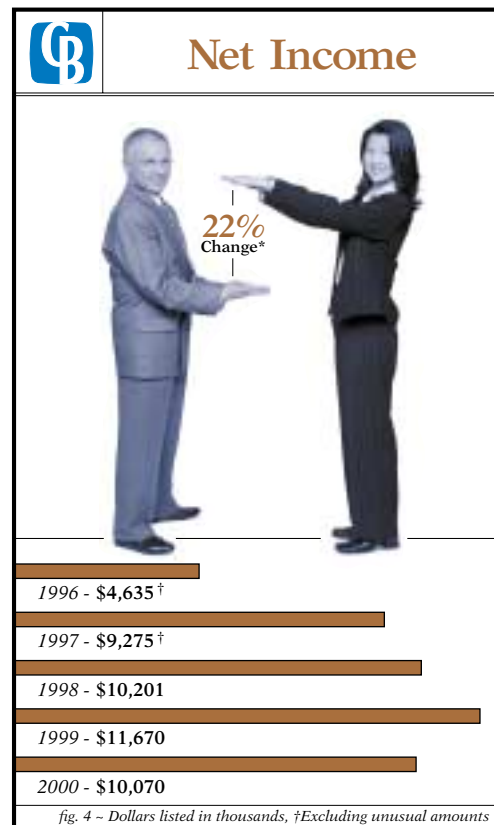
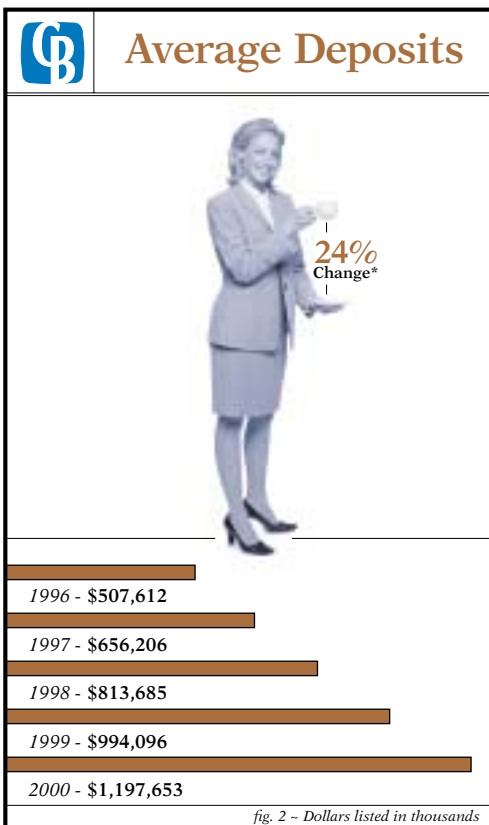
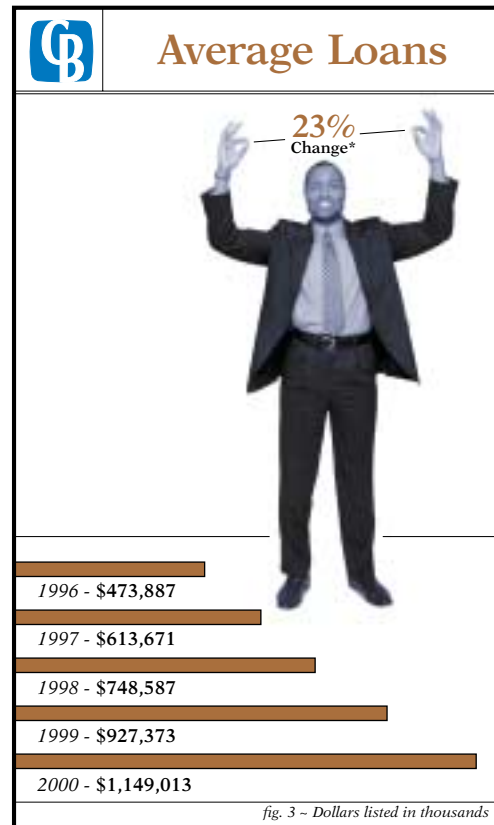
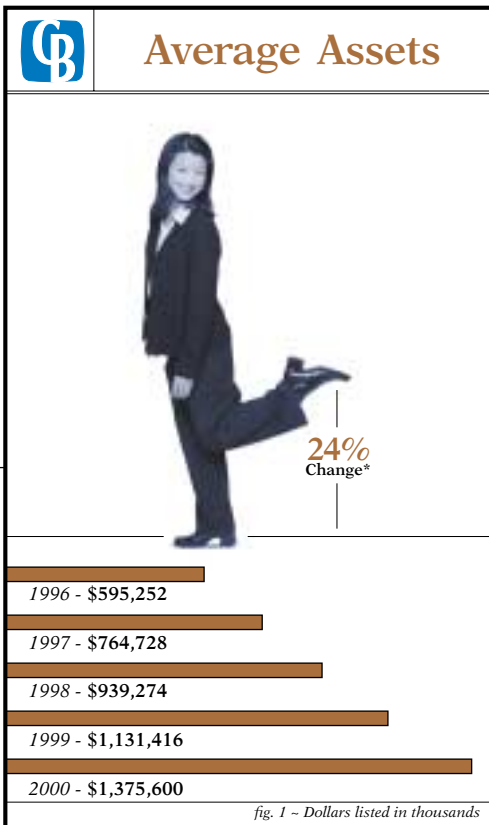




