

BRANCH LOCATIONS

PIERCE COUNTY

13th & A
1301 A Street
Suite 100
Tacoma, WA 98402
253.396.6900
Debra Hochmuth

Allenmore
1959 South Union
Tacoma, WA 98405
253.627.6909
Nigel English

Bonney Lake
19925 State Rte 410 E
Bonney Lake, WA 98390
253.863.8500
Lillian McGinnis

Broadway Plaza
1102 Broadway Plaza
Tacoma, WA 98402
253.305.1940
Debra Hochmuth

Edgewood/Milton
1250 Meridian E
Milton, WA 98354
253.952.6646
Dolores Ehli

Fife
1501 54th Ave. E
Fife, WA 98424
253.922.7870
Todd LePique

Fircrest
2401 Mildred St. W
Fircrest, WA 98466
253.566.1172
Dan Patjens

Gig Harbor
5303 Point Fosdick Dr. NW
Gig Harbor, WA 98335
253.858.5105
Chris Thomas

Downtown Gig Harbor
3006 Judson St.
Suite 101
Gig Harbor, WA 98335
253.851.5551
Chris Thomas

Lakewood
6202 Mount Tacoma Dr. SW
Lakewood, WA 98499
253.581.4232
Jay Mayer

Martin Luther King
1102 Martin Luther King Jr. Way
Tacoma, WA 98405
253.597.8000
Calvin Pearson

Old Town
2200 North 30th St.
Tacoma, WA 98403
253.272.0412
Jennifer Caldier

104th & Canyon
10321 Canyon Road E
Puyallup, WA 98373
253.539.7100
Toni Quinn

43rd & Meridian
4220 South Meridian
Puyallup, WA 98373
253.770.0770
Michael Block

176th & Meridian
17208 Meridian E
Puyallup, WA 98373
253.445.6748
Joe Urvina

South Hill Mall
3500 South Meridian
Suite 503
Puyallup, WA 98373
253.770.8161
Julie Borell

Spanaway
17502 Pacific Ave. S
Spanaway, WA 98387
253.539.3094
Teresa Jones

Stadium
601 North 1st
Tacoma, WA 98403
253.597.8811
Monica Stevens

Summit
10409 Canyon Road E
Puyallup, WA 98373
253.770.9323
Toni Quinn

84th & Pacific
201 South 84th Street
Tacoma, WA 98444
253.471.7000
Keith Brown

Westgate
5727 North 21st St.
Tacoma, WA 98406
253.761.8170
Connie Pentecost

KING COUNTY

Auburn
25 16th St. NE
Auburn, WA 98002
253.939.9600
Doug Hedger

Bellevue Way
10350 NE 10th St.
Bellevue, WA 98004
425.452.7323
Rebecca Holverson

Federal Way
33370 Pacific Highway S
Federal Way, WA 98003
253.925.9323
Mike Harris

Forest Villa
2749 Auburn Way S
Auburn, WA 98002
253.887.1186
Carol Long

Kent
504 West Meeker
Kent, WA 98032
253.852.0475
Shirley McGregor

Redmond
8201 164th Ave. NW
Suite 105
Redmond, WA 98052
425.558.7500
Judi Lindsay

South Auburn
4101 A St. SE
Auburn, WA 98002
253.939.9800
Rod Clemmer

2nd & Columbia
721 Second Avenue
Seattle, WA 98104
206.223.1000
Kellie Warren

COWLITZ COUNTY

Commerce
1338 Commerce Ave.
Longview, WA 98632
360.636.9200
Faith Pacheco

30th Avenue
2207 30th Ave.
Longview, WA 98632
360.423.8760
Faith Pacheco

Woodland
782 Goerig St.
Woodland, WA 98674
360.225.9421
Carol Rounds

KITSAP COUNTY

Port Orchard
228 Bravo Terrace
Port Orchard, WA 98367
360.876.8384
Rob Putaansuu

THURSTON COUNTY

West Olympia
2820 Harrison Ave. NW
Olympia, WA 98502
360.357.5800
Diane Avery



LISTENING. LOOKING. LEADING. LOCAL.



COLUMBIA BANKING SYSTEM, INC.

ANNUAL REPORT 2003



LISTENING

It starts with a good set of ears. Understanding customers' needs is imperative in meeting their expectations. Surprisingly, this simple concept is often ignored by some banks. For us, however, it is always the most important first step.

HOW CAN WE HELP YOU?

Five little words.
Yet what a difference they make.

