencing 75 days after Landlord has delivered possession of the entire premises to Tenant and has delivered to Tenant: (a) a certificate from Landlord's Architect that the building has been substantially completed in accordance with the approved plans and specifications (the "Certificate of Construction Completion") and (b) a Certificate of Construction Completion for the building from the City of Tacoma ; and (c) a Certificate from Landlord's Architect that the Landlord's obligations as enumerated in Exhibit "C" have been substantially completed except for normal punch list items. The parties anticipate the Building to be completed and ready for commencement of occupancy on or about January 1, 2001 Landlord agrees to allow Tenant to commence construction of its tenant improvements concurrent with Landlord's construction of the building so long as the Tenant improvement work does not interfere with or adversely affect Landlord's ability to deliver the premises timely. Tenant shall be permitted to occupy the Premises before the commencement of the term for purposes of completing tenant improvements, installing equipment, moving furniture and other activities prior to conducting business from the Premises and such activities and occupancy by Tenant shall not be deemed Tenant's acceptance of possession; provided, however, that such period of occupancy before commencement of the term shall not exceed 75 days. Tenant shall be deemed to have accepted possession of the Premises and the Lease term shall begin upon commencing the operation of its business on the Premises or 75 days after issuance of the three (3) above required Certificates, , whichever first occurs (herein, the "Commencement Date"). If Landlord, for any reason whatsoever, cannot deliver possession of the building to Tenant on or before January 1,2001, this Lease shall not be void or voidable, nor shall Landlord or its agents be liable to Tenant for any loss or damage resulting therefrom. In that event, however, Tenant shall not be liable for any rent until the Lease commences as described above. In the event that Landlord fails to deliver possession of the building as defined above by December 15, 2001, unless otherwise modified by both parties, this Lease "may" be canceled by Tenant and, upon Tenant exercising this option, the Lease shall be of no further effect.

(b) Landlord agrees to provide a tenant improvement allowance for construction of building standard tenant improvements to the leased premises not to exceed thirty five and no/100 (\$35.00) per rentable square foot including all construction costs, space planning, architectural and engineering fees, and Washington State sales tax in effect at the time the improvements are constructed. Any improvement costs exceeding the above referenced amount shall be the sole responsibility of the tenant. Tenant improvement design shall be mutually acceptable by both landlord and tenant. Construction of the tenant improvements shall be the sole responsibility of the tenant. Landlord agrees to construct a shell and core for Tenant's occupancy in the Premises as described

in the attached Exhibit "C Shell and Core Work Letter Agreement, and made a part

hereof. Tenant shall be responsible for constructing its own Tenant Improvements
to the Premises (office area only) as more particularly described on Exhibit "D"

Tenant Improvement's Work Letter Agreement, and made a part hereof.

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(c) Tenant shall accept the Premises upon notice from Landlord that all work which is the Landlord's responsibility is substantially complete, subject to minor punch list items. Tenant shall, within ninety (90) days of such notice, provide Landlord with a complete list of any alleged deficiencies in such work and Landlord shall promptly repair the same. Thereafter, Tenant shall be deemed to have waived such deficiencies not made known to Landlord, except for latent deficiencies, and to have accepted the building as fully in compliance with Landlord's obligations hereunder.

2. RENT. In consideration of this Lease, Tenant promises and agrees to pay Landlord rent for said Premises at the rate of:

MONTHS	ANNUAL BASE RENT PER RENTABLE SQUARE FOOT	MONTHLY BASE RENT
1-24	\$22.30	\$115,412
25-48	\$23.30	\$120,587
49-72	\$25.80	\$133,526
73-120	\$26.30	\$136,113
121-180	\$27.06	\$140,047

One such monthly installment shall be payable by Tenant to Landlord in advance, without demand, upon Tenant's execution of this Lease, and a like monthly installment shall be due and payable on or before the first day of each succeeding calendar month during the term hereof. Rent for any fractional month at the beginning or end of the Lease term shall be prorated.

In the event Tenant fails to pay any installment of rent or other incurred expense hereunder as and when such installment is due, to help defray the additional cost to Landlord resulting from such late payments, Tenant shall pay to Landlord a late charge in an amount equal to three percent (3%) of such installment for any installment not paid by the 10th of the month for which it is due; and the failure to pay such amount within ten (10) days after written demand therefor shall be an event of default hereunder. The provision for such late charge shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as liquidated damages or as limiting Landlord's remedies in any manner. In the event that any installment of rent or other incurred charge remains unpaid ten (10) days after assessment or invoice thereof, interest shall be assessed on all outstanding amounts at the lesser of (i) the rate of 12% per annum or (ii) the highest rate allowed by law.

3. USE. The demised Premises shall be used and occupied by Tenant as banking and other associated services, including but not limited to insurance and securities related activities.

(a) Tenant shall not use, or permit to be used, the demised Premises for any other purpose. Tenant shall not commit nor permit the commission of any waste in, on or about the Premises, and shall not occupy or use, nor permit to be occupied or used any portion of the demised Premises for any business or purpose which is unlawful in part or in whole, nor permit anything to be done which will in any way increase the rate of fire insurance on the Building or its contents, or cause the cancellation of such insurance or otherwise affect said insurance in any manner. In the event that, by reason of acts of Tenant, there shall be any increase in the rate of insurance on the Building or its contents created by Tenant's acts or conduct of business, then such acts shall be deemed to be an event of default hereunder and Tenant hereby agrees to pay the amount of such increase on demand and acceptance of such payment shall not constitute a waiver of any of Landlord's rights hereunder.

(b) Tenant agrees that it shall not generate, handle, store or dispose of any hazardous substance on or in the Premises or common areas or any other part of the Building. As used herein, the term "hazardous substance" means any hazardous, toxic or dangerous substance, waste or material, which is now or hereafter becomes designated a hazardous and/or regulated under any Federal, State or local statute, ordinance, rule, regulation or other law now or hereafter in effect pertaining to environmental protection, contamination or clean-up. Tenant agrees to hold harmless, indemnify and defend Landlord from and against any damage, loss, claim or liability resulting from any breach of this covenant, including

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any attorneys' fees and costs incurred as a result of any such breach. This indemnity shall survive the termination of this Lease, whether by expiration of its term or otherwise.

(c) Landlord agrees that it shall not generate, handle, store or dispose of any hazardous substance on or in the Premises or common areas or any other part of the Building. As used herein, the term "hazardous substance" means any hazardous, toxic or dangerous substance, waste or material, which is now or hereafter becomes designated a hazardous and/or regulated under any Federal, State or local statute, ordinance, rule, regulation or other law now or hereafter in effect pertaining to environmental protection, contamination or clean-up. Landlord agrees to hold harmless, indemnify and defend Tenant from and against any damage, loss, claim or liability resulting from any breach of this covenant and any damage, loss, claim or liability with respect to any hazardous substance existing on or in the Building as of the Commencement Date of this Lease, including any attorneys' fees and costs incurred as a result of any such breach. This indemnity shall survive the termination of this Lease, whether by expiration of its term or otherwise.

4. LANDLORD'S OBLIGATIONS. Landlord shall maintain the Premises and the public and common areas of the Building in good order and condition consistent

with the operation of a first-class office building in downtown Tacoma, Washington. Such maintenance includes, but is not limited to, changing burnt out florescent lights, maintaining the standard provided levelours and doors, washing in normal course exterior windows inside and out, furnishing Tenant while occupying the demised Premises water, hot and cold, at those points of supply provided for general use of tenants of the Building; providing heated and refrigerated air conditioning in season, at such times as Landlord normally furnishes these services to all tenants of the Building, and at such hours and temperatures and in such amounts as are considered by Landlord to be standard, such service on Sunday and holidays to be optional on the part of Landlord; janitor service on weekdays other than holidays; elevator service; and electric service for normal office use, all in the manner and to the extent deemed by Landlord to be standard for such a first class office building; but failure to any extent to furnish, or any stoppage of these defined services, resulting from causes beyond control of Landlord shall not render Landlord liable in any respect for damages to person, property or business, nor be construed as an eviction of Tenant for effect any abatement of rent, nor relieve Tenant from fulfillment of any covenant or agreement hereof. Landlord will provide all normal services to the building without any extra or special charges to tenant on holidays which are not bank holidays and during which the bank tenant is open to the public. Should any equipment or machinery furnished by Landlord break down, or for any cause cease to function properly, Landlord shall use reasonable diligence to repair same promptly, but Tenant shall have no claim for rebate of rent or damages on account of any interruptions in service occasioned thereby or resulting therefrom except for landlord gross negligence. Tenant shall pay to Landlord on demand such charges as Landlord may reasonably prescribe for any electric service required by Tenant for computers and other electrical equipment or other electric service deemed by Landlord not to be standard. Should tenant elect to operate, heating, ventilating, air conditioning services in the building at any time other than normal building operating hours, the cost of operating said systems shall be billed back to tenant based on an hourly rate of usage. No janitorial service shall be provided for Saturdays, Sundays or legal holidays. The costs of any janitorial or other service provided by Landlord to Tenant which are in addition to the services ordinarily provided Building tenants shall be repaid by Tenant as Additional Rent upon receipt of billings therefor.

5. TENANT'S REPAIRS AND ALTERATIONS. Tenant shall not in any manner deface, damage or injure the Building, and will pay the cost of repairing any damage or injury done to the Building or any part thereof by Tenant or Tenant's agents, employees. Tenant shall throughout the term of the Lease take good care of the demised Premises and keep them free from waste and nuisance of any kind. Tenant agrees to keep the demised Premises, including all fixtures installed by Tenant , in good condition and make all necessary repairs. At the end or other termination of this Lease, Tenant shall deliver up the demised Premises with all improvements located thereon, except as provided in this paragraph, in good repair and condition, reasonable wear and tear excepted. Tenant shall not make or allow to be made any alterations or physical additions in or to the demised area without the prior written consent of Landlord which consent shall not be unreasonably withheld or delayed. Notwithstanding the above, tenant may make periodic improvements to the demised premises not costing more than twenty-five thousand and no/100 (\$25,000.00), so long as said improvements are constructed in a professional manner consistent with the

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level of quality of the building, and in compliance with all applicable building codes in affect at the time the improvements are to be constructed. tenant must complete the subject work in a manner that will not be disruptive to the other tenants in the building. At the termination of this Lease Tenant shall, if Landlord so elects, remove all alterations, physical additions or improvements erected by Tenant and shall restore the demised Premises to their original condition; otherwise such improvements shall be delivered up to Landlord with the demised Premises. All furniture and moveable trade fixtures installed by Tenant may be removed by Tenant at the termination of this Lease if Tenant so elects, and shall be removed if Landlord so elects. All such removals and restoration shall be accomplished in a good workmanlike manner so as not to damage the primary structure or structural qualities of the Building.

6. ASSIGNMENT AND SUBLETTING. Except in the event of a merger with another bank or similar entity with equal to or greater net worth at the time of transfer, Tenant shall not assign this Lease, or allow same to be assigned by operation of law or otherwise, or sub-let the demised Premises or any part thereof unless tenant agrees to remain primarily liable with respect to the terms and conditions of this lease. Said sublease or transfer shall require the prior written consent of landlord which shall not be unreasonably withheld. Landlord shall have the right to transfer and assign, in whole or in e part, any of its rights under this Lease, and in the Building and property referred to herein; and to the extent that such assignee assumes Landlord's obligations hereunder, Landlord shall by virtue of such assignment be released from such obligations.

If Tenant is a corporation, any dissolution or reorganization of Tenant, or the sale or other transfer of ownership (either in one or more transactions) of fifty percent (50%) or more of the total voting power of all classes of voting stock shall be deemed an assignment. If Tenant is a partnership, the withdrawal or change, voluntary, involuntary or by operation at law, of partners owning thirty percent (30%) or more of the partnership (either in one or more transactions), or the dissolution of the partnership shall be deemed an assignment.

In the event that Landlord agrees to the assignment of this Lease or to a sublease, Tenant agrees to pay the Landlord an amount of Five Hundred and No/100 Dollars (\$500.00) to reimburse Landlord for its costs in processing such assignment or sublease.

7. MAINTENANCE. Tenant shall maintain the demised Premises in a neat, clean and healthful condition, and shall comply with all laws, ordinances, orders, rules, and regulations (state, federal, municipal, as well as those of other agencies or bodies having any jurisdiction thereof) with reference to use, condition, or occupancy of the demised Premises.

8. LIABILITY. Landlord shall not be liable for and Tenant shall indemnify and hold Landlord harmless from any loss, liability, costs and expenses,

including attorneys' fees, arising out of any claim of injury or damage on or about the leased Premises caused by the negligence or misconduct or breach of this Lease by Tenant, its employees, subtenants, customers, invitees or by any other person entering the leased Premises or the Building or Property under express or implied invitation of Tenant or arising out of Tenant's use of the leased premises. Landlord shall not be liable to Tenant or Tenant's agents employees, invitees or any person entering upon the Property in whole or in part because of Tenant's use of the leased Premises for any damage to persons or property due to condition, design, or defect in the Building or its mechanical systems which may exist or occur Landlord shall not be liable or responsible for any loss or damage to any property or person occasioned by theft, fire, act of God, public enemy, injunction, riot, strike, insurrection, war, court order, requisition or order of government body or authority, or other matter beyond control on Landlord, or for any injury or damage or inconvenience, which may arise through repair or alteration of any part of the Building, or failure to make repairs, or from any cause whatever except Landlord's willful acts or gross negligence. Tenant agrees to purchase at its own expense and to keep in force during the term of this Lease a policy or policies of workmen's compensation and comprehensive liability insurance, including personal injury and property damage, in the minimum amounts of Two Million Dollars (\$2,000,000.00) for property damage and Two Million Dollars (\$2,000,000.00) per person and Two Million Dollars (\$2,000,000.00) per occurrence for personal injuries or deaths of person occurring in or about the Premises. The amounts of insurance may be increased upon mutual written agreement of both parties. Said policies shall: (I) name Landlord as an additional insured and insure Landlord's contingent liability

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under this Lease; (ii) be issued by an insurance company which is acceptable to Landlord (acceptability shall not be unreasonably withheld) and licensed to do business in the State of Washington; and (iii) provide that such insurance shall not be canceled unless thirty (30) days' prior written notice shall have been given to Landlord. Said policy or policies or certificate thereof shall be delivered to Landlord by Tenant upon commencement of the term of the Lease and upon each renewal of said insurance. During the term of this lease, Landlord will maintain an amount of insurance on the building equal to at least 90% of its current replacement cost and Landlord will maintain comprehensive liability insurance, including personal injury and property damage, in the minimum amounts of Two Million Dollars (\$2,000,000.00) for property damage and Two Million Dollars (\$2,000,000.00) per person and Two Million Dollars (\$2,000,000.00) per occurrence for personal injuries or deaths of person occurring in or about the Premises.

9. WAIVER OF SUBROGATION. Notwithstanding any provisions to the contrary elsewhere in this lease, Landlord and Tenant hereby waive any right that each may have against the other on account of any loss or damage arising in any manner which is covered by policies of insurance for fire and extended coverage, theft, public liability, workmen's compensation or other insurance now or hereafter existing during the term hereof.

10. RULES AND REGULATIONS. Tenant and Tenant's agents, employees, and invitees shall comply fully with all requirements of the rules of the Building which are attached as Exhibit "E". Landlord shall at all times have the right to

change such rules and regulations or to amend them in such reasonable manner as may be deemed advisable for safety, care, and cleanliness of the Building and for preservation of good order therein, all of which rules and regulations, changes, and amendments shall be forwarded to Tenant in writing and shall be carried out and observed by Tenant. Tenant shall further be responsible for the compliance with such rules and regulations by the employees, servants, agents, visitors and invitees of Tenant. The terms in this lease shall supercede and be controlling over any contrary provisions in the Building rules and regulations.