Columbia Bank at a glance.



Columbia Banking System, Inc. is a Tacoma, Washington-based bank holding company that operates Columbia Bank, a state-chartered, full-service commercial bank with 28 offices in Western Washington. The cornerstone of Columbia Bank's philosophy includes a local, friendly approach to doing business, coupled with all the modern conveniences. Columbia Bank is proud to be a local bank, strongly committed to its customers and the communities it serves. Shares in Columbia Banking System trade on Nasdaq under the symbol COLB.



*Five year compound annual growth rate

Consolidated Highlights — 2000



<i>(Dollars in thousands except per-share amounts)</i>		2000	1999	<i>Percent Change</i>
<i>For the Year</i>	Net interest income	\$58,268	\$49,509	18 %
	Provision for loan losses	9,800	2,400	308
	Noninterest income	11,587	10,146	14
	Noninterest expense	44,753	39,644	13
	Net income	10,070	11,670	-14
<i>Per Share</i>	Basic earnings	\$0.86	\$1.00	-14 %
	Diluted earnings	0.84	0.98	-14
	Book value	9.59	8.51	13
<i>Averages</i>	Total assets	\$1,375,600	\$1,131,416	22 %
	Earning assets	1,265,716	1,039,628	22
	Loans	1,149,013	927,373	24
	Securities	97,585	99,149	-2
	Deposits	1,197,653	994,096	20
	Shareholders' equity	107,555	94,718	14
<i>Financial Ratios</i>	Net interest margin	4.62 %	4.78 %	
	Return on average assets	0.73	1.03	
	Return on average equity	9.36	12.32	
	Efficiency ratio	64.07	66.46	
	Average equity to average assets	7.82	8.37	
<i>At Year-End</i>	Total assets	\$1,496,495	\$1,237,157	21 %
	Loans	1,192,520	1,048,006	14
	Allowance for loan losses	18,791	9,967	89
	Deposits	1,327,023	1,043,544	27
	Shareholders' equity	113,823	99,214	15
	Number of full-time equivalent employees	513	469	9
Number of banking offices	28	27	4	

To our shareholders



We began the year 2000 looking forward to the challenges, opportunities and successes of a new century. We were not disappointed—Columbia expanded rapidly last year, combining strong growth in assets, loans and deposits and further development of our delivery channels. The foundation of this success is our commitment to delivering exemplary customer service coupled with a wide range of products and services. In order to deliver this level of customer service, we depend on our very skilled employees who share the passion and vision of meeting the needs of our broad customer base. Our goal of becoming the premier supercommunity banking company in the Pacific Northwest is rooted in that commitment to our customers and our communities. Columbia's dynamic growth in assets and earnings confirms that we are on the right path to achieving our goals.