Columbia Bank helps customers and communities in so many ways. OnLine Banking. Investment Services. Business Loans. International Banking. Cash Management. Residential Loans. Consumer Loans. Checking and Savings Accounts. CDs and Money Markets. And of course, by playing an integral role in the growth and improvement of communities we serve throughout Western Washington.

As diverse as these products, services, and commitments are, a common thread ties them all together—the people who proudly and professionally serve our customers. They play the pivotal role in continuing to build a recognized and respected brand.

Columbia Bank has carefully and purposefully recruited a staff of true difference-makers. People who understand and appreciate how important each customer really is. They are the ones who continually generate the kind of customer loyalty that helps to cement long-term banking relationships.

So, no matter how we can help you, one thing is for sure—it will be our pleasure.



LOOKING

We're constantly on the lookout for ways to improve products and services while staying ahead of customer demand. Spotting the right opportunities has also helped maintain growth for our shareholders.



CORPORATE DIRECTORY SHAREHOLDER INFORMATION

CORPORATE HEADQUARTERS

Columbia Banking System, Inc.
1301 South A Street, Suite 800
P.O. Box 2156
Tacoma, WA 98401-2156
253.305.1900

INDEPENDENT AUDITORS

Deloitte & Touche, LLP

TRANSFER AGENT & REGISTRAR

American Stock Transfer & Trust Company

MARKET MAKERS

D.A. Davidson & Co.
Goldman, Sachs & Co.
Hoefer & Arnett, Inc.
Knight Securities LP
Morgan Stanley & Co., Inc.
RBC Dain Rauscher, Inc.
Schwab Capital Markets

REGULATORY & SECURITIES COUNSEL

Graham & Dunn PC

ANNUAL MEETING

Best Western Hotel & Conference Center
5700 Pacific Highway East
Fife, Washington
Wednesday, April 28, 2004 at 1 p.m.

STOCK LISTING

The Company's common stock trades on the Nasdaq National Market tier of The Nasdaq Stock Markets 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 www.columbiabank.com. You can also view or retrieve copies of Columbia's financial reports on the Internet by connecting to www.sec.gov. Immediate access to the Company's quarterly earnings news release via the Internet is provided by Company News On Call at www.prnewswire.com

MAIL At your request, we will mail you our quarterly earnings news release, quarterly financial data on Form 10-Q and additional annual reports. To be added to Columbia's mailing list for quarterly earnings releases, or to request other information, please contact:

Jo Anne Coy
Vice President,
Director of Marketing
P.O. Box 2156, MS 8300
Tacoma, WA 98402-2156
Tel 253.305.1965
Fax 253.305.0317
E-mail jcoy@columbiabank.com



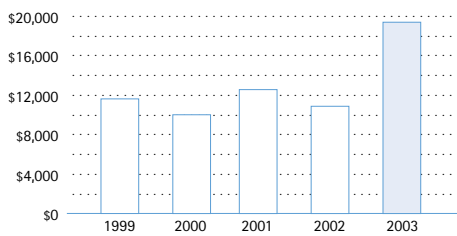
LEADING

Columbia Bank has set itself apart from big financial institutions and small banks. Now, firmly established as a respected resource and community leader, more people are turning to us for their long-term banking needs.

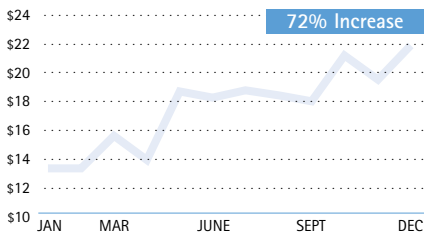


CONSOLIDATED FINANCIALS 2003

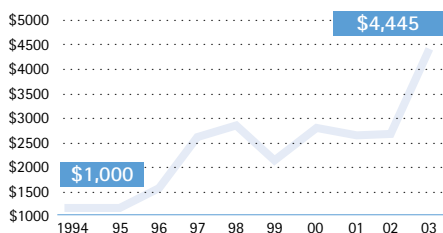
NET INCOME



COLB STOCK PRICE 2003



VALUE OF \$1000 INVESTMENT



2003 2002 % CHANGE

FOR THE YEAR

Net interest income	\$63,867	\$64,289	-1%
Provision for loan losses	2,850	15,780	-82%
Noninterest income	22,784	20,050	14%
Noninterest expense	55,960	53,653	4%
Net income	19,522	10,885	79%

PER SHARE

Basic earnings	\$1.46	\$0.83	76%
Diluted earnings	1.44	0.82	76%
Book value	11.19	9.95	12%