11. INSPECTION. Landlord, or its officers, agents, and representatives shall have the right to enter into and upon any and all parts of the demised Premises, (except for bank "security areas") at reasonable hours to clean or make repairs or alterations or additions as Landlord may deem necessary. With 24 hour advance notice, Landlord, or its officers, agents, and representatives shall have the right to enter the Premises for general inspections of the same and/or to show the demised Premises to purchasers or lenders, and Tenant shall not be entitled to any abatement or reduction of rent by reason thereof. In addition to the above, Landlord may show the premises to prospective tenants only after the expiration of tenant's notice to renew its lease has expired as defined in paragraph 38 of this lease. The tenant bank may from time to time advise the Landlord in writing of bank "security areas" within its premise into which areas the Landlord will not have access without accompaniment of a bank officer.

12. CONDUCT OF BUSINESS. Tenant shall conduct its business, control its employees, and use its best efforts to control its agents, customers, and invitees - all in such a manner as not to create any nuisance, or interfere with, annoy or disturb other tenants or Landlord in the management of the Building.

13. CONDEMNATION. If the demised Premises shall be taken or condemned in whole or in substantial part for public purposes, then the term of this Lease shall, at the option of Landlord, forthwith cease and terminate. Tenant may make a claim against the condemning agency for Tenant's moving and relocation costs and for the value of its leasehold estate terminated because of the condemnation. Any such claim shall be made jointly with the Landlord and Landlord and Tenant will share pro-rata any condemnation award, but in any case, Tenant shall not be entitled to an amount in excess of its moving and relocation costs and the value of the terminated leasehold estate. In the event of a partial condemnation such that the balance of the Premises provides adequate space of Tenant's operations then and in the foreseeable future, as reasonably determined by Tenant, this Lease shall remain in full force and effect, rent shall be reduced proportionately by the amount of the Premises taken, and Landlord shall restore or make any reasonable improvement to the Premises or the Property which is required as a result of the condemnation so that the balance of the Premises and the property are restored to a useable condition as nearly as possible to the condition prior to the condemnation.

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14. FIRE AND OTHER CASUALTY. In the event that the Building should be totally destroyed by fire, tornado or other casualty, or should be so damaged that rebuilding or repairs cannot be completed within two hundred forty (240) days after the date of such damage, Landlord, or Tenant, by giving written notice to the other within sixty (60) days after the date of such damage, may at its option terminate this Lease, in which event the rent shall be abated during the unexpired portion of this Lease effective with the date of such damage. In the event the Building should be damaged by fire, tornado or other casualty, but only to such extent that rebuilding or repairs can be completed within two hundred forty (240) days after the date of such damage, or if the damage should be more serious but neither party has elected to terminate this Lease, in either such event Landlord shall proceed with reasonable diligence to restore the Building to substantially the same condition in which it was immediately prior to the happening of the casualty, except that Landlord shall not be required to rebuild, repair or replace any part of the partitions, fixtures, and other improvements which may have been placed by Tenant or other tenants within the Building, except to the extent that insurance proceeds made available to Landlord include recovery for such improvements. Rent shall be abated prorata with respect to that portion of the Premises which is untenable during the time the demised Premises are unfit for occupancy. In the event that any mortgagee under a deed of trust, security agreement or mortgage on the Building should require that the insurance proceeds be used to retire the mortgage debt, Landlord shall have no obligation to rebuild and this Lease may terminate upon notice to Tenant. Notwithstanding the foregoing, in no event shall the Landlord be responsible for loss or damage to any of Tenant's personal property. Any insurance which may be carried by Landlord or Tenant against loss or damage to the Building or to the demised Premises shall be for the sole benefit of the party carrying such insurance and under its sole control.

15. HOLDING OVER. Should Tenant, or any of its successors in interest, hold over the demised Premises, or any part thereof, after the expiration of the term of this Lease, unless otherwise agreed in writing, such holding over shall constitute and be construed as a tenancy from month to month only, at a rental equal to rent paid for the last month of the term of this Lease plus twenty-five percent (25%) of such amount. The inclusion of the preceding sentence shall not be construed as Landlord's consent for the Tenant to hold over.

16. TAXES ON TENANT'S PROPERTY. Tenant shall be liable for all taxes levied or assessed against personal property, furniture or fixtures placed by Tenant in the demised Premises. If any such taxes for which Tenant is liable are levied or assessed against Landlord or Landlord's property and if Landlord elects to pay the same or if the assessed value of Landlord's property is increased by inclusion of personal property, furniture or fixtures placed by Tenant in the demised Premises, and Landlord elects to pay the taxes based on such increase, Tenant shall pay to Landlord upon demand that part of such taxes for which Tenant is primarily liable hereunder.

17. RENT ADJUSTMENT - OPERATING EXPENSES. Landlord shall give Tenant a statement of the Operating Expenses (as defined below) for the Building for each calendar year, and shall use its best efforts to provide such statement within ninety (90) days after the close of the calendar year. Except as provided herein, if such Operating Expenses (allocated on a square foot basis to all rentable space in the Building) exceed a base of Six and 47/100 Dollars (\$6.47) per square foot of area within the demised Premises (the "Base"), Tenant shall pay Landlord Tenant's proportionate share of such excess for the entire calendar year immediately preceding issuance of said statement. The statement shall also show the projected expenses for the upcoming year. If the projected expenses exceed the Base, then Tenant shall pay the difference between the new and the former estimates for the period from January 1 of the current calendar year through the month in which the statement is sent within twenty (20) days after Landlord sends the projections to Tenant. Thereafter, Tenant shall pay the new estimated amount until Landlord further revises such estimated amount. If the actual expenses show that Tenant's estimated payments exceeded Tenant's actual obligations, Landlord shall credit the difference against payment of the rent next due. If the Term shall have expired and no further Rent shall be due, Landlord shall provide a refund of such difference at the time Landlord sends its annual statement to tenants. Regardless of the foregoing, increases in Tenant's share of Operating Expenses shall be limited as they relate to "Capped Expenses." As used herein, "Capped Expenses" shall consist of all expenses except taxes, assessments, utilities, and insurance. The increase in Capped Expenses over those which existed in the third year of this Lease (the "Base Year"), shall be the lesser of (i) the actual amount of such increase, or (ii) the amount of the Capped Expense in the

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Base Year increased at 4% per year, cumulative and compounded. In the event the building is partially occupied during any calendar year, Landlord has the right to adjust or annualize the Operating Expenses to reflect a fully occupied building. Such adjustments shall be calculated according to accepted standards of accounting for office building management and generally accepted accounting principles using the principles identified on Exhibit "F."

If at Lease commencement or termination a partial calendar year is involved, operating expenses shall be computed as though a full calendar year were involved and prorated for such partial year. If the Lease terminates other than at the end of a calendar year, an estimate of current annual operating expenses shall be computed for the year of termination and any increased rental based on such estimate shall be billed to the Tenant prior to termination. Landlord shall furnish Tenant an itemized statement of the actual operating expenses at the end of the calendar year as outlined in the preceding paragraph.

For purposes of this Lease, operating expenses shall include those expenses paid or incurred by the Landlord for maintaining, operating and repairing the real property (including the building lobby and all building common areas), of which the demised Premises are a part, the Building and other improvements thereon and the personal property used in conjunction therewith (hereafter collectively referred to as "Project") including but not limited to the cost of ad valorem taxes, regular and special assessments, license fees and other charges of any kind whatsoever, payable by Landlord as a result of any public, quasi-public or private assessment or levy, electricity, lights, natural

gas, ventilation, heating and air conditioning, water, window cleaning, window repair, levelor style or similar blinds, doors, janitorial service, exterior building maintenance, landscaping, insurance (including but not limited to fire, extended coverage, liability, worker's compensation, elevator or any other insurance carried in good faith by the Landlord and applicable to the Project) painting, uniforms, customary property management fees not to exceed 5% of rentals, supplies, sundries, sales or use taxes on supplies or services, cost of wages, salaries and so-called fringe benefits of all persons engaged in the operation, maintenance and repair of the Project, or any other costs or expenses which the Landlord pays or incurs to provide benefits for employees so engaged in the operation, maintenance and repair of the Project, the charges of any independent contractor who under contract with the Landlord or its representatives does any of the work of operating, maintaining or repairing the Project, legal and accounting expenses, including but not limited to such expenses as relate to seeking or obtaining reductions in and refunds of real estate taxes, or any other expense or charge, whether or not hereinabove mentioned, which in accordance with generally accepted accounting and management principles would be considered as an expense of maintaining, operating or repairing the Project. If any Project expense, though paid in one year, relates to more than one calendar year, the Landlord shall allocate the reimbursement of said expenses based on its normal life expectancy according to generally accepted accounting practices.

Landlord's managers may, from time to time, hire such individuals and companies to provide limited security for the Property as Landlord and its managers may decide and the cost thereof will be added to the total cost of operating the Building as defined in this lease. Notwithstanding the foregoing, Landlord will maintain a guard in, around, or near the building during such hours as may be mutually agreed upon by Landlord and tenant, or during such hours as the major building tenants (those leasing at least two (2) full floors) may request of the Landlord from time to time in writing.. In the event that Landlord maintains a guard or provides some other form of security, Landlord does not assume any liability whatsoever as a result of providing or contracting for such guard service/security.

Tenant at its expense shall have the right at all reasonable times to review Landlord's books and records relating to this Lease for any year or years for which additional rental payments become due hereunder. Once per calendar year, tenant at its expense shall have the right to audit landlord's books and records relating to this building. In the event the audit shows actual building expenses differ from landlords actual year end reconciled expenses by an amount greater than three percent of said expenses, tenant shall be reimbursed for its audit costs by Landlord.

The following shall be expressly excluded from Tenant's share of operating expenses:

- . financing and refinancing charges, and costs associated with such financing and refinancing.;

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- . depreciation or amortization;
- . leasing brokerage commissions and expenses;
- . initial improvements to tenant spaces and other forms of tenant allowances and the costs of renovating or redecorating leased space;
- . bad debt loss, rent loss or reserves for bad debt or rent loss;
- . late payment interest or penalties;
- . advertising and promotional expenditures for leasing space;
- . costs of removing hazardous materials which were not placed on the property by tenant;
- . costs associated with building code violations when the building was constructed;
- . charitable or political contributions;
- . costs of asbestos removal;
- . capital expenses, except those (i) made primarily to reduce expenses or to comply with laws or insurance requirements imposed after the Building was constructed, or (ii) for replacements or upgrades of nonstructural items located in the common areas of the building required to keep such areas in a first class condition. To the extent that any such permitted capital expenditure exceed \$5,000, such expenditure shall be amortized in accordance with generally accepted accounting principles. In each such case, Landlord may include interest on the unamortized amount at the prevailing loan rate available to Landlord when the cost was incurred;
- . legal fees in connection with leasing, tenant disputes or enforcement of leases;

It is further agreed that rebates, refunds, and payments from other revenue sources specific to operating expenses will be applied towards operating expenses.

18. EVENTS OF DEFAULT. The following shall be deemed to be events of default by Tenant under the Lease:

(a) Tenant shall fail to pay any installment of rent hereby reserved on or by the first day of any month, and shall not cure such failure within ten (10) days after written notice to Tenant. Tenant shall not have any grace period within which to cure any default in the payment of rental or adjustments thereto beyond said notice period.

(b) Tenant shall fail to comply with any term, provision, or covenant of this Lease, other than the payment of rent or other expenses, and shall not cure such failure within thirty (30) days after written notice to Tenant for any non-monetary default or within such reasonable period after such notice as may be required to effect compliance so long as Tenant initiates compliance within such thirty (30) day period and, thereafter, is diligently and reasonable pursuing such cure.

(c) Tenant shall make an assignment for the benefit of creditors.

(d) Tenant shall file a petition under any section of the United States Bankruptcy Code as amended, or any successor legislation or similar statute of the United States or any State thereof; or Tenant shall be adjudged bankrupt or insolvent in proceedings filled against Tenant thereunder and such

adjudication shall not be vacated or set aside or stayed within the time permitted by law.

(e) A receiver or Trustee shall be appointed for all or substantially all of the assets of Tenant and such receivership shall not be terminated or stayed within the time permitted by law.

A notice under Paragraph 18 may be one and the same notice and may be given concurrently with a notice under the unlawful detainer statute in the State of Washington, if applicable.

19. REMEDIES. Upon the occurrence of any event of default specified in this Lease, Landlord shall have the option to pursue any one or more of the following remedies:

(a) Terminate this Lease by written notice to the Tenant, in which event Tenant shall immediately surrender the demised Premises to Landlord and if Tenant fails to do so, Landlord may, without

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prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant or Tenant's property and any other person who may be occupying the demised Premises or any part thereof, without being liable for prosecution or of any claim of damages therefor; and Tenant agrees to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the demised Premises on satisfactory terms for the remainder of the Lease term or otherwise.

(b) Enter upon and take possession of the demised Premises and, if Landlord so elects, relet the demised Premises and receive the rent therefor without liability to Tenant for any amounts received in excess of the rent called for under this Lease. Tenant agrees to pay the Landlord on demand any costs of reletting and all other charges accruing hereunder, i.e., tenant improvements, leasing commissions, as well as any deficiency that may arise by reason of such reletting during the remaining term of this Lease.

(c) Enter upon the demised Premises without being liable for any claim for damages therefor, and do whatever Tenant is obligated to do under the terms of this Lease and has failed to do in a timely fashion; Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to the Tenant from such action.

(d) Recover all unpaid rent, additional rent and other charges arising during the remaining term of the Lease as well as on any costs and commissions incurred in reletting and any losses or damages arising from Tenant's default including reasonable attorneys' fees and court costs, all such unpaid amounts to accrue interest at the lesser of (i) 12% per annum or (ii) the highest rate allowed by law, from date due or incurred until paid.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law or equity, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damages occurring to Landlord by reason of the violation of any of the terms, provisions and covenants herein contained. Landlord's acceptance of rent following an event of default hereunder shall not be construed as Landlord's waiver of such event of default. No waiver by Landlord of any violation or breach of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other violation or breach of any of the terms, provisions, and covenants herein contained. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default or of any future default.

20. SURRENDER OF PREMISES. No act or thing done by the Landlord or its agents during the term hereby granted shall be deemed an acceptance of a surrender of the demised Premises and no agreement to accept a surrender of the demised Premises shall be valid unless the same be made in writing and signed by the Landlord.

21. ATTORNEYS' FEES. In case it should be necessary or proper for Landlord to bring any action under this lease or to consult or place said lease, or any amount payable by Tenant thereunder, with an attorney concerning or for the enforcement of any of Landlord's rights hereunder, then Tenant agrees in each and any such case to pay the Landlord a reasonable attorneys' fee if Landlord is the prevailing party. In case it should be necessary or proper for Tenant to bring any action under this Lease because of Landlord's default hereunder, then Landlord agrees in each and every case to pay to Tenant a reasonable attorneys' fee if Tenant is the prevailing party.

22. RECEIPTS FROM ASSIGNEE OR SUBTENANT. The receipt by the Landlord of rent from any assignee, subtenant or occupant of the demised Premises shall not be deemed a waiver of the covenant in this Lease contained against assignment and subletting or an acceptance of the assignee, subtenant or occupant as tenant or a release of the Tenant from the further observance or performance by the Tenant of the covenants in this Lease contained, on the part of the Tenant to be observed and performed. No provision of this Lease shall be deemed to have been waived by the Landlord unless such

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waiver be in writing signed by the Landlord.

23. LANDLORD'S LIEN. Landlord retains its statutory landlord lien rights, but waives such with respect to any money or personal property of Tenant's customers or owned by the Tenant, but owed to the customer.

24. CORPORATE AUTHORITY. If Tenant signs as a corporation, each of the persons executing this Lease on behalf of Tenant does hereby covenant and

warrant that Tenant is a duly authorized and existing corporation, that Tenant has and is qualified to do business in Washington, that the corporation has full right and authority to do so, and that said persons have the full rights and powers granted unto them by the corporation to bind it to this Lease. Upon Landlord's request, Tenant shall provide Landlord with evidence reasonably satisfactory to Landlord confirming the foregoing covenants and warranties.