The year 2000 was a year of strong growth in all categories except earnings, which were negatively impacted by a \$6 million addition to the Company's loan loss allowance principally to reflect deterioration in a single large credit relationship. As a result of the reduction in earnings necessary to increase the allowance, our income for the year was \$10.1 million, compared with \$11.7 million in 1999, a decrease of 14 percent. On a diluted per-share basis, net income for 2000 was \$0.84 per share compared with net income of \$0.98 per share in 1999, a decrease of 14 percent. Total assets reached \$1.5 billion at December 31, 2000, an increase of 21 percent over \$1.2 billion at year-end 1999. Loans grew 14 percent to \$1.2 billion at year-end 2000, from \$1.0 billion at the end of 1999, while deposits increased 27 percent to \$1.3 billion from \$1.0 billion. Average loans and deposits increased 24 percent and 20 percent, respectively, for 2000 compared with 1999.

As a result of our discovery of the deterioration of that large credit relationship, Columbia undertook a comprehensive review of the process 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 order to provide management with another perspective on this issue, we retained a nationally recognized firm with expertise in commercial loan credit review to conduct an independent assessment of our loan and collateral monitoring procedures.

Despite the setback in the fourth quarter 2000 resulting from the credit relationship referred to above, we are very proud of our record of growth in profitability, assets, loans and deposits over the past five years. The compounded annual rate of growth for these categories is set forth in the following chart:

<i>(Dollars in Thousands)</i>	At/For Year Ended December 31, 2000	Five-Year Compounded Annual Growth Rate
Net Income	\$ 10,070	22%
Assets	\$1,496,495	24%
Loans	\$1,192,520	23%
Deposits	\$1,327,023	24%

During the year 2000, Columbia focused on expanding our channels of delivery, including our branch network, to better serve our existing and prospective customers. Columbia OnLine™, our Internet Banking Service, was launched during the year and has been enthusiastically received by our business, cash management and retail customers. At December 31 we had a total of 28 branches in five counties. Columbia Bank now has three branches in the Auburn area of King County with the opening of the new Forest Villa branch in April 2000. During the second quarter, we also improved our ability to serve the Puyallup area by opening a larger, more convenient new facility at 43rd & Meridian near the site of the temporary location. Last fall, our Edgewood-Milton branch moved into a larger, more convenient new structure just south of its previous location, and our permanent West Olympia facility was completed during the first quarter 2001. Construction is underway for Pierce County branches at 11th & Martin Luther King Way and 84th & Pacific in Tacoma, with opening dates scheduled for spring 2001. A new Bonney Lake branch is targeted for completion this summer.

We are also significantly increasing our presence in the King County market by adding to our team of bankers and to our locations. Several experienced and capable bankers who know the market well have recently joined Columbia and are helping us accelerate our growth in the Seattle, Bellevue and Eastside markets. By this spring, we will establish a private banking and commercial banking presence in downtown Seattle, expand our presence in Bellevue and open a retail office in Issaquah. Later in the year we expect to open an office in Redmond. Our goal is to add several additional retail locations over the next few years. As always, we focus first on finding successful bankers in the local market and then building our presence around them.

By the time of our annual meeting, we will have moved into Columbia Bank Center, our beautiful new headquarters building at 13th & A Streets in downtown Tacoma. As the named tenant, the building's location will provide excellent visibility and additional space to accommodate our growth. Several departments and the Main Office branch (renamed Broadway Plaza branch) will remain in the current location.

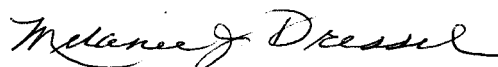
Finally, we would like to acknowledge with gratitude the enormous contributions made by Bill Philip to Columbia, the community and the banking business. In January 2001, Bill stepped down as chairman and a board member of Columbia; we are pleased that he will remain as a consultant to the Company. Bill Weyerhaeuser was elected to serve as the new non-executive Chairman of the Board.

We are renaming our quarterly employee recognition award the Bill Philip Service Excellence Award to acknowledge Bill's immeasurable contributions to the organization. The recipients of this award will exemplify the old-fashioned service to customers and community that Bill has always demonstrated and encouraged.