AVERAGES

Total assets	\$1,696,417	\$1,601,061	6%
Interest-earning assets	1,544,869	1,454,714	6%
Loans	1,128,941	1,183,922	-5%
Securities	401,594	246,995	63%
Deposits	1,483,173	1,360,968	9%
Core deposits	1,017,126	885,008	15%
Shareholders' equity	141,129	124,096	14%

FINANCIAL RATIOS

Net interest margin	4.23%	4.50%
Return on average assets	1.15	0.68
Return on average equity	13.83	8.77
Efficiency ratio	62.86	64.46
Average equity to average assets	8.32	7.75

AT YEAR-END

Total assets	\$1,744,347	\$1,699,613	3%
Loans	1,078,302	1,175,853	-8%
Allowance for loan losses	20,261	19,171	6%
Securities	523,864	337,412	55%
Deposits	1,544,626	1,487,153	4%
Core deposits	1,098,237	980,709	12%
Shareholders' equity	150,372	132,384	14%
Full-time equivalent employees	539	525	3%
Banking offices	34	36	-6%

All dollar figures above are in thousands.

TO OUR SHAREHOLDERS

2003 marked the 10th anniversary of moving our headquarters to our downtown Tacoma main office, and the beginning of our rapid expansion. In 1993, Columbia Bank had four branches in two counties and just over \$211 million in assets. Today, Columbia has 34 branches in five counties and our assets are over \$1.7 billion. We began with the philosophy to provide a local, customer-focused approach to doing business, coupled with all the modern conveniences—including people. That philosophy continues to guide us today.

We are pleased to report record profits for the year 2003 in spite of a challenging economic environment. Net income for 2003 was \$19.5 million, compared with \$10.9 million in 2002, an increase of 79%. On a diluted per-share basis, net income for the year was \$1.44, up 76% from \$0.82 in 2002.

This growth in profitability is due to a more normal contribution to our loan loss allowance than last year, a notable increase in noninterest income, and our continued emphasis on controlling expenses. Return on average assets and equity for the year were 1.15% and 13.83%, respectively, compared to 0.68% and 8.77%, respectively, for 2002.

As we focused on improving credit quality and operational processes, Columbia employees never lost sight of our commitment to exceptional customer service.

In fact, we are proud to report that we surveyed more than 800 customers last year in two separate customer satisfaction surveys. Columbia Bank's combined average score was 4.76 out of 5; the average for financial institutions is 4.2. While providing excellent service will always be an ongoing commitment, we're pleased that our customers view their experience with Columbia as highly positive.

Columbia's improved profitability was reflected in a significant increase in our stock price. On December 31, 2002, our stock closed at \$12.61 per share and by December 31, 2003 was trading at \$21.66, an increase of almost 72%. An investment of \$1,000 in Columbia Banking System, Inc. stock 10 years ago was worth almost \$4,500 by the end of the year 2003.

BOARD OF DIRECTORS



(Front row, left to right): **Daniel C. Regis**, Managing Director, Digital Partners; **William T. Weyerhaeuser**, Chairman of the Board, **Melanie J. Dressel**, President & Chief Executive Officer, Columbia Banking System and Columbia Bank; **Donald Rodman**, Owner and Executive Officer, Rodman Realty.

(Middle row, left to right): **John A. Halleran**, private investor; **Thomas L. Matson**, Owner and President, Tom Matson Dodge, Inc.; **Thomas M. Hulbert**, President and Chief Executive Officer, Hulco, Inc. and Winsor Corporation.

(Back row, left to right): **Frederick M. Goldberg**, Managing Partner, Goldberg Investments; **John P. Folsom**, President, Brown & Brown of Washington, Inc.; **James M. Will**, President, Titus-Will Enterprises; **Jack Fabulich**, Honorary Chairman, Parker Paint Manufacturing, Inc.; Commissioner, Port of Tacoma.

LENDING ACTIVITY

Total loans declined in 2003, because of a combination of lower line of credit usage, resolution of problem loans, and our commitment to manage the risks associated with interest rates and the mix of our loan portfolio. All these factors are important during a time of low interest rates and a slow economy. We are beginning to see early signs of an improving economy, as total loans for the fourth quarter reflected a slight increase from the third quarter 2003. Our overall loan portfolio remains well diversified.

We were pleased to welcome Daniel C. Regis to the Board of Directors November 1, 2003. Dan's extensive financial background includes his position as Managing Partner at Price Waterhouse LLP, where he served for 32 years before retiring in 1996. He is currently a Managing Director of Digital Partners, a Bellevue, Washington-based technology fund. He is serving as our designated financial expert on our Audit Committee, fulfilling a requirement under the Sarbanes Oxley regulations.

MARKET GROWTH

In 2003, Columbia Bank reached Number 1 in deposits