25. CERTAIN RIGHTS RESERVED BY LANDLORD. Except as otherwise provided herein, Landlord shall have the following rights, exercisable without notice and without liability to Tenant for damage or injury to property, persons or business and without effecting an eviction, constructive or actual, or disturbance of Tenant's use or possession or giving rise to any claim for set off or abatement of rent:

(a) To decorate and make repairs, alterations, additions, changes or improvements, whether structural or otherwise, in and about the Building, or any part thereof, and for such purposes to enter upon the leased Premises and, during the continuance of any such work, to temporarily close doors, entryways, public spaces and corridors in the Building, to interrupt or temporarily suspend Building services and facilities and to change the arrangement and location of entrances or passageways, doors and doorways, corridors, elevators, stairs, toilets, or other public parts of the Building, all without abatement of rent or affecting any of Tenant's obligations hereunder, so long as the leased Premises are reasonably accessible and Landlord makes its best effort not to interfere with the peaceful operation of Tenant's business. See paragraph 11 hereof for limitations to the foregoing and Exhibit "F" depicting security areas.

(b) During this Lease term, Landlord and Tenant may mutually agree to change the name of the Building.

(c) To grant to anyone the exclusive right to conduct any business or render any service in or to the Building, provided such exclusive right shall not operate to exclude Tenant from the use expressly permitted herein, and provided that the Landlord shall obtain prior written approval of Tenant before Landlord allows any other Tenant the right to operate a bank, financial institution or ATM in the building. The term "financial institution" includes banks, credit unions, savings and loan associations, investment bankers and stock brokerage companies, but shall specifically exclude Morgan Stanley Dean Witter and the Frank Russell Company.

(d) To have access for Landlord and other tenants of the Building to any mail chutes located on the leased Premises according to the rules of the United States Postal Service.

(e) To take all such reasonable measures as Landlord may deem advisable for the security of the Building and its occupants, including without limitation, the search of all persons entering or leaving the Building, the evacuation of the Building for cause, suspected cause, or for drill purposes, the temporary denial of access to the Building, and the closing of the Building after normal business hours and on Saturdays, Sundays and holidays, subject, however, to Tenant's right to admittance when the Building is closed after normal business hours under such reasonable regulations as Landlord may prescribe from time to time which may include by way of example but not of limitation, that persons entering or leaving the Building, whether or not during normal business hours, identify themselves to a security officer by registration or otherwise and that such persons establish their right to enter or leave the Building.

26. PERSONAL LIABILITY. The liability of Landlord to Tenant for any default by Landlord under the terms of this Lease shall be limited to the interest of Landlord in the Building and the land, and

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Landlord shall not be personally liable for any deficiency. This clause shall not be deemed to limit or deny any remedies which Tenant may have in the event of default by Landlord hereunder which do not involve the personal liability of Landlord.

27. NOTICES. Each provision of this Lease, or of any applicable governmental laws, ordinances, regulations, and other requirements with reference to the sending, mailing, or delivery of any notice, or with reference to the making of any payment by Tenant to Landlord, shall be deemed to be complied with when and if the following steps are taken:

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(a) All rent and other payments required to be made by Tenant to Landlord hereunder shall be payable to Landlord at the address hereinbelow set forth, or at such address as Landlord may specify from time to time by written notice delivered in accordance with this Lease, and shall be deemed to be delivered upon actual receipt by Landlord;

(b) Any notice or document required to be delivered hereunder shall be deemed to be delivered, whether actually received or not, two (2) business days after being deposited in the United States mail, postage prepaid, certified or registered mail (with or without return receipt requested), addressed to the parties hereto at the respective addresses set out opposite their names below, or at such other address as they have theretofore specified by written notice delivered in accordance herewith:

TENANT	LANDLORD
Columbia Banking Systems, Inc. a Washington corporation Attn: Chief Executive Officer P.O. Box 2156 Tacoma, WA 98401-2156	Haub Brothers Enterprises Trust c/o Mr. John D. Barline P.O. Box 1872 Tacoma, WA 98401-1872

and

Columbia Banking Systems, Inc.

c/o Mr. William E. Holt
Gordon Thomas Honeywell, et al.
P.O. Box 1157
Tacoma, WA 98401-1157

28. FORCE MAJEURE. Whenever a period of time is herein prescribed for action to be taken by Landlord, Landlord shall not be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental laws, regulations, or restrictions, or any other causes of any kind whatsoever which are beyond the control of Landlord.

29. ESTOPPEL CERTIFICATE. Within ten (10) days following any written request which Landlord may from time to time make, Tenant shall execute and deliver to Landlord a Certificate indicating that the Lease is in full force and effect and that the Landlord is not in default hereunder or, alternatively, specifying the nature of any claimed default, and the dates through which rent and other charges have been paid.

30. SEVERABLE. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws effective during the term of this Lease, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and it is also the intention of the parties to the Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

31. AMENDMENTS; BINDING EFFECT. This Lease may not be altered, changed, or amended, except by instrument in writing signed by both parties hereto. The terms, provisions, covenants and conditions contained in this Lease shall apply to, inure to the benefit of, and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided.

32. GENDER. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context

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otherwise requires.

33. CAPTIONS. The captions contained in this Lease are for convenience of reference only, and in no way limit or enlarge the terms and conditions of this Lease.

34. SUBORDINATION. This Lease is subject to and is hereby subordinated to all present and future mortgages, deeds of trust and other encumbrances affecting the leased Premises or the property of which said Premises are a part, provided that the holder of such encumbrance agrees to recognize the terms of this Lease and to not disturb Tenant's occupancy so long as Tenant is not in default. Tenant will upon demand by landlord, execute such instruments as may be required at any time, and from time to time, to subordinate the rights and interest of the Tenant under this Lease to the lien of any mortgage or Trust Deed at any time placed on the land of which the leased Premises are a part; provided, however, that such subordination shall not affect Tenant's right to possession, use and occupancy of the leased Premises so long as Tenant shall not be in default under any of the terms or conditions of this Lease. Tenant further agrees:

(a) That any such subordination agreement will contain a provision satisfactory to landlord's financing lender whereby Tenant will agree, in the event of foreclosure of any such mortgage or Trust Deed to attorn to and recognize as its landlord under the terms of this Lease said lender or any purchaser of the leased property at a foreclosure sale or their heirs, successors or assigns; and

(b) That it will execute and deliver to such lender an estoppel certificate in form satisfactory to such lender.

35. PARKING. Landlord agrees and covenants to provide parking stalls for use by Tenant's employees and customers at prices and locations on or about, or near the property as more specifically set forth in Exhibit "H" hereto. For

each subsequent year of the lease term, the cost for said parking shall be adjusted based upon current market rents for comparable parking in the Downtown Tacoma market place. However, parking rents shall not be less than the parking rent in the prior year.

36. OPTION TO EXPAND PREMISES WITHIN THE BUILDING. After the first year following completion of the building and provided Tenant is not then in default beyond any applicable cure period of any of the terms, covenants and conditions hereof then, during the term hereof, when any non-retail space in the Building becomes available for lease, Landlord shall notify Tenant of such availability. Tenant shall have the right, within twenty (20) days after the receipt of the notice, to lease said space when it becomes available on the same terms and conditions in effect under Tenant's existing lease at the time tenant exercises its right for said space. The rental rate for such space shall be on the same terms and conditions as currently in effect under this Lease when this option to expand premises is exercised. If the space has been previously occupied, then Landlord shall at its cost repaint and recarpet such space to the extent reasonably required, and will provide other tenant improvements (or allowances for tenant improvements) equal to or better than those which Landlord would offer to another tenant moving into such space (if Tenant does not exercise its option, but Landlord later offers the space to another prospective tenant with tenant allowances greater than that offered to Tenant, then Landlord shall again give Tenant fifteen (15) days notice in which Tenant can again exercise its option to lease the space with Landlord providing the tenant improvements offered). If such space has not been previously occupied with tenant improvements in place, Landlord shall provide Tenant with a tenant improvement allowance in the same amount and on the same terms as set forth in Exhibit "D" attached hereto multiplied by 100% plus the percentage difference

between the cpi in effect on the commencement date of this lease term and the cpi on the date of Landlord's offer to lease the space to Tenant, divided by 15 and multiplied by the number of years then remaining on the original 15 year lease term. (For example, the tenant improvement allowance in Exhibit D is \$35,

assuming Landlord's offer to lease is on the 7th anniversary of the initial lease term, and assuming the cumulative cpi increase is 20%, then the calculation would be $(35 \times 20\% = 7 + 35 = 42, \text{ divided by } 15 = 2.8, \text{ multiplied by } 8 = \$22.40)$. It is further agreed that if at the end of the remaining initial

lease term, Tenant exercises its option to renew all of its then leased space, including this expanded space in the building, Tenant shall be entitled to receive or be credited with the remaining portion of the tenant improvement allowance not heretofore granted for the expanded space (under the foregoing example, the remaining

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allowance would be $42 - 22.40 = \$19.60$). If within thirty (30) days after Landlord delivers Tenant such written offer, Landlord does not receive notice in writing that Tenant elects to lease all (and not part) of such space and within twenty (20) days thereafter Tenant does not execute an amendment to this Lease adding such space as part of the Premises, increasing the rent and adjusting Tenant's prorata share of Operating Expenses, then Tenant shall have no further rights pursuant to this Paragraph 36.

37. OPTION TO EXPAND TO NEWLY DEVELOPED PROPERTY. Should Landlord elect to construct a building on the contiguous property to the north (commonly known as the southeast corner of 12th and A Street) or on the property at the southeast corner of 13th and Pacific Avenue (commonly known as the Greyhound Bus Property) and so long as Landlord owns all properties concerned, Tenant shall have a first right to negotiate a lease of space within such new development(s). All terms, rental amounts, and conditions associated with leasing of space in the development(s) shall be negotiated at the time the new property is to be developed and is subject to mutual agreement of the parties. This option to expand to newly developed property shall be for a period of sixty (60) days from the date Landlord gives written notice to Tenant of its intent to develop said properties.

38. OPTION TO RENEW. While this Lease is in full force and effect, provided that Tenant is not then in default beyond any applicable cure period of any of the terms, covenants and conditions hereof, Landlord grants to Tenant two (2) consecutive options to extend the term of the Lease for periods of five (5) years each, the first option commencing upon the termination of the original Lease term as hereby extended, exercisable by giving Landlord notice in writing not more than one (1) year and not later than six (6) months prior to the commencement date of the option term, and the second option commencing upon the termination of the first option, but only if such option was in fact exercised, and exercisable by giving Landlord notice in writing not more than one (1) year and not later than six (6) months prior to the commencement date of said second option term. Such extension or renewal of the terms shall be on the same terms, covenants or conditions as provided for in the original or immediately preceding term except the monthly minimum rent shall be adjusted to an amount respectively, determined by the then current market rental rate for fully serviced similar Class A office space (including this building) in downtown Tacoma, Washington, there shall be a new floor for Operating Expenses equal to the Operating Expenses incurred during the last year of the lease term before commencement of the option term which shall replace and supersede the floor of \$6.47 provided for in Section 17, and except that no additional options provided herein shall be created or implied by virtue of any extension or renewal of the lease term. Landlord and Tenant shall use their best efforts to negotiate and agree upon the Current Market Rental Rate within sixty (60) days after Tenant has given notice.

Landlord and Tenant shall use their best efforts to negotiate and agree upon the Current Market Rental Rate within sixty (60) days after Tenant has given notice to exercise of the option, and if they are unable to so agree, either party may request the following procedure. Landlord and Tenant shall each appoint one (1) arbitrator, both of whom shall be appointed within sixty (60) days after a party elects to pursue this arbitration process. The two arbitrators shall then agree to appoint a third arbitrator; failing such agreement, either Landlord or Tenant shall have the right to petition for the appointment of the third arbitrator by the Presiding Judge of the Superior Court of Pierce County. All arbitrators shall be persons having at least five (5) years experience in the real estate market in Pierce County and shall hold an MAI certification. Within thirty (30) days after the appointment of the three arbitrators (collectively, the "arbitrators"), Tenant and Landlord shall each submit to the arbitrators (and one another) their written opinion regarding Current Market Rental Rate. Within ten (10) days after the arbitrators' receipt of the last such opinion, the arbitrators shall decide by a majority vote the Current Market Rental Rate. Such selected opinion by the arbitrators shall be final and binding upon the parties. The arbitrators' agreed upon value must not be greater or lesser than the highest and lowest of the alternatives proposed. The cost of the arbitrators shall be split equally between Landlord and Tenant. Such determination shall be final and binding upon the parties.

39. SIGNAGE AND BUILDING NAME. The Building will be named "Columbia Bank Center" and tenant will be allowed appropriate signage on or about the building at Tenant's sole cost and expense. Tenant shall be allowed to change the Building name at any time with Landlord's prior written approval, which shall not be unreasonably withheld, however, in such event, Tenant shall be responsible for paying for the

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costs of changing signage on the Building or on any signs maintained by Tenant. All Building signage must at all times be maintained in conformance with applicable rules, regulations and ordinances of the local governmental authorities and is subject to prior written approval of Landlord. At the termination of this lease, Tenant shall remove all signage at its sole cost and repair and restore the building to its original good condition. There shall be no other exterior signs on or about the building (except for traffic signs and

storefront signage on the first floor) without Tenant's prior written consent, which consent will not be unreasonably withheld or delayed.

40. RIGHT OF FIRST REFUSAL TO PURCHASE.

(a) Grant of Right of First Refusal. During the term of this lease

and all extensions hereof, Landlord grants Tenant a right of first refusal to purchase the Building pursuant to this section.

(b) Applicable Transactions. If Landlord decides to offer the

Building for sale or, if prior to that time it receives an offer to sell the Building on terms Landlord would be willing to accept, then Landlord will notify Tenant of the terms and conditions on which it would be willing to sell the Building. Tenant shall then have sixty (60) days after the notice is given to agree to that offer. If Tenant does not notify Landlord within said time that it is accepting the offer, then Landlord may sell the Building to another purchaser so long as the sales price is not less than what was offered to Tenant and so long as Landlord and the prospective purchaser enter into a Purchase and Sale Agreement for that purchase within one year of the notice given to Tenant. In case Landlord is willing to accept an offer at a price less than that offered to the Tenant, or Landlord has not received and accepted an offer within one year of the date of the notice to Tenant, then Landlord shall again offer the Building to Tenant before Landlord sells the Building.

(c) Excluded Transactions. Tenant does not have any right of first

refusal to purchase the Building in any of the following transactions: (i) sales of the Building to a related entity (as that term is defined below) and (ii) encumbrances of the Building. A related entity shall be defined as: any beneficiary of the Haub Brothers Enterprises Trust (Erivan Haub, Karl-Erivan Haub, Georg Haub, Christian Haub, and/or the immediate members of their families and/or heirs); or any entity which is at least fifty percent (50%) owned or controlled by any of the foregoing individuals separately or together.

(d) Conditions. Tenant does not have any right of first refusal to

purchase the Building if, at the time Landlord receives the offer or decides to make an offer to Tenant, (i) Tenant is in default under this Lease, or (ii) an event has occurred which would be a default under this Lease and Landlord has issued a notice of default to Tenant.

(e) No Assignment. Except to the extent assignments are permitted

without permission of the Landlord under the Lease, the rights granted to Tenant in this section are personal and may not be assigned by Tenant.

(f) Foreclosure Sales. The right of first refusal created under this

section shall not apply to a foreclosure sale of the Building and shall terminate upon such foreclosure. Tenant shall have the right to bid at any foreclosure sale of the Building.

(g) Termination. This right of first refusal shall terminate upon

the first sale of the Building so long as the Tenant has been given its right of first refusal pursuant to the terms of this section.

(h) Time is of the Essence. Time is of the essence of each and every

term of this section.

ATM provisions?

LANDLORD:

TENANT:

HAUB BROTHERS ENTERPRISES

COLUMBIA BANKING SYSTEMS, a

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TRUST

a Washington corporation

By:_____

By:_____

Its:_____

W. W. Philip
Its: President and Chief Executive
Officer

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Acknowledgements

STATE OF WASHINGTON)
) ss.
COUNTY OF PIERCE)

On this day personally appeared before me W.W. Philip, to me known to be the President and Chief Executive Officer of Columbia Banking Systems, a Washington Corporation, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the same instrument.

GIVEN under my hand and official seal this ____ day of _____, 1999.