As we go forward, we will continue to emphasize this vision of customer service along with a broad range of products that has served us so well. Thank you, our shareholders, for your continued support.



J. James Gallagher



Melanie J. Dressel



All the right solutions from a real, personable bank.



From on-line banking to ATMs, phone services to real-live tellers, Columbia Bank now offers more channels to access funds than ever before—including a broader depth of services to meet the varying needs of our business and residential customers. In fact, we've virtually eliminated banking hours with our new on-line service. It's an essential service designed to make customers' lives simpler and easier—all with the simple click of a mouse. It's yet another example of how dedicated Columbia Bank is to exceeding customer expectations.



Peter Anderson

Galvin Flying Service

"They listen to our needs and always find a way to suit those needs entirely."



David Yang

Tacoma Pharmacy

"They make an effort to know me. You can't say that about other large banks."



**All the modern conveniences.
Including people.**



It's the people that truly set Columbia Bank apart, because Columbia Bank has a strong commitment to building banks around bankers—knowledgeable bankers who believe in a better way of doing business. People with the foresight to treat customers as individuals, not account numbers. Bankers with the experience to make decisions on the spot, at the same time being supported with all the modern tools and systems that make banking at Columbia Bank a truly unique experience.



Emmanouel Pilaris

Hardell Lumber

"I can always talk to a real person; it's the personal touch that matters to me."



Paula Senior

Bank Customer

"This is how a bank is supposed to work. I know them, and they know me...it's great."



Service isn't a cliché, it's a way of doing business.



You can always expect personable service and a familiar face at Columbia Bank. It's something we strive for and believe in. But we don't stop there. We provide terrific products, too—like a Cash Management department that offers services to help businesses assess, monitor and manage cash flows effectively and efficiently; a Residential Loans division where local account representatives are involved in making credit decisions (not an out-of-state, out-of-touch board).



John Roche

St. Helen's Shopping Center

*"It's the people...a small thing,
but a big one to me."*



Bill & Diana Graves

State Mortgage & Escrow

*"No is not in Columbia Bank's
vocabulary."*



Our Business Banking division offers everything from business checking accounts to business loans, and caters to the needs of local business; and in order to meet the needs of local entrepreneurs who strive to explore global markets, our International Banking department is experienced in foreign trade financing, foreign currency exchange, documentary collections, import/export and standby letters of credit.



This blend of service and modern conveniences attracts customers who want the best of both worlds. For customers who want it all, Columbia Bank delivers.



J. James Gallagher

Vice Chairman and Chief Executive Officer, Columbia Banking System, Inc.
Vice Chairman, Columbia Bank

“Defining a lasting vision for Columbia Bank boils down to one thing, customers. We remain steadfastly committed to delivering the quality of service that has clearly distinguished us from our competitors since day one. Long-term growth and healthy returns for shareholders are a natural by-product of this commitment.”



Melanie J. Dressel

President and Chief Operating Officer, Columbia Banking System, Inc.
President and Chief Executive Officer, Columbia Bank

“It’s the little things that make the biggest difference between Columbia Bank and our competitors. A friendly greeting. Knowing customers by name. Anticipating their needs. Exceeding their expectations. These are the things we strive to do better than anyone. Sure enough, day by day and customer by customer, they’re paying big dividends.”



H.R. Russell

Executive Vice President, Chief Credit Officer

“Many banks talk a good game when it comes to customer service. The people of Columbia Bank live it every day. It’s these people, truly good people, dedicated to meeting the specific needs of each customer. Without question, this dedication is integral in generating long-term customer loyalty.”



Gary R. Schminkey

Executive Vice President, Chief Financial Officer

“As a CFO I’m constantly working with and consumed by numbers. But when you really look closely, there’s only one number that matters. If each Columbia Bank customer feels like number one, the bottom line will take care of itself. That may sound corny to some, but that’s how it’s been ever since our first customer walked through the door.”



Tex Whitney

Executive Vice President, Retail Banking

“I’m pretty single-minded when it comes to growing the bank. It’s all about who we hire. When you’re building a successful community-minded bank, you need people who are recognized as leaders within their community. People that customers like, respect and trust. They’re often hard to find, but we’ve developed quite a knack for attracting them.”