(print notary's name)
Notary Public in and for the State of Washington,

STATE OF WASHINGTON)
)
) SS.
COUNTY OF PIERCE)

On this ____ day of _____, 1999, before me personally appeared John D. Barline, to me known to be the individual who executed the foregoing instrument as Attorney in Fact for Erivan Haub, as Trustee of the Haub Brothers Enterprises Trust and acknowledged that he signed the same as his free and voluntary act and deed as Attorney in Fact for said principal for the uses and purposes therein mentioned, and on oath stated that the Power of Attorney authorizing the execution of this instrument has not been revoked and that said principal is now living and is not insane.

GIVEN under my hand and official seal this ____ day of _____, 1999.

(print notary's name)

Notary Public in and for the State of Washington,
residing at _____
My commission expires: _____

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Section 5: EX-10.6 (AMENDED EMPLOYMENT AGREEMENT)

Exhibit 10.6

AMENDED EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into by and between Columbia State Bank, a Washington banking corporation ("Columbia Bank") together with Columbia Banking System, Inc., a Washington corporation ("CBSI") (collectively, the "Employer"), and J. JAMES GALLAGHER (the "Executive"). This Agreement shall become effective as of December 20, 2000.

RECITALS

- A. Executive has been serving Employer as Chief Executive Officer of CBSI, in addition to his position as Vice Chairman of CBSI and Columbia Bank and has substantial knowledge of Employer's affairs and of the business of financial institutions in general. Employer has incurred substantial growth and is looking to continue expansion of its operations, with the assistance of Executive.
- B. Executive and Employer desire to amend and restate existing Employment Agreement to update terms addressing compensation and to conform certain provisions to those contained in recently granted contracts to other executives.

In consideration of the mutual promises made in this Agreement, the parties agree as follows:

AGREEMENT

1. Employment.

Employer employs Executive and Executive accepts employment with Employer on the terms and conditions set forth in this Agreement.

2. Term.

The term of this Agreement will commence as of December 20, 2000, and will continue until June 30, 2003, unless extended or sooner terminated as provided in this Agreement.

- ### 3. Duties.

(a) Executive will be Vice-Chairman and Chief Executive Officer of CBSI and Vice Chairman of Columbia Bank. In such capacities, and subject to the authority of the Board of Directors of CBSI and Columbia Bank, as appropriate, (i) Executive will have general management of the business of CBSI; (ii) will be specifically responsible for strategic planning, merger and acquisition activity, and legal and regulatory compliance of Columbia Bank; and (iii) will perform such other tasks in connection with the affairs of Columbia Bank that are normal and customary to the position he will hold.

(b) Executive will perform such other duties as may be appropriate to his position and as may be prescribed from time to time by the Board, or that are provided in the Bylaws of CBSI or Columbia Bank.

(c) Executive will devote his best efforts and all necessary time, attention, and effort to the business and affairs of Employer and its affiliates, as such business and affairs now exist or hereafter may be changed or supplemented, in order to properly discharge his responsibilities under this Agreement. He may delegate such of his duties as he sees fit to the other officers of CBSI or its subsidiaries.

4. Salary, Bonus, and Other Compensation.

4.1 Salary.

(a) During the term of this Agreement, Employer will pay Executive an annual (calendar year) base salary of not less than \$235,000 per year (payable at the rate of \$19,583.33 per month) beginning January 1, 2001.

(b) Columbia Bank will guarantee payment of any portion of Executive's compensation that may be allocated to a subsidiary of CBSI.

(c) If this Agreement terminates prior to June 30, 2003, then Employer will pay Executive such greater or lesser amount of the agreed compensation as provided in Section 5.

4.2 Bonus. Executive will be eligible to participate in the bonus pools, if any, that the Board of Columbia Bank or CBSI may establish for senior executives, either under an executive incentive plan or otherwise.

4.3 Benefits. In addition to the base salary and bonus payable or potentially payable to Executive pursuant to this Section 4, Executive will be entitled to receive benefits similar to those offered to other senior executives of Employer.

5. Termination of Agreement.

5.1 Early Termination.

(a) This Agreement may be terminated at any time by the Board of Employer or by Executive, and it shall terminate upon Executive's death or disability. Any termination by the Board of Employer other than termination for cause (as defined below) shall not prejudice Executive's right to compensation or other benefits under this Agreement. Except as provided in Section 7, if Executive voluntarily terminates his employment before June 30, 2003 he will be entitled only to such payments as he would have the right to receive upon termination for cause under subsection 5.1(b).

(b) Except as provided in Section 7, if Employer terminates this Agreement without cause, Employer shall pay Executive upon the effective date of such termination all salary earned, the pro-rata portion of any incentive payment expected to be

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received for the year when termination occurs, benefits accrued and all reimbursable expenses hereunder incurred through such termination date and, in addition, liquidated damages in an amount equal to the greater of (i) two years' salary, or (ii) salary for the then-remaining term of the Agreement payable hereunder; in such event, all forfeiture provisions regarding any then outstanding restricted stock award or other compensation agreement shall lapse. If Employer terminates this Agreement for cause, Employer shall pay Executive upon the effective date of such termination only such salary earned, benefits accrued and expenses reimbursable hereunder incurred through such termination date. Executive shall have no right to receive compensation or other benefits for any period after termination for cause.

(c) For purposes of this Agreement, the term "cause" shall mean (i) willful misfeasance or gross negligence in the performance of his duties; (ii) conduct demonstrably and significantly harmful to Employer (including willful violation of any final cease and desist order applicable to Employer or a financial institution subsidiary); or (iii) conviction of a felony. For purposes of this Agreement, "disability" shall have the meaning contained in any long term disability insurance coverage maintained by Columbia Bank or its affiliate, or if no such coverage is in existence, shall mean a medically reimbursable physical or mental impairment that may be expected to result in death, or to be of long, continued duration, and that renders Executive incapable of performing the duties required under this Agreement. The Board or the Compensation Committee of the Board, acting in good faith, shall make the final determination of whether Executive is suffering under any disability as herein defined and, for purposes of making such determination, may require Executive to submit himself to a physical examination by a physician mutually agreed upon by Executive and the Board or the Committee at Employer's expense.

(d) In the event of termination of this Agreement by reason of Executive's death or disability, all forfeiture provisions regarding any then outstanding restricted stock award or other compensation agreement shall lapse.

5.2 Obligations. Except as otherwise provided in Section 7 or in a particular option grant, Executive's rights, if any, to vested but unexercised stock options will continue for a period of one year after early termination, other than termination for cause. In the case of termination for cause, Executive's unvested stock options, if any, shall terminate immediately.

6. Restrictive Covenant.

6.1 Noncompetition.

(a) Executive agrees that except as otherwise set forth in this Agreement, he will not, during the term of this Agreement and for a period of two years after the later of (i) expiration of the term of this Agreement, or (ii) completion of service as an active executive officer and/or Board member of CBSI or Columbia Bank, directly or indirectly, become interested in, as principal shareholder, director, or officer, any financial institution (other than an institution controlled by, controlling, or under common control with Employer and its affiliates) that competes within the State of Washington with Employer or any of its affiliates,

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with respect to activities of the type performed by such companies within such service area immediately prior to Executive's termination.

(b) The restrictions concerning competition after termination as

contained in this Section 6.1 shall apply only in the event that Executive voluntarily terminates his employment with Employer without good reason. For purposes of this Agreement, termination for "good reason" shall mean termination by Executive as a result of any material breach of this Agreement by Employer, or any significant diminution of duties of Executive by the Board of either Columbia Bank or CBSI. The provisions restricting competition by Executive may be waived by the Employer.

6.2 Noninterference. During the noncompetition period described in Section 6.1, Executive shall not solicit or attempt to solicit any other employee of Employer or its affiliates to leave the employ of those companies, or in any way interfere with the relationship between Employer and any other employee of Employer or its affiliates.

6.3 Interpretation. If a court or any other administrative body with jurisdiction over a dispute related to this Agreement should determine that the restrictive covenants set forth above is unreasonably broad, the parties authorize such court or administrative body to narrow the covenants so as to make it reasonable, given all relevant circumstances, and to enforce such revised covenants. The covenants in this paragraph shall survive termination of this Agreement.

7. Change of Control.

7.1 Benefits. The parties recognize that a "change of control" of Employer (as defined in Section 7.2) could be detrimental to Executive's continued employment. Accordingly, in order to give further assurances to the Executive to enter into this Agreement, if:

(a) There is a change of control of CBSI; and either

(b) Within 730 days of such change in control, Executive terminates his employment with Employer; or

(c) At any time from and after sixty days prior to the public announcement by Employer of a transaction that will result in the change of control, Employer (or its successor) terminates Executive's employment without cause, then Executive, as of the date of termination of his employment, subject to the remaining provisions of this Section 7.1, shall be paid or provided with: (i) continued payment of his base salary, the pro-rata portion of any incentive payment expected to be received for the year when termination occurs and all benefits provided for in this Agreement until two years following termination or June 30, 2003, whichever is longer; and (ii) vesting of all stock options and lapse of all restrictions with respect to any then outstanding restricted stock award or other compensation agreement shall occur. The provisions of this Section 7.1 shall survive expiration of the term of the Agreement.

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7.2 Definitions. For purposes of this Agreement, the term "change of control" shall mean the occurrence of one or more of the following events:

(a) One person or entity acquiring or otherwise becoming the owner of twenty-five percent or more of CBSI's outstanding common stock;

(b) Replacement of a majority of the incumbent directors of CBSI or Columbia Bank by directors whose elections have not been supported by a majority of the Board of either company, as appropriate; or

(c) Dissolution, or sale of fifty percent or more in value of the assets, of either CBSI or Columbia Bank.

7.3 Reimbursement. In the event the provisions of this Section 7.3 result in imposition of a tax on Executive under the provisions of Internal Revenue Code (S) 4999, Employer agrees to reimburse Executive for the same, exclusive of any tax imposed by reason of receipt of reimbursement under this Section 7.3.

8. Miscellaneous.

8.1 This Agreement contains the entire agreement between the parties with respect to Executive's employment with Employer and his covenant not to compete with Employer and its affiliates, and is subject to modification or amendment only upon amendment in writing signed by both parties.

8.2 This Agreement shall bind and inure to the benefit of the heirs, legal representatives, successors, and assigns of the parties, except that Employer's rights and obligations may not be assigned. The provisions of Section 6.1 of this Agreement are intended to confer upon CBSI and its subsidiaries and affiliates the benefits of Executive's covenant not to compete.

8.3 If any provision of this Agreement is invalid or otherwise unenforceable, all other provisions shall remain unaffected and shall be enforceable to the fullest extent permitted by law.

8.4 This Agreement is made with reference to and is intended to be construed in accordance with the laws of the State of Washington. Venue for any action arising out of or concerning this Agreement shall lie in Pierce County, Washington. In the event of a dispute under this Agreement not involving injunctive relief, the dispute shall be arbitrated pursuant to the Superior Court Mandatory Arbitration Rules ("MAR") adopted by the Washington State Supreme Court, irrespective of the amount in controversy. This Agreement shall be deemed as stipulation to that effect pursuant to MAR 1.2 and 8.1. The arbitrator, in his or her discretion, may award attorney's fees to the prevailing party or parties.

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8.5 Any notice required to be given under this Agreement to either party shall be given by personal service or by depositing a copy thereof in the United States registered or certified mail, postage prepaid, addressed to the following address, or such other address as addressee shall designate in writing:

Employer:1102 BroadwayTacoma, WA 98402

Executive:23 Lagoon Lane NorthLakewood, WA 98498

COLUMBIA STATE BANK

By: /s/ Melanie J. Dressel

Melanie J. Dressel
Its President and Chief Executive Officer

COLUMBIA BANKING SYSTEM, INC.

By: /s/ Melanie J. Dressel

Melanie J. Dressel
Its President and Chief Operating Officer

EXECUTIVE

/s/ J. James Gallagher

J. JAMES GALLAGHER

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Section 6: EX-10.7 (AMENDED EMPLOYMENT AGREEMENT)

Exhibit 10.7

AMENDED EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered by and between Columbia State Bank, a Washington banking corporation ("Columbia Bank") together with Columbia Banking System, Inc., a Washington corporation ("CBSI") (collectively, the "Employer"), and MELANIE J. DRESSEL (the "Executive"). This Agreement shall become effective as of December 20, 2000.

RECITALS

- A.Executive is currently serving as President and Chief Operating Officer of CBSI and President and Chief Executive Officer of Columbia Bank.
- B.Employer considers the continuance of sound and vital management essential to protecting and enhancing Employer's best interests.
- C.Employer desires to assure itself of retaining the exclusive services of Executive and to continue the Employment of Executive under the terms of this Agreement, and to reward Executive for her valuable, dedicated service to Employer should her employment be terminated under the circumstances described in this Agreement.
- D.Executive and Employer desire to amend and restate existing Employment Agreement to update terms addressing compensation and to conform certain provisions to those contained in recently granted contracts to other executives.

In consideration of the mutual promises made in this Agreement, the parties agree as follows:

AGREEMENT

- 1.Employment.

Employer employs Executive and Executive accepts employment with Employer on the terms and conditions set forth in this Agreement.

- 2.Term.

The term of this Agreement will commence as of December 20, 2000, and will continue until June 30, 2004, unless extended or sooner terminated as provided in this Agreement.

- 3.Duties.

(a) Executive will be President and Chief Executive Officer of Columbia Bank and President and Chief Operating Officer of CBSI. In such capacities, and subject to the authority of the Vice Chairman and Chief Executive Officer of CBSI and the Boards of Directors of Columbia Bank and CBSI (separately or collectively, the "Board" as applicable), as appropriate, Executive will render the executive management services and perform such tasks in connection with the affairs of Columbia Bank and CBSI that are normal and customary to the positions that she holds.

(b) Executive will perform such other duties as may be appropriate to her position and as may be prescribed from time to time by the Vice Chairman and Chief Executive Officer of CBSI or the Board of Columbia Bank, as appropriate, or that are provided in the Bylaws of Columbia Bank or CBSI.

(c) Executive will devote her best efforts and all necessary time, attention, and effort to the business and affairs of Employer and its affiliates, as such business and affairs now exist or hereafter may be changed or supplemented, in order to properly discharge her responsibilities under this Agreement. She may delegate such of her duties as she sees fit to the other officers of CBSI or its subsidiaries.

4. Salary, Bonus, and Other Compensation.

4.1 Salary.

(a) During the term of this Agreement, Employer will pay Executive an annual (calendar year) base salary of not less than \$225,000 per year beginning January 1, 2001 (payable at the rate of \$18,750 per month).

(b) Columbia Bank will guarantee payment of any portion of Executive's compensation that may be allocated to a subsidiary of CBSI.

(c) If this Agreement terminates prior to June 30, 2004, then Employer will pay Executive such greater or lesser amount of the agreed compensation as provided in Section 5.

4.2 Bonus. Executive will be eligible to participate in the bonus pools, if any, that the Board of Columbia Bank or CBSI may establish for senior executives, either under an executive incentive plan or otherwise.

4.3 Benefits. In addition to the base salary and bonus payable or potentially payable to Executive pursuant to this Section 4, Executive will be entitled to receive benefits similar to those offered to other senior executives of Employer.

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5. Termination of Agreement.

5.1 Early Termination.

(a) This Agreement may be terminated at any time by the Board of Employer or by Executive, and it shall terminate upon Executive's death or disability. Any termination by the Board of Employer other than termination for cause (as defined below) shall not prejudice Executive's right to compensation or other benefits under this Agreement. Except as provided in Section 7, if Executive voluntarily terminates her employment before June 30, 2004 she will be entitled only to such payments as she would have the right to receive upon termination for cause under subsection 5.1(b).

(b) Except as provided in Section 7, if Employer terminates this Agreement without cause, Employer shall pay Executive upon the effective date of such termination all salary earned, the pro-rata portion of any incentive payment expected to be received for the year when termination occurs, benefits accrued and all reimbursable expenses hereunder incurred through such termination date and, in addition, liquidated damages in an amount equal to the greater of (i) two years' salary, or (ii) salary for the then-remaining term of the Agreement payable hereunder; in such event, all forfeiture provisions regarding any then outstanding restricted stock award or other compensation agreement shall lapse. If Employer terminates this Agreement for cause, Employer shall pay Executive upon the effective date of such termination only such salary earned, benefits accrued and expenses reimbursable hereunder incurred through such termination date. Executive shall have no right to receive compensation or other benefits for any period after termination for cause.

(c) For purposes of this Agreement, the term "cause" shall mean (i) willful misfeasance or gross negligence in the performance of her duties; (ii) conduct demonstrably and significantly harmful to Employer (including willful violation of any final cease and desist order applicable to Employer or a financial institution subsidiary); or (iii) conviction of a felony. For purposes of this Agreement, "disability" shall have the meaning contained in any long term disability insurance coverage maintained by Columbia Bank or its affiliate, or if no such coverage is in existence, shall mean a medically reimbursable physical or mental impairment that may be expected to result in death, or to be of long, continued duration, and that renders Executive incapable of performing the duties required under this Agreement. The Board or the Compensation Committee of the Board, acting in good faith, shall make the final determination of whether Executive is suffering under any disability as herein defined and, for purposes of making such determination, may require Executive to submit himself to a physical examination by a physician mutually agreed upon by Executive and the Board or the Committee at Employer's expense.

(d) In the event of termination of this Agreement by reason of Executive's death or disability, all forfeiture provisions regarding any then outstanding restricted stock award or other compensation agreement shall lapse.

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5.2 Obligations. Except as otherwise provided in Section 7 or in a particular option grant, Executive's rights, if any, to vested but unexercised stock options will continue for a period of one year after early termination, other than termination for cause. In the case of termination for cause, Executive's unvested stock options, if any, shall terminate immediately.

6. Restrictive Covenant.

6.1 Noncompetition.

(a) Executive agrees that except as otherwise set forth in this Agreement, she will not, during the term of this Agreement and for a period of two years after the later of (i) expiration of the term of this Agreement, or (ii) completion of service as an active executive officer and/or Board member of CBSI or Columbia Bank, directly or indirectly, become interested in, as principal shareholder, director, or officer, any financial institution (other than an institution controlled by, controlling, or under common control with Employer and its affiliates) that competes within the State of Washington with Employer or any of its affiliates, with respect to activities of the type

performed by such companies within such service area immediately prior to Executive's termination.

(b) The restrictions concerning competition after termination as contained in this Section 6.1 shall apply only in the event that Executive voluntarily terminates her employment with Employer without good reason. For purposes of this Agreement, termination for "good reason" shall mean termination by Executive as a result of any material breach of this Agreement by Employer, or any significant diminution of duties of Executive by the Board of either Columbia Bank or CBSI. The provisions restricting competition by Executive may be waived by the Employer.

6.2 Noninterference. During the noncompetition period described in Section 6.1, Executive shall not solicit or attempt to solicit any other employee of Employer or its affiliates to leave the employ of those companies, or in any way interfere with the relationship between Employer and any other employee of Employer or its affiliates.

6.3 Interpretation. If a court or any other administrative body with jurisdiction over a dispute related to this Agreement should determine that the restrictive covenants set forth above is unreasonably broad, the parties authorize such court or administrative body to narrow the covenants so as to make it reasonable, given all relevant circumstances, and to enforce such revised covenants. The covenants in this paragraph shall survive termination of this Agreement.

7. Change of Control.

7.1 Benefits. The parties recognize that a "change of control" of Employer (as defined in Section 7.2) could be detrimental to Executive's continued employment. Accordingly, in order to give further assurances to the Executive to enter into this Agreement, if:

(a) There is a change of control; and either;

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(b) Within 730 days of such change in control, Executive terminates her employment with Employer; or

(c) At any time from and after sixty days prior to the public announcement by Employer of a transaction that will result in the change of control, Employer (or its successor) terminates Executive's employment without cause, then Executive, as of the date of termination of her employment, subject to the remaining provisions of this Section 7.1, shall be paid or provided with: (i) continued payment of her base salary, the pro-rata portion of any incentive payment expected to be received for the year when termination occurs and all benefits provided for in this Agreement until two years following termination or June 30, 2004, whichever is longer; and (ii) vesting of all stock options and lapse of all restrictions with respect to any outstanding restricted stock awards or other compensation agreement shall occur. The provisions of this Section 7.1 shall survive expiration of the term of the Agreement.

7.2 Definitions. For purposes of this Agreement, the term "change of control" shall mean the occurrence of one or more of the following events:

(a) One person or entity acquiring or otherwise becoming the owner of twenty-five percent or more of CBSI's outstanding common stock;

(b) Replacement of a majority of the incumbent directors of CBSI or Columbia Bank by directors whose elections have not been supported by a majority of the Board of either company, as appropriate; or

(c) Dissolution or sale of fifty percent or more in value of the assets, of either CBSI or Columbia Bank.

7.3 Reimbursement. In the event the provisions of this Section 7.3 result in imposition of a tax on Executive under the provisions of Internal Revenue Code (S) 4999, Employer agrees to reimburse Executive for the same, exclusive of any tax imposed by reason of receipt of reimbursement under this Section 7.3.

8. Miscellaneous.

8.1 This Agreement contains the entire agreement between the parties with respect to Executive's employment with Employer and her covenant not to compete with Employer and its affiliates, and is subject to modification or amendment only upon amendment in writing signed by both parties.

8.2 This Agreement shall bind and inure to the benefit of the heirs, legal representatives, successors, and assigns of the parties, except that Employer's rights and obligations may not be assigned. The provisions of Section 6.1 of this Agreement are intended to confer upon CBSI and its subsidiaries and affiliates the benefits of Executive's covenant not to compete.

8.3 If any provision of this Agreement is invalid or otherwise unenforceable, all other provisions shall remain unaffected and shall be enforceable to the fullest extent permitted by law.

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8.4 This Agreement is made with reference to and is intended to be construed in accordance with the laws of the State of Washington. Venue for any action arising out of or concerning this Agreement shall lie in Pierce County, Washington. In the event of a dispute under this Agreement not involving injunctive relief, the dispute shall be arbitrated pursuant to the Superior Court Mandatory Arbitration Rules ("MAR") adopted by the Washington State Supreme Court, irrespective of the amount in controversy. This Agreement shall be deemed as stipulation to that effect pursuant to MAR 1.2 and 8.1. The arbitrator, in his or her discretion, may award attorney's fees to the prevailing party or parties.

8.5 Any notice required to be given under this Agreement to either

party shall be given by personal service or by depositing a copy thereof in the United States registered or certified mail, postage prepaid, addressed to the following address, or such other address as addressee shall designate in writing:

Employer:

Columbia Banking System, Inc.
1102 Broadway
Tacoma, WA 98402

Executive:

Melanie J. Dressel
10924 Bliss-Cochrane KPN
Gig harbor, WA 98329

IN WITNESS WHEREOF, the parties have executed this Agreement effective on December 20, 2000.

COLUMBIA STATE BANK

By: /s/ J. James Gallagher

J. James Gallagher
Its Vice Chairman

COLUMBIA BANKING SYSTEM, INC.

By: /s/ J. James Gallagher

J. James Gallagher
Its Vice Chairman and Chief Executive Officer

EXECUTIVE

 /s/ Melanie J. Dressel

Melanie J. Dressel

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Section 7: EX-10.8 (EMPLOYMENT AGREEMENT)

Exhibit 10.8

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered by and between Columbia State Bank, a Washington banking corporation ("Columbia Bank") together with Columbia Banking System, Inc., a Washington corporation ("CBSI") (collectively, the "Employer"), and HARALD R. RUSSELL (the "Executive"). This Agreement shall become effective as of December 20, 2000.

RECITALS

- A. Executive is currently serving as Executive Vice President of Columbia Bank and Columbia Banking System, Inc.
- B. Employer considers the continuance of sound and vital management essential to protecting and enhancing Employer's best interests.
- C. Employer desires to assure itself of retaining the exclusive services of Executive and to continue the Employment of Executive under the terms of this Agreement. Executive and Employer have entered into an Employment Agreement effective December 20, 2000.

In consideration of the mutual promises made in this Agreement, the parties agree as follows:

AGREEMENT

1. Employment.

Employer employs Executive and Executive accepts employment with Employer on the terms and conditions set forth in this Agreement.

2. Term.

The term of this Agreement will commence as of December 20, 2000, and will continue until June 30, 2004, unless extended or sooner terminated as provided in this Agreement.

3. Duties.

(a) Executive will be Executive Vice President of CBSI and of Columbia Bank. In such capacities, and subject to the authority of the Chief Executive Officer of CBSI and/or the Bank, as appropriate, or such other officer to whom the authority has been granted (separately or collectively as applicable), Executive will render the executive management services and perform such tasks in connection with the affairs of CBSI and of Columbia Bank that are normal and customary to the position that Executive holds.

(b) Executive will perform such other duties as may be

appropriate to Executive's position and as may be prescribed from time to time by the Chief Executive Officer of CBSI or Columbia Bank, as appropriate, or that are provided in the Bylaws of CBSI or Columbia Bank.

(c) Executive will devote their best efforts and all necessary time, attention, and effort to the business and affairs of Employer and its affiliates, as such business and affairs now exist or hereafter may be changed or supplemented, in order to properly discharge her responsibilities under this Agreement.

4. Salary, Bonus, and Other Compensation.

4.1 Salary.

(a) During the term of this Agreement, Employer will pay Executive an annual (calendar year) base salary of not less than \$165,000.00 per year (payable at the rate of \$13,750.00 per month January 1, 2001.

(b) Columbia Bank will guarantee payment of any portion of Executive's compensation that may be allocated to a subsidiary of CBSI.

(c) If this Agreement terminates prior to June 30, 2004, then Employer will pay Executive such greater or lesser amount of the agreed compensation as provided in Section 5.

4.2 Bonus. Executive will be eligible to participate in the bonus pools, if any, that the Board of CBSI or Columbia Bank may establish for senior executives, either under an executive incentive plan or otherwise.

4.3 Benefits. In addition to the base salary and bonus payable or potentially payable to Executive pursuant to this Section 4, Executive will be

entitled to receive benefits similar to those offered to other senior executives of Employer.

5. Termination of Agreement.

5.1 Early Termination.

(a) This Agreement may be terminated at any time by the Board of Employer or by Executive, and it shall terminate upon Executive's death or disability. Any termination by the Board of Employer other than termination for cause (as defined below) shall not prejudice Executive's right to compensation or other benefits under this Agreement. Except as provided in Section 7, if

Executive voluntarily terminates employment before June 30, 2004 Executive will be entitled only to such payments as Executive would have the right to receive upon termination for cause under subsection 5.1(b).

(b) Except as provided in Section 7, if Employer terminates this

Agreement without cause, Employer shall pay Executive upon the effective date of

such termination all salary earned, benefits accrued and all reimbursable expenses hereunder incurred through such termination date and, in addition, liquidated damages in an amount equal to the greater of (i) two years' salary, or (ii) salary for the then-remaining term of the Agreement payable hereunder. If Employer terminates this Agreement for cause, Employer shall pay Executive upon the effective date of such termination only such salary earned, benefits accrued and expenses reimbursable hereunder incurred through such termination date. Executive shall have no right to receive compensation or other benefits for any period after termination for cause.

(c) For purposes of this Agreement, the term "cause" shall mean (i) willful misfeasance or gross negligence in the performance of Executive's duties; (ii) conduct demonstrably and significantly harmful to Employer (including willful violation of any final cease and desist order applicable to Employer or a financial institution subsidiary); or (iii) conviction of a felony. For purposes of this Agreement, "disability" shall have the meaning contained in any long term disability insurance coverage maintained by CBSI or its affiliates, and if no such coverage is in existence, shall mean a medically reimbursable physical or mental impairment that may be expected to result in death, or to be of long, continued duration, and that renders Executive incapable of performing the duties required under this Agreement. The Board or the Compensation Committee of the Board, acting in good faith, shall make the final determination of whether Executive is suffering under any disability as herein defined and, for purposes of making such determination, may require Executive to submit to a physical examination by a physician mutually agreed upon by Executive and the Board or the Committee at Employer's expense.

5.2 Obligations. Except as otherwise provided in Section 7 or in a

particular option grant, Executive's rights, if any, to vested but unexercised stock options will continue for a period of one year after early termination, other than termination for cause. In the case of termination for cause, Executive's unvested stock options, if any, shall terminate immediately.

6. Restrictive Covenant.

6.1 Noncompetition.

(a) Executive agrees that except as otherwise set forth in this Agreement, Executive will not, during the term of this Agreement and for a period of two years after the later of (i) expiration of the term of this Agreement, or (ii) completion of service as an active executive officer of CBSI or Columbia Bank, directly or indirectly, become interested in, as principal shareholder, director, or officer, any financial institution (other than an institution controlled by, controlling, or under common control with Employer and its affiliates) that competes within the State of Washington with Employer or any of its affiliates, with respect to activities of the type performed by

such companies within such service area immediately prior to Executive's termination.

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(b) The restrictions concerning competition after termination as contained in this Section 6.1 shall apply only in the event that Executive

voluntarily terminates employment with Employer without good reason. For purposes of this Agreement, termination for "good reason" shall mean termination by Executive as a result of any material breach of this Agreement by Employer, or any significant diminution of duties of Executive by the Board of either Columbia Bank or CBSI. The provisions restricting competition by Executive may be waived by the Employer.

6.2 Noninterference. During the noncompetition period described in Section 6.1, Executive shall not solicit or attempt to solicit any other

employee of Employer or its affiliates to leave the employ of those companies, or in any way interfere with the relationship between Employer and any other employee of Employer or its affiliates.

6.3 Interpretation. If a court or any other administrative body with jurisdiction over a dispute related to this Agreement should determine that the restrictive covenants set forth above is unreasonably broad, the parties authorize such court or administrative body to narrow the covenants so as to make it reasonable, given all relevant circumstances, and to enforce such revised covenants. The covenants in this paragraph shall survive termination of this Agreement.

7. Change of Control.

7.1 Benefits. The parties recognize that a "change of control" of Employer (as defined in Section 7.2) could be detrimental to Executive's

continued employment. Accordingly, in order to give further assurances to the Executive to enter into this Agreement, if:

(a) There is a change of control; and either;

(b) Within 730 days of such change in control, Executive terminates her employment with Employer; or

(c) At any time from and after sixty days prior to the public announcement by Employer of a transaction that will result in the change of control, Employer (or its successor) terminates Executive's employment without cause, then Executive, as of the date of termination of employment, subject to the remaining provisions of this Section 7.1, shall be paid or provided with:

(i) continued payment of base salary, the pro-rata portion of any incentive payment expected to be received for the year when termination occurs and all benefits provided for in this Agreement until two years following termination or June 30, 2004, whichever is longer; and (ii) vesting of all stock options shall occur. The provisions of this Section 7.1 shall survive expiration of the term

of the Agreement.

7.2 Definitions. For purposes of this Agreement, the term "change of control" shall mean the occurrence of one or more of the following events:

(a) One person or entity acquiring or otherwise becoming the owner of twenty-five percent or more of CBSI's outstanding common stock;

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(b) Replacement of a majority of the incumbent directors of CBSI or Columbia Bank by directors whose elections have not been supported by a majority of the Board of either company, as appropriate; or

(c) Dissolution or sale of fifty percent or more in value of the assets, of either CBSI or Columbia Bank.

7.3 Reimbursement. In the event the provisions of this Section 7.3

result in imposition of a tax on Executive under the provisions of Internal Revenue Code (S) 4999, Employer agrees to reimburse Executive for the same, exclusive of any tax imposed by reason of receipt of reimbursement under this Section 7.3.

8. Miscellaneous.

8.1 This Agreement contains the entire agreement between the parties with respect to Executive's employment with Employer and her covenant not to compete with Employer and its affiliates, and is subject to modification or amendment only upon amendment in writing signed by both parties. The Severance Agreement between Employer and Executive dated June 23, 1999 is terminated effective December 20, 2000.

8.2 This Agreement shall bind and inure to the benefit of the heirs, legal representatives, successors, and assigns of the parties, except that Employer's rights and obligations may not be assigned. The provisions of Section 6.1 and Section 6.2 of this Agreement are intended to confer upon CBSI

and its subsidiaries and affiliates the benefits of Executive's covenant not to compete.