Board of Directors



Richard S. DeVine

President, Chinook Resources, Inc.;
Chairman, Raleigh, Schwarz &
Powell, Inc.

Melanie J. Dressel

President and Chief Operating
Officer, Columbia Banking System,
Inc.; President and Chief Executive
Officer, Columbia Bank

Jack Fabulich

Honorary Chairman, Parker Paint
Manufacturing Co., Inc.;
Commissioner, Port of Tacoma

Jonathan Fine

President and 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.; Vice Chairman, Columbia Bank

John A. Halleran

Private Investor

Thomas M. Hulbert

President and Chief Executive
Officer, Winsor Corporation and
Hulco, Inc.

Thomas L. Matson

Owner and President, Tom Matson
Dodge, Inc.

Donald Rodman

Owner and Executive Officer,
Rodman Realty, Inc.

Sidney R. Snyder

Washington State Senator;
Vice Chairman, Pacific Financial
Corp.; Owner of Sid's Food Market
and Midtown Market

William T. Weyerhaeuser*

Chairman, Columbia Banking System,
Inc. and Columbia Bank; Clinical
Psychologist; Director, Potlatch Corp.

James M. Will

President, Titus-Will Enterprises

Executive Officers

J. James Gallagher

Vice Chairman and Chief Executive
Officer, Columbia Banking System,
Inc.; Vice Chairman, Columbia Bank

Melanie J. Dressel

President and Chief Operating
Officer, Columbia Banking System,
Inc.; President and Chief Executive
Officer, Columbia Bank

H. R. Russell

Executive Vice President,
Chief Credit Officer

Gary R. Schminkey

Executive Vice President,
Chief Financial Officer

Tex Whitney

Executive Vice President,
Retail Banking

Donald A. Andersen

Senior Vice President,
Senior Loan Production Officer

Janet D. Hildebrand

Senior Vice President,
Credit Administrator

Bill Philip

As acknowledged in the letter to shareholders, we are honored to recognize Bill Philip for his truly significant contributions to Columbia Bank. Bill, on behalf of all the communities we serve, a genuine and heartfelt "thanks" for your many years of dedicated leadership.

*On January 24, 2001, William T. Weyerhaeuser was elected Chairman of the Board.



Corporate Directory & Shareholder Information

Corporate Headquarters

Columbia Banking System, Inc.
1301 South A Street
P.O. Box 2156
Tacoma, WA 98401-2156
(253) 305-1900

Effective April, 2001

Independent Auditors

Deloitte & Touche, LLP

Transfer Agent & Registrar

American Stock
Transfer & Trust Company

Market Makers

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

Regulatory & 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 Market under the symbol COLB.

Form 10-K Report

Upon request, Columbia Banking System provides to shareholders a copy of the 2000 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission. There is no charge for this information.

Quarterly Reporting

In the interest of providing financial results in a timely and cost-effective manner, the Company does not publish a formal quarterly report. A copy of the quarterly earnings news release is available upon request.

Immediate access to the Company's quarterly earnings news release via facsimile is provided by Company News On Call: (800) 758-5804, access #152519

For shareholder information, please contact:

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Vice President,
Marketing Director
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E-mail: jcoy@columbiabank.com

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- 2 Allenmore**
1959 S Union
Tacoma, WA 98405
(253) 627-6909
Robert Bruback
- 3 Edgewood/Milton**
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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
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- 6 Gig Harbor**
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Gig Harbor, WA 98335
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- 7 Lakewood**
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Lakewood, WA 98499
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- 8 Old Town**
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Connie Pentecost

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Bellevue, WA 98004
(425) 452-7323
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Rod Clemmer
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Lillian McGuinness

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2207 30th Ave.
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(360) 423-8760
Faith Pacheco
- 25 Triangle Mall**
620 A Triangle Mall
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Faith Pacheco
- 26 Woodland**
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Carol Rounds

Kitsap County

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Rob Putas

Thurston County

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Diane Avery