8.3 If any provision of this Agreement is invalid or otherwise unenforceable, all other provisions shall remain unaffected and shall be enforceable to the fullest extent permitted by law.

8.4 This Agreement is made with reference to and is intended to be construed in accordance with the laws of the State of Washington. Venue for any

action arising out of or concerning this Agreement shall lie in Pierce County, Washington. In the event of a dispute under this Agreement not involving injunctive relief, the dispute shall be arbitrated pursuant to the Superior Court Mandatory Arbitration Rules ("MAR") adopted by the Washington State Supreme Court, irrespective of the amount in controversy. This Agreement shall be deemed as stipulation to that effect pursuant to MAR 1.2 and 8.1. The arbitrator, in his or her discretion, may award attorney's fees to the prevailing party or parties.

8.5 Any notice required to be given under this Agreement to either party shall be given by personal service or by depositing a copy thereof in the United States registered or certified mail, postage prepaid, addressed to the following address, or such other address as addressee shall designate in writing:

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Employer: Columbia State Bank
1102 Broadway
Tacoma, WA 98402

Executive: Harald R. Russell
33411 33rd/ Place South
Auburn, WA 98001

IN WITNESS WHEREOF, the parties have executed this Agreement effective on December 20, 2000.

COLUMBIA BANKING SYSTEM, INC.

By: /s/ J. James Gallagher

J. James Gallagher
Its Chief Executive Officer

COLUMBIA STATE BANK

By: /s/ Melanie Dressel

Melanie Dressel
Its Chief Executive Officer

EXECUTIVE

/s/ Harald R. Russell

Harald R. Russell

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Section 8: EX-10.9 (EMPLOYMENT AGREEMENT)

Exhibit 10.9

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered by and between Columbia State Bank, a Washington banking corporation ("Columbia Bank") together with Columbia Banking System, Inc., a Washington corporation ("CBSI") (collectively, the "Employer"), and EVANS Q. WHITNEY (the "Executive"). This Agreement shall become effective as of December 20, 2000.

RECITALS

- A. Executive is currently serving as Executive Vice President of Columbia Bank and Columbia Banking System, Inc..
- B. Employer considers the continuance of sound and vital management essential to protecting and enhancing Employer's best interests.
- C. Employer desires to assure itself of retaining the exclusive services of Executive and to continue the Employment of Executive under the terms of this Agreement. Executive and Employer have entered into an Employment Agreement effective December 20, 2000.

In consideration of the mutual promises made in this Agreement, the parties agree as follows:

AGREEMENT

- 1. Employment.

Employer employs Executive and Executive accepts employment with Employer on the terms and conditions set forth in this Agreement.

- 2. Term.

The term of this Agreement will commence as of December 20, 2000, and will continue until June 30, 2004, unless extended or sooner terminated as provided in this Agreement.

3. Duties.

(a) Executive will be Executive Vice President of CBSI and of Columbia Bank. In such capacities, and subject to the authority of the Chief Executive Officer of CBSI and/or the Bank, as appropriate, or such other officer to whom the authority has been granted (separately or collectively as applicable), Executive will render the executive management services and perform such tasks in connection with the affairs of CBSI and of Columbia Bank that are normal and customary to the position that Executive holds.

(b) Executive will perform such other duties as may be appropriate to Executive's position and as may be prescribed from time to time by the Chief Executive Officer of CBSI or Columbia Bank, as appropriate, or that are provided in the Bylaws of CBSI or Columbia Bank.

(c) Executive will devote their best efforts and all necessary time, attention, and effort to the business and affairs of Employer and its affiliates, as such business and affairs now exist or hereafter may be changed or supplemented, in order to properly discharge Executive's responsibilities under this Agreement.

4. Salary, Bonus, and Other Compensation.

4.1 Salary.

(a) During the term of this Agreement, Employer will pay Executive an annual (calendar year) base salary of not less than \$165,000.00 per year (payable at the rate of \$13,750.00 per month) beginning January 1, 2001.

(b) Columbia Bank will guarantee payment of any portion of Executive's compensation that may be allocated to a subsidiary of CBSI.

(c) If this Agreement terminates prior to June 30, 2004, then Employer will pay Executive such greater or lesser amount of the agreed compensation as provided in Section 5.

4.2 Bonus. Executive will be eligible to participate in the bonus pools, if any, that the Board of CBSI or Columbia Bank may establish for senior executives, either under an executive incentive plan or otherwise.

4.3 Benefits. In addition to the base salary and bonus payable or potentially payable to Executive pursuant to this Section 4, Executive will be

entitled to receive benefits similar to those offered to other senior executives of Employer.

5. Termination of Agreement.

5.1 Early Termination.

(a) This Agreement may be terminated at any time by the Board of Employer or by Executive, and it shall terminate upon Executive's death or disability. Any termination by the Board of Employer other than termination for cause (as defined below) shall not prejudice Executive's right to compensation or other benefits under this Agreement. Except as provided in Section 7, if

Executive voluntarily terminates employment before June 30, 2004 Executive will be entitled only to such payments as Executive would have the right to receive upon termination for cause under subsection 5.1(b).

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(b) Except as provided in Section 7, if Employer terminates this

Agreement without cause, Employer shall pay Executive upon the effective date of

such termination all salary earned, benefits accrued and all reimbursable expenses hereunder incurred through such termination date and, in addition, liquidated damages in an amount equal to the greater of (i) two years' salary, or (ii) salary for the then-remaining term of the Agreement payable hereunder. If Employer terminates this Agreement for cause, Employer shall pay Executive upon the effective date of such termination only such salary earned, benefits accrued and expenses reimbursable hereunder incurred through such termination date. Executive shall have no right to receive compensation or other benefits for any period after termination for cause.

(c) For purposes of this Agreement, the term "cause" shall mean (i) willful misfeasance or gross negligence in the performance of Executive's duties; (ii) conduct demonstrably and significantly harmful to Employer (including willful violation of any final cease and desist order applicable to Employer or a financial institution subsidiary); or (iii) conviction of a felony. For purposes of this Agreement, "disability" shall have the meaning contained in any long term disability insurance coverage maintained by CBSI or its affiliates, and if no such coverage is in existence, shall mean a medically reimbursable physical or mental impairment that may be expected to result in death, or to be of long, continued duration, and that renders Executive incapable of performing the duties required under this Agreement. The Board or the Compensation Committee of the Board, acting in good faith, shall make the final determination of whether Executive is suffering under any disability as herein defined and, for purposes of making such determination, may require Executive to submit to a physical examination by a physician mutually agreed upon by Executive and the Board or the Committee at Employer's expense.

5.2 Obligations. Except as otherwise provided in Section 7 or in a

particular option grant, Executive's rights, if any, to vested but unexercised stock options will continue for a period of one year after early termination, other than termination for cause. In the case of termination for cause, Executive's unvested stock options, if any, shall terminate immediately.

6. Restrictive Covenant.

6.1 Noncompetition.

(a) Executive agrees that except as otherwise set forth in this Agreement, Executive will not, during the term of this Agreement and for a period of two years after the later of (i) expiration of the term of this Agreement, or (ii) completion of service as an active executive officer of CBSI or Columbia Bank, directly or indirectly, become interested in, as principal shareholder, director, or officer, any financial institution (other than an institution controlled by, controlling, or under common control with Employer and its affiliates) that competes within the State of Washington with Employer or any of its affiliates, with respect to activities of the type performed by such companies within such service area immediately prior to Executive's termination.

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(b) The restrictions concerning competition after termination as contained in this Section 6.1 shall apply only in the event that Executive

voluntarily terminates employment with Employer without good reason. For purposes of this Agreement, termination for "good reason" shall mean termination by Executive as a result of any material breach of this Agreement by Employer, or any significant diminution of duties of Executive by the Board of either Columbia Bank or CBSI. The provisions restricting competition by Executive may be waived by the Employer.

6.2 Noninterference. During the noncompetition period described in Section 6.1, Executive shall not solicit or attempt to solicit any other

employee of Employer or its affiliates to leave the employ of those companies, or in any way interfere with the relationship between Employer and any other employee of Employer or its affiliates.

6.3 Interpretation. If a court or any other administrative body with jurisdiction over a dispute related to this Agreement should determine that the restrictive covenants set forth above is unreasonably broad, the parties authorize such court or administrative body to narrow the covenants so as to make it reasonable, given all relevant circumstances, and to enforce such revised covenants. The covenants in this paragraph shall survive termination of this Agreement.

7. Change of Control.

7.1 Benefits. The parties recognize that a "change of control" of Employer (as defined in Section 7.2) could be detrimental to Executive's

continued employment. Accordingly, in order to give further assurances to the Executive to enter into this Agreement, if:

(a) There is a change of control; and either;

(b) Within 730 days of such change in control, Executive terminates employment with Employer; or

(c) At any time from and after sixty days prior to the public announcement by Employer of a transaction that will result in the change of control, Employer (or its successor) terminates Executive's employment without cause, then Executive, as of the date of termination of employment, subject to the remaining provisions of this Section 7.1, shall be paid or provided with:

(i) continued payment of base salary, the pro-rata portion of any incentive payment expected to be received for the year when termination occurs and all benefits provided for in this Agreement until two years following termination or June 30, 2004, whichever is longer; and (ii) vesting of all stock options shall occur. The provisions of this Section 7.1 shall survive expiration of the term

of the Agreement.

7.2 Definitions. For purposes of this Agreement, the term "change of control" shall mean the occurrence of one or more of the following events:

(a) One person or entity acquiring or otherwise becoming the owner of twenty-five percent or more of CBSI's outstanding common stock;

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(b) Replacement of a majority of the incumbent directors of CBSI or Columbia Bank by directors whose elections have not been supported by a majority of the Board of either company, as appropriate; or

(c) Dissolution or sale of fifty percent or more in value of the assets, of either CBSI or Columbia Bank.

7.3 Reimbursement. In the event the provisions of this Section 7.3

result in imposition of a tax on Executive under the provisions of Internal Revenue Code (S) 4999, Employer agrees to reimburse Executive for the same, exclusive of any tax imposed by reason of receipt of reimbursement under this Section 7.3.

8. Miscellaneous.

8.1 This Agreement contains the entire agreement between the parties with respect to Executive's employment with Employer and Executive's covenant not to compete with Employer and its affiliates, and is subject to modification or amendment only upon amendment in writing signed by both parties. The Severance Agreement between Employer and Executive dated June 23, 1999 is terminated effective December 20, 2000.

8.2 This Agreement shall bind and inure to the benefit of the heirs,

legal representatives, successors, and assigns of the parties, except that Employer's rights and obligations may not be assigned. The provisions of Section 6.1 and Section 6.2 of this Agreement are intended to confer upon CBSI -----
and its subsidiaries and affiliates the benefits of Executive's covenant not to compete.

8.3 If any provision of this Agreement is invalid or otherwise unenforceable, all other provisions shall remain unaffected and shall be enforceable to the fullest extent permitted by law.

8.4 This Agreement is made with reference to and is intended to be construed in accordance with the laws of the State of Washington. Venue for any action arising out of or concerning this Agreement shall lie in Pierce County, Washington. In the event of a dispute under this Agreement not involving injunctive relief, the dispute shall be arbitrated pursuant to the Superior Court Mandatory Arbitration Rules ("MAR") adopted by the Washington State Supreme Court, irrespective of the amount in controversy. This Agreement shall be deemed as stipulation to that effect pursuant to MAR 1.2 and 8.1. The arbitrator, in his or her discretion, may award attorney's fees to the prevailing party or parties.

8.5 Any notice required to be given under this Agreement to either party shall be given by personal service or by depositing a copy thereof in the United States registered or certified mail, postage prepaid, addressed to the following address, or such other address as addressee shall designate in writing:

5

Employer: Columbia State Bank
1102 Broadway
Tacoma, WA 98402

Executive: Evans Q. Whitney
16 35/th/ Avenue NW
Gig Harbor, WA 98335

IN WITNESS WHEREOF, the parties have executed this Agreement effective on December 20, 2000.

COLUMBIA BANKING SYSTEM, INC.

By: /s/ J. James Gallagher

J. James Gallagher
Its Chief Executive Officer

COLUMBIA STATE BANK

By: /s/ Melanie Dressel

Melanie Dressel
Its Chief Executive Officer

EXECUTIVE

/s/ Evans Q. Whitney

Evans Q. Whitney

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Section 9: EX-10.10 (FORM OF SEVERANCE AGREEMENT)

Exhibit 10.10

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT ("Agreement") is made and entered into effective this ____ day of _____, 2000, by and between COLUMBIA STATE BANK, a Washington banking corporation (the "Bank") and _____.("Executive").

RECITALS

1. The Bank (collectively referred to as the "Company") currently receives the exclusive services of Executive as its employee, and Executive desires that this employment relationship continue.
 2. The Bank desires to provide a severance benefit to Executive (i) to encourage Executive to continue his/her employment relationship with the Bank; (ii) to continue obtaining his/her services in the event of a potential Change in Control (as defined below) of Columbia Banking System, Inc. ("CBSI") that may be detrimental to the Executive; and (iii) to allow CBSI to maximize the benefits obtainable by its shareholders from any Change in Control.
- In consideration of the mutual promises, covenants, agreements and undertakings contained in this Agreement, the parties hereby contract and agree as follows:

AGREEMENT

1. Term. The term of this Agreement ("Term") shall commence as of the

date first above written and shall end on the earlier of the termination of Executive's employment in a manner that does not constitute a Termination Event or on the fifth anniversary of the date first above written, unless extended in writing by the parties.

2. Severance Benefit. In the case of a Termination Event, as defined

in Section 4, (i) the Bank shall pay to Executive all salary and benefits earned through the effective date of Executive's termination and a severance benefit ("Severance Benefit") in an amount equal to the ____times the amount of Executive's then-current annual base salary, and (ii) vesting of all stock options and lapse of all restrictions with respect to restricted stock awards shall occur. Payment of the Severance Benefit shall begin, and vesting and lapse of restrictions described in the preceding sentence shall occur, (i) in the case of a Termination Event described in paragraph 4.1, upon the effective date of termination, and (ii) in the case of a Termination Event described in paragraph 4.2, upon the effective date of the Change of Control which is then pending (or announced within sixty days) of the date when the Executive's employment terminated. The Severance Benefit shall be paid over a ____year period in equal regular periodic payments without interest on the same dates that other salaried employees of the Bank are paid.

3. Other Compensation and Terms of Employment. Except with respect to

the Severance Payment, this Agreement shall have no effect on the determination of any

compensation payable by the Bank to the Executive, or upon any of the other terms of Executive's employment with the Bank.

4. Termination Events. A Termination Event shall be deemed to occur

upon, and only upon, one or more of the following:

4.1 Termination of Executive's employment by the Bank without Cause (as defined below) or by Executive for Good Reason (as defined below) within 730 days following the effective date of a Change of Control; or

4.2 Termination of Executive's employment by the Bank without Cause prior to a Change of Control if such termination occurs at any time from and after sixty days prior to the public announcement by the CBSI or any other party of a transaction which will result in a Change in Control; provided that the effective date of the Change of Control occurs within eighteen (18) months of Executive's termination.

5. Restrictive Covenant.

- 5.1 Noncompetition. Executive agrees that he will not, during his

employment with the Bank and for a period of ____ years after commencement of the payment to Executive of the Severance Benefit, directly or indirectly become interested in, as a principle shareholder, director, or officer, any financial institution, now existing or organized hereafter, that competes or will compete with the Bank, including any successor, or any of the Bank's affiliates within any county in which the Bank does business; provided that Executive's covenant

not to compete shall terminate in the event Executive waives the right to payment of any balance of the Severance Benefit then payable; and provided

further, that Executive shall not be deemed a "principle shareholder" unless (i)

his investment in such an institution exceeds 2% of the institution's outstanding voting securities or (ii) Executive is active in the Organization, management or affairs of such institution. The provisions restricting competition by Executive may be waived by action of the Board. Executive recognizes and agrees that any breach of this covenant by Executive will cause immediate and irreparable injury to the Bank, and Executive hereby authorizes recourse by the Bank to injunction and/or specific performance, as well as to other legal or equitable remedies to which the Bank may be entitled.

- 5.2 Noninterference. During the noncompetition period described in

Section 5.1, Executive shall not solicit or attempt to solicit any other employee of the Bank or its affiliates to leave the employ of those companies, or in any way interfere with the relationship between the Bank and any other employee of the Bank.

- 5.3 Interpretation. If a court or any other administrative body

with jurisdiction over a dispute related to this Agreement should determine that the restrictive covenant set forth in Section 5.1 above is unreasonably broad, the parties hereby authorize and direct said court or administrative body to narrow same so as to make it reasonable, given all relevant circumstances, and to enforce same. The covenants in this paragraph shall survive termination of this Agreement.

6. Definitions.

- 6.1. Cause. "Cause" shall mean only (i) willful misfeasance or

gross negligence in the performance of Executive's duties, (ii) conduct demonstrably and significantly harmful to the Bank (which would include willful violation of any final cease and desist order applicable to the Bank), or (iii) conviction of a felony.

- 6.2. Change of Control. "Change of Control" shall mean the

occurrence of one or more of the following events:

- 6.2.1. One person or entity acquiring or otherwise becoming the owner of twenty-five percent (25%) or more of CBSI's outstanding common stock;
- 6.2.2. Replacement of incumbent directors or election of newly-elected directors constituting a majority of the Board of CBSI where such replacement or election has not been supported by the Board; or
- 6.2.3. Dissolution, or sale of fifty percent (50%) or more in value of the assets, or either CBSI or the Bank.

6.3. Good Reason. "Good Reason" shall mean (i) any reduction of

Executive's salary or any reduction or elimination of any other compensation or benefit plan, which reduction or elimination is not of general application to substantially all employees of the Bank or such employees of any successor entity or of any entity in control of the Bank, (ii) any changes in Executive's authority or duties substantially inconsistent with Executive's then office location.

7. Miscellaneous.

- 7.1 This Agreement contains the entire agreement between the parties with respect to the subject matter, and is subject to modification or amendment only upon amendment in writing signed by both parties.
- 7.2 This agreement shall bind and inure to the benefit of the heirs, legal representatives, successors, and assign of the parties.
- 7.3 If any provision of this Agreement is invalid or otherwise unenforceable, all other provisions shall remain unaffected and shall be enforceable to the fullest extent permitted by law.

7.4 This Agreement is made with reference to and is intended to be construed in accordance with the laws of the State of Washington. Venue for any action arising out of or concerning this Agreement shall lie in Pierce County, Washington. In the event of a dispute under this agreement, the disputes shall be arbitrated pursuant to the Superior Court Mandatory Arbitration Rules ("MAR") adopted by the Washington State Supreme Court, irrespective of the amount in controversy. This Agreement shall be deemed as stipulation to that effect pursuant to

MAR 1.2 and 8.1. The arbitrator, in his or her discretion, may award attorney's fees to the prevailing party or parties.

7.5 Any notice required to be given under this Agreement to either party shall be given by personal service or by depositing a copy thereof in the United States registered or certified mail, postage prepaid, addressed to the following address or such other address as addressee shall designate in writing:

Company: Columbia Bank
1102 Broadway Plaza
Tacoma, WA 98401
Attn: (Corporate Secretary)

Executive: _____

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the date first above written.

COLUMBIA STATE BANK

By: _____
Its: _____

EXECUTIVE

(_____)

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Section 10: EX-10.11 (FORM OF PROMISSORY NOTE)

Exhibit 10.11

PROMISSORY NOTE

\$ _____ Tacoma, Washington

_____, 2000

FOR VALUE RECEIVED, _____ (the "Maker") hereby promises to pay to Columbia Banking System, Inc. ("CBSI") at Tacoma, Washington, or such other place as the Payee may in writing designate, the principal sum of

_____(\$ _____), and to pay interest on the outstanding principal sum commencing on the date hereof at the rate of 5.87% per annum (the applicable federal rate) commencing on December 21, 2000 until this note is paid in full. Interest only shall be due on each anniversary of this note and the full amount of principal and accrued interest shall be due on or before December 21, 2007.

This Note may be prepaid, in whole or in part, any time or from time to time. All such prepayments shall be applied first to accrued and unpaid interest. The balance, if any, shall be applied to principal.

Notwithstanding any other provision of this Note, upon Maker's default under this Promissory Note, Payee may declare the outstanding principal amount hereof, and all accrued and unpaid interest thereon, immediately due and payable, and commence suit to recover the same or exercise any other remedy that Payee may have in law or equity. Default under this Promissory Note shall occur if any payment due is unpaid ten (10) days after its due date. Default under this Promissory Note shall also occur if the Maker does not, at all times during the term of this Promissory Note, own, in his own name and not pledged or otherwise hypothecated to any other party, a minimum of _____ (_____) shares of CBSI common stock.

The failure or delay of CBSI to enforce any provision of this Note shall not be deemed a waiver of any such provision, and CBSI shall not be prevented from enforcing any such provision at a later time. Any waiver of any provision hereof must be in writing and signed by CBSI. Any such waiver, consent or approval shall be effective only in the specific instance and for the specific purpose for which it is given.

This Note shall be governed by and construed in accordance with the laws of the State of Washington.

In the event of any failure by the Maker to make payments of principal and interest when due hereunder, the Maker agrees to pay all costs and expenses of collection of the holder of this Note including, but not limited to, reasonable attorneys' fees and costs.

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Section 11: EX-10.12 (AMENDED RESTRICTED STOCK AWARD AGREEMENT)

Exhibit 10.12

AMENDED RESTRICTED STOCK AWARD AGREEMENT

AMENDED RESTRICTED STOCK AWARD AGREEMENT is made and entered into by and between COLUMBIA BANKING SYSTEM, INC., a Washington corporation ("CBSI"), J. James Gallagher (the "Executive"), and COLUMBIA STATE BANK, as escrow agent (the "Escrow Agent"). This Amended Agreement, which amends, supercedes and replaces the Agreement which became effective on April 22, 1998, is effective as of July 1, 1998.

Recitals -----

1. On April 22, 1998, Board of Directors of CBSI approved the grant of a nonqualified stock option to purchase 25,000 shares of CBSI common stock (the"Option") and a Restricted Stock Award for 10,000 shares of CBSI common stock to the Executive. In December 1998, the Compensation Committee of the Board of Directors of CBSI amended the Option to change the date of the grant from April 22, 1998 to July 1, 1998, the actual date of Mr. Gallagher's employment with CBSI.
2. In order to make the dates of the grant of Mr. Gallagher's Option and Restricted Stock Award consistent, on June 23, 1999, the Compensation Committee amended the Restricted Stock Award to provide for the grant and issuance of 15,000 shares (which reflects an adjustment to take into account the three-for-two stock split payable in May 1998) of CBSI common stock, effective as of July 1, 1998, to the Executive (the "Award").
2. In consideration for the Executive's agreement to serve as a senior executive officer of CBSI and its subsidiary bank, Columbia State Bank ("Columbia Bank"), and as an incentive for Executive to continue to serve in this capacity in the future, CBSI grants the Award to Executive on the terms and conditions stated herein.

Terms and Conditions -----

1. Grant of Restricted Stock Award. In consideration of Executive's agreement to serve as a senior executive officer of CBSI and the Bank and to incient Executive to continue as a senior executive officer, CBSI hereby grants and issues to and in the name of the Executive as a Restricted Stock Award a total of Fifteen Thousand (15,000) shares of the no par value common stock of CBSI. (the "Shares"). The date of grant is July 1, 1998.
2. Consideration of Issuance of Shares. In consideration for the issuance of the Shares, the Executive agrees to become Vice Chairman of CBSI and Columbia Bank effective July 1, 1998 and to remain as an executive officer of CBSI and/or Columbia Bank form July 1, 1998 through the period the Shares are subject to the escrow, as provided herein. Should the Executive fail, without the express approval of the Board of Directors or the Personnel and Compensation Committee (the "Committee"), to occupy and remain

in such capacity, the Shares will be redelivered by the Escrow Agent to CBSI and will be cancelled. CBSI will have no other remedy for such a breach.

3. Escrow. The certificate(s) evidencing the Shares shall be deposited in escrow immediately upon issuance by CBSI. Columbia Bank shall act as Escrow Agent and, as such, shall hold the Shares subject to delivery to the Executive or redelivery to CBSI in its corporate capacity, all in accordance with the terms of this Agreement. The Executive hereby grants an irrevocable power of attorney to the Escrow Agent to transfer and deliver the Shares and the stock certificate(s) evidencing the same in accordance with the terms and provisions of this Agreement and the Board of Directors or the Committee.

4. Escrow Stock Not Transferable. No transfer, pledge or other disposition of the shares may be made by the Executive so long as they are held under and remain subject to the escrow.

5. Term of Escrow. The Shares shall be subject to escrow until July 1, 2003 unless sooner terminated in accordance with the terms of this Agreement.

6. Dividends and Voting Rights. During the period while the Shares are held in escrow, all dividends payable with respect to such Shares shall be paid by the Escrow Agent directly to the Executive and the Executive shall be entitled to exercise all voting rights with respect to such Shares, all in the same manner and to the full extent as though the Shares were held by the Executive free of the escrow.

7. Release of Stock From Escrow. Shares held in escrow pursuant to this Agreement shall be released from such escrow by the delivery of the stock certificate(s) evidencing such Shares to the Executive (or, in the case of death or disability of the Executive, to the Executive's estate or legal guardian) at the earlier of:

- (a) July 1, 2003;
- (b) The death or disability (as defined in Section 9 of this Agreement) of the Executive;
- (c) The determination by the Board of Directors or the Committee to authorize the re-lease of such Shares to the Executive upon the occurrence of any event the Board determines to warrant such release; or
- (d) The occurrence of a change in control, as defined in Section 10 of this Agreement.

8. Termination of Service/Forfeiture of Shares. In the event of the termination of service as an active officer of CBSI and/or Columbia Bank during the period that the Shares are held in escrow (and the Shares are not then released pursuant to the provisions of this Section 7), such Shares shall be forfeited to CBSI and all rights of the Executive with respect thereto terminated, unless, in the case of termination by act of the Employer,

the Board of Directors or the Committee, within thirty (30) days following such termination, authorizes release of such Shares to the Executive. Upon the expiration of such thirty (30) day period without action by the Board or Committee to release such Shares to the Executive, the Shares shall be deemed forfeited and the stock certificate(s) evidencing the same shall be redelivered to CBSI, whereupon they shall be cancelled and retired.

9. Reliance by Escrow Agent. The Escrow Agent shall have no liability for action in reliance upon any instructions delivered to it and believed in good faith by it to be from the Board or the Committee.

10. Disability. For purposes of this Agreement, the term "disability" shall mean a medically reimbursable physical or mental impairment that may be expected to result in death, or to be of long, continued duration, and that renders Executive incapable of performing the duties required for his/her position. The Board or Committee, acting in good faith, shall make the final determination of whether Executive is suffering under any disability as herein defined and, for purposes of making such determination, may require Executive to submit to a physical examination by a physician mutually agreed upon by the Executive and the Board or the Committee at CBSI's expense.

11. Change in Control. For the purposes of this Agreement, the term "change in control" shall mean the occurrence of one or more of the following events:

- (a) One person or entity acquiring or otherwise becoming the owner of twenty-five percent or more of CBSI's outstanding common stock;
- (b) Replacement of a majority of the incumbent directors of CBSI or Columbia Bank by directors whose elections have not been supported by a majority of the Board of either company, as appropriate; or
- (c) Dissolution, or sale of fifty percent or more in value of the assets, of either CBSI or Columbia Bank.

12. Binding Effect. This Agreement shall be binding upon and inure to the benefit of CBSI, in its corporate capacity, Columbia Bank, as Escrow Agent, the Executive, and their respective heirs, representatives, successors and assigns.

COLUMBIA BANKING SYSTEM, INC.	COLUMBIA STATE BANK
By: /s/ W. W. Philip	By: /s/ W. W. Philip
-----	-----
W. W. Philip, Chairman, President and Chief Executive Officer	W. W. Philip, Chairman, and Chief Executive Officer
/s/ J. James Gallagher	

J. James Gallagher	
Executive	

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Section 12: EX-10.13 (RESTRICTED STOCK AWARD AGREEMENT)

Exhibit 10.13

RESTRICTED STOCK AWARD AGREEMENT

THIS AGREEMENT is affective the 28th day of January, 1998, by and between COLUMBIA BANKING SYSTEM, INC., a Washington corporation ("CBSI"), Melanie J. Dressel (the "Executive"), and COLUMBIA STATE BANK, as escrow agent (the "Escrow Agent").

Recitals

1. On January 28, 1998, the Personnel and Compensation Committee of the Board of Directors of CBSI (the "Committee") approved and recommended to the full Board of Directors the grant and issuance of a Restricted Stock Award for 5,000 shares of CBSI common stock (the "Award") to the Executive. On January 28, 1998, the Board of Directors of CBSI accepted the Committee's recommendation and approved the grant and issuance of the Award to the Executive.
2. In consideration for the Executive's prior service to and as an incentive for Executive to continue to serve as a senior officer of CBSI and its subsidiary bank, Columbia State Bank ("Columbia Bank") in the future, CBSI grants the Award to Executive on the terms and conditions stated herein.

Terms and Conditions

1. Grant of Restricted Stock Award. In order to reward Executive for prior accomplishments and to incent Executive to continue as a senior executive officer, CBSI hereby grants and issues to and in the name of the Executive as a Restricted Stock Award a total of Five Thousand (5,000) shares of the no par value common stock of CBSI (the "Shares"). The date of grant is January 28, 1998.
2. Consideration of Issuance of Shares. In consideration for the issuance of the Shares, the Executive agrees to remain as an active senior officer of CBSI and/or Columbia Bank from January 28, 1998 through the period the Shares are subject to the escrow, as provided herein. Should the Executive fail, without the express approval of the Board of Directors or the Committee, to remain in such capacity, the Shares will be redelivered by the Escrow Agent to CBSI and will be cancelled. CBSI will have no other remedy for such a breach.
3. Escrow. The certificate(s) evidencing the Shares shall be deposited in escrow immediately upon issuance by CBSI. Columbia Bank shall act as Escrow Agent and, as such, shall hold the Shares subject to delivery to the Executive or redelivery to CBSI in its corporate capacity, all in accordance with the terms of this Agreement. The Executive hereby grants an irrevocable power of attorney to the Escrow Agent to transfer and deliver the Shares and the stock certificate(s) evidencing the same in accordance with the terms and provisions of this Agreement and the Board of Directors or the Committee.
4. Escrow Stock Not Transferable. No transfer, pledge or other disposition of the 5,000 shares may be made by the Executive so long as they are held under and remain subject to the escrow.
5. Term of Escrow. The Shares shall be subject to escrow until January 28, 2003 unless sooner terminated in accordance with the terms of this Agreement.
6. Dividends and Voting Rights. During the period while the Shares are held in escrow, all dividends payable with respect to such Shares shall be paid by the Escrow Agent directly to the Executive and the Executive shall be entitled to exercise all voting rights with respect to such Shares, all in the same manner and to the full extent as though the Shares were held by the Executive free of the escrow.
7. Release of Stock From Escrow. Shares held in escrow pursuant to this Agreement shall be released from such escrow by the delivery of the stock certificate(s) evidencing such Shares to the Executive (or, in the case of death or disability of the Executive, to the Executive's estate or legal guardian) at the earlier of:
- (a) January 28, 2003;
- (b) The death or disability (as defined in Section 9 of this Agreement) of the Executive;
- (c) The determination by the Board of Directors to authorize the release of such Shares to the Executive upon the occurrence of any event the Board determines to warrant such release; or
- (d) The occurrence of a change in control, as defined in Section 10 of this Agreement.
- (e) Termination of Service/Forfeiture of Shares. In the event of the termination of service as an active officer of CBSI and/or Columbia Bank during the period that the Shares are held in escrow (and the Shares are not then released pursuant to the provisions of this Section 7), such Shares shall be forfeited to CBSI and all rights of the Executive with respect thereto

terminated, unless, in the case of termination by act of the Employer, the Board of Directors or the Committee, within thirty (30) days following such termination, authorizes release of such Shares to the Executive. Upon the expiration of such thirty (30) day period without action by the Board or Committee to release such Shares to the Executive, the Shares shall be deemed forfeited and the stock certificate(s) evidencing the same shall be redelivered to CBSI, whereupon they shall be cancelled and retired.

8. Reliance of Escrow Agent. The Escrow Agent shall have no liability for action in reliance upon any instructions delivered to it and believed in good faith by it to be from the Board or the Committee.

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9. Disability. For purposes of this Agreement, the term "disability" shall mean a medically reimbursable physical or mental impairment that may be expected to result in death, or to be of long, continued duration, and that renders Executive incapable of performing the duties required for his/her position. The Board or the Committee, acting in good faith, shall make the final determination of whether Executive is suffering under any disability as herein defined and, for purposes of making such determination, may require Executive to submit to a physical examination by a physician mutually agreed upon by Executive and the Board or the Committee at CBSI's expense.

10. Change in Control. For the purposes of this Agreement, the term "change in control" shall mean the occurrence of one or more of the following events:

- (a) One person or entity acquiring or otherwise becoming the owner of twenty-five percent or more of CBSI's outstanding common stock;
- (b) Replacement of a majority of the incumbent directors of CBSI or Columbia Bank by directors whose elections have not been supported by a majority of the Board of either company, as appropriate; or
- (c) Dissolution, or sale of fifty percent or more in value of the assets, of either CBSI or Columbia Bank.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of CBSI, in its corporate capacity, Columbia Bank, as Escrow Agent, the Executive, and their respective heirs, representatives, successors and assigns.

COLUMBIA BANKING SYSTEM, INC.	COLUMBIA STATE BANK
By: /s/ W. W. Philip	By: /s/ W. W. Philip
-----	-----
W. W. Philip, Chairman, and Chief Executive Officer	W. W. Philip, Chairman, President and Chief Executive Officer
/s/ Melanie J. Dressel	

Melanie J. Dressel	
Executive	

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Section 13: EX-10.14 (RESTRICTED STOCK AWARD AGREEMENT)

Exhibit 10.14

RESTRICTED STOCK AWARD AGREEMENT

THIS AGREEMENT is affective the 28th day of January, 1998, by and between COLUMBIA BANKING SYSTEM, INC., a Washington corporation ("CBSI"), Harald R. Russell (the "Executive"), and COLUMBIA STATE BANK, as escrow agent (the "Escrow Agent").

Recitals

- On January 28, 1998, the Personnel and Compensation Committee of the Board of Directors of CBSI (the "Committee") approved and recommended to the full Board of Directors the grant and issuance of a Restricted Stock Award for 5,000 shares of CBSI common stock (the "Award") to the Executive. On January 28, 1998, the Board of Directors of CBSI accepted the Committee's recommendation and approved the grant and issuance of the Award to the Executive.
- In consideration for the Executive's prior service to and as an incentive for Executive to continue to serve as a senior officer of CBSI and its subsidiary bank, Columbia State Bank ("Columbia Bank") in the future, CBSI grants the award to Executive on the terms and conditions stated herein.

Terms and Conditions

- Grant of Restricted Stock Award. In order to reward Executive for prior accomplishments and to incent Executive to continue as a senior executive officer, CBSI hereby grants and issues to and in the name of the Executive as a Restricted Stock Award a total of Five Thousand (5,000) shares of the no par value common stock of CBSI (the "Shares"). The date of grant is January 28, 1998.
- Consideration of Issuance of Shares. In consideration for the issuance of the Shares, the Executive agrees to remain as an active senior

officer of CBSI and/or Columbia Bank from January 28, 1998 through the period the Shares are subject to the escrow, as provided herein. Should the Executive fail, without the express approval of the Board of Directors or the Committee, to remain in such capacity, the Shares will be redelivered by the Escrow Agent to CBSI and will be cancelled. CBSI will have no other remedy for such a breach.

3. Escrow. The certificate(s) evidencing the Shares shall be deposited in escrow immediately upon issuance by CBSI. Columbia Bank shall act as Escrow Agent and, as such, shall hold the Shares subject to delivery to the Executive or redelivery to CBSI in its corporate capacity, all in accordance with the terms of this Agreement. The Executive hereby grants an irrevocable power of attorney to the Escrow Agent to transfer and deliver the Shares and the stock certificate(s) evidencing the same in accordance with the terms and provisions of this Agreement and the Board of Directors or the Committee.

4. Escrow Stock Not Transferable. No transfer, pledge or other disposition of the 5,000 shares may be made by the Executive so long as they are held under and remain subject to the escrow.

5. Term of Escrow. The Shares shall be subject to escrow until January 28, 2003 unless sooner terminated in accordance with the terms of this Agreement.

6. Dividends and Voting Rights. During the period while the Shares are held in escrow, all cash dividends payable with respect to such Shares shall be paid by the Escrow Agent directly to the Executive and the Executive shall be entitled to exercise all voting rights with respect to such Shares, all in the same manner and to the full extent as though the Shares were held by the Executive free of the escrow.

7. Release of Stock From Escrow. Shares held in escrow pursuant to this Agreement shall be released from such escrow by the delivery of the stock certificate(s) evidencing such Shares to the Executive (or, in the case of death or disability of the Executive, to the Executive's estate or legal guardian) at the earlier of:

- (a) January 28, 2003;
- (b) The death or disability (as defined in Section 9 of this Agreement) of the Executive;
- (c) The determination by the Board of Directors to authorize the release of such Shares to the Executive upon the occurrence of any event the Board determines to warrant such release; or
- (d) The occurrence of a change in control, as defined in Section 10 of this Agreement.
- (e) Termination of Service/Forfeiture of Shares. In the event of the termination of service as an active officer of CBSI and/or Columbia Bank during the period that the Shares are held in escrow (and the Shares are not then released pursuant to the provisions of this Section 7), such Shares shall be forfeited to CBSI and all rights of the Executive with respect thereto terminated, unless, in the case of termination by act of the Employer, the Board of Directors or the Committee, within thirty (30) days following such termination, authorizes release of such Shares to the Executive. Upon the expiration of such thirty (30) day period without action by the Board or Committee to release such Shares to the Executive, the Shares shall be deemed forfeited and the stock certificate(s) evidencing the same shall be redelivered to CBSI, whereupon they shall be cancelled and retired.

8. Reliance of Escrow Agent. The Escrow Agent shall have no liability for action in reliance upon any instructions delivered to it and believed in good faith by it to be from the Board or the Committee.

9. Disability. For purposes of this Agreement, the term "disability" shall mean a medically reimbursable physical or mental impairment that may be expected to result in death, or to be of long, continued duration, and that renders Executive incapable of performing the duties required for his/her position. The Board or the Committee, acting in good faith, shall make the final determination of whether Executive is suffering under any disability as herein defined and, for purposes of making such determination, may require Executive to submit to a physical examination by a physician mutually agreed upon by Executive and the Board or the Committee at CBSI's expense.

10. Change in Control. For the purposes of this Agreement, the term "change in control" shall mean the occurrence of one or more of the following events:

- (a) One person or entity acquiring or otherwise becoming the owner of twenty-five percent or more of CBSI's outstanding common stock;
- (b) Replacement of a majority of the incumbent directors of CBSI or Columbia Bank by directors whose elections have not been supported by a majority of the Board of either company, as appropriate; or
- (c) Dissolution, or sale of fifty percent or more in value of the assets, of either CBSI or Columbia Bank.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of CBSI, in its corporate capacity, Columbia Bank, as Escrow Agent, the Executive, and their respective heirs, representatives, successors and assigns.

COLUMBIA BANKING SYSTEM, INC.	COLUMBIA STATE BANK
By: /s/ W. W. Philip	By: /s/ W. W. Philip
-----	-----
W. W. Philip, Chairman, President and Chief Executive Officer	W. W. Philip, Chairman, President and Chief Executive Officer

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Section 14: EX-10.15 (RESTRICTED STOCK AWARD AGREEMENT)

Exhibit 10.15

RESTRICTED STOCK AWARD AGREEMENT

THIS AGREEMENT is affective the 28th day of January, 1998, by and between COLUMBIA BANKING SYSTEM, INC., a Washington corporation ("CBSI"), Evans Q. Whitney (the "Executive"), and COLUMBIA STATE BANK, as escrow agent (the "Escrow Agent").

Recitals

1. On January 28, 1998, the Personnel and Compensation Committee of the Board of Directors of CBSI (the "Committee") approved and recommended to the full Board of Directors the grant and issuance of a Restricted Stock Award for 5,000 shares of CBSI common stock (the "Award") to the Executive. On January 28, 1998, the Board of Directors of CBSI accepted the Committee's recommendation and approved the grant and issuance of the Award to the Executive.
2. In consideration for the Executive's prior service to and as an incentive for Executive to continue to serve as a senior officer of CBSI and its subsidiary bank, Columbia State Bank ("Columbia Bank") in the future, CBSI grants the Award to Executive on the terms and conditions stated herein.

Terms and Conditions

1. Grant of Restricted Stock Award. In order to reward Executive for prior accomplishments and to incent Executive to continue as a senior executive officer, CBSI hereby grants and issues to and in the name of the Executive as a Restricted Stock Award a total of Five Thousand (5,000) shares of the no par value common stock of CBSI (the "shares"). The date of grant is January 28, 1998.
2. Consideration of Issuance of Shares. In consideration for the issuance of the Shares, the Executive agrees to remain as an active senior officer of CBSI and/or Columbia Bank from January 28, 1998 through the period the Shares are subject to the escrow, as provided herein. Should the Executive fail, without the express approval of the Board of Directors or the Committee, to remain in such capacity, the Shares will be redelivered by the Escrow Agent to CBSI and will be cancelled. CBSI will have no other remedy for such a breach.
3. Escrow. The certificate(s) evidencing the Shares shall be deposited in escrow immediately upon issuance by CBSI. Columbia Bank shall act as Escrow Agent and, as such, shall hold the Shares subject to delivery to the Executive or redelivery to CBSI in its corporate capacity, all in accordance with the terms of this Agreement. The Executive hereby grants an irrevocable power of attorney to the Escrow Agent to transfer and deliver the Shares and the stock certificate(s) evidencing the same in accordance with the terms and provisions of this Agreement and the Board of Directors or the Committee.
4. Escrow Stock Not Transferable. No transfer, pledge or other disposition of the 5,000 shares may be made by the Executive so long as they are held under and remain subject to the escrow.
5. Term of Escrow. The Shares shall be subject to escrow until January 28, 2003 unless sooner terminated in accordance with the terms of this Agreement.
6. Dividends and Voting Rights. During the period while the Shares are held in escrow, all dividends payable with respect to such Shares shall be paid by the Escrow Agent directly to the Executive and the Executive shall be entitled to exercise all voting rights with respect to such Shares, all in the same manner and to the full extent as though the Shares were held by the Executive free of the escrow.
7. Release of Stock From Escrow. Shares held in escrow pursuant to this Agreement shall be released from such escrow by the delivery of the stock certificate(s) evidencing such Shares to the Executive (or, in the case of death or disability of the Executive, to the Executive's estate or legal guardian) at the earlier of:
- (a) January 28, 2003;
 - (b) The death or disability (as defined in Section 9 of this Agreement) of the Executive;
 - (c) The determination by the Board of Directors to authorize the release of such Shares to the Executive upon the occurrence of any event the Board determines to warrant such release; or
 - (d) The occurrence of a change in control, as defined in Section 10 of this Agreement.

(e) Termination of Service/Forfeiture of Shares. In the event of the termination of service as an active officer of CBSI and/or Columbia Bank during the period that the Shares are held in escrow (and the Shares are not then released pursuant to the provisions of this Section 7), such Shares shall be forfeited to CBSI and all rights of the Executive with respect thereto terminated, unless, in the case of termination by act of the Employer, the Board of Directors or the Committee, within thirty (30) days following such termination, authorizes release of such Shares to the Executive. Upon the expiration of such thirty (30) day period without action by the Board or Committee to release such Shares to the Executive, the Shares shall be deemed forfeited and the stock certificate(s) evidencing the same shall be redelivered to CBSI, whereupon they shall be cancelled and retired.

8. Reliance of Escrow Agent. The Escrow Agent shall have no liability for action in reliance upon any instructions delivered to it and believed in good faith by it to be from the Board or the Committee.

9. Disability. For purposes of this Agreement, the term "disability" shall mean a medically reimbursable physical or mental impairment that may be expected to result in death, or to be of long, continued duration, and that renders the Executive incapable of performing the duties required for his/her position. The Board or the Committee, acting in good faith, shall make the final determination of whether the Executive is suffering under any disability as herein defined and, for purposes of making such determination, may require Executive to submit to a physical examination by a physician mutually agreed upon by the Executive and the Board or the Committee at CBSI's expense.

10. Change in Control. For the purposes of this Agreement, the term "change in control" shall mean the occurrence of one or more of the following events:

(a) One person or entity acquiring or otherwise becoming the owner of twenty-five percent or more of CBSI's outstanding common stock;

(b) Replacement of a majority of the incumbent directors of CBSI or Columbia Bank by directors whose elections have not been supported by a majority of the Board of either company, as appropriate; or

(c) Dissolution, or sale of fifty percent or more in value of the assets, of either CBSI or Columbia Bank.

11. Binding Effect. This Agreement shall be binding upon and inure to the benefit of CBSI, in its corporate capacity, Columbia Bank, as Escrow Agent, the Executive, and their respective heirs, representatives, successors and assigns.

COLUMBIA BANKING SYSTEM, INC.	COLUMBIA STATE BANK
By: /s/ W. W. Philip	By: /s/ W. W. Philip
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W. W. Philip, Chairman, President and Chief Executive Officer	W. W. Philip, Chairman, President and Chief Executive Officer
/s/ Evans Q. Whitney	

Evans Q. Whitney	
Executive	

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Section 15: EX-23 (CONSENT OF DELOITTE & TOUCHE, LLP)

Exhibit 23

INDEPENDENT AUDITORS' CONSENT
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We consent to the incorporation by reference in Registration Statement Nos. 33-83676, 33-95766, and 333-40316 of Columbia Banking System, Inc. and subsidiary on Form S-8 of our report dated March 23, 2001, appearing in this Annual Report on Form 10-K of Columbia Banking System, Inc. and subsidiary for the year ended December 31, 2000.

DELOITTE & TOUCHE LLP

Seattle, Washington
March 30, 2001

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Section 16: EX-24 (POWER OF ATTORNEY)

Exhibit 24

The director of Columbia Banking System, Inc. (the "Company"), whose signature appears below, hereby appoints J. James Gallagher and Melanie J. Dressel, or either of them, as his/her attorney to sign, in his/her name and behalf and in any and all capacities stated below, the Company's Form 10-K Annual Report pursuant to Section 13 of the Securities Exchange Act of 1934, and likewise to sign any and all amendments and other documents relating thereto as shall be necessary, such person hereby granting to each such attorney power to act with or without the other and full power of substitution and revocation, and hereby ratifying all that any such attorney or his substitute may do by virtue hereof.

This Power of Attorney has been signed by the following person in the capacity indicated, on the 28/th/ day of February, 2001.

Signature -----	Title -----
/s/ William T. Weyerhaeuser ----- William T. Weyerhaeuser	Chairman
/s/ J. James Gallagher ----- J. James Gallagher	Vice Chairman and Director
/s/ Melanie J. Dressel ----- Melanie J. Dressel	President and Director
/s/ Richard Devine ----- Richard Devine	Director
/s/ Jack Fabulich ----- Jack Fabulich	Director
/s/ Jonathan Fine ----- Jonathan Fine	Director
/s/ John Folsom ----- John Folsom	Director
/s/ John Halleran ----- John Halleran	Director
/s/ Tom Hulbert ----- Tom Hulbert	Director
/s/ Tom Matson ----- Tom Matson	Director
/s/ Robert Quoidbach ----- Robert Quoidbach	Director
/s/ Donald Rodman ----- Donald Rodman	Director
/s/ Sid Snyder ----- Sid Snyder	Director
/s/ Jamie Will ----- Jamie Will	Director

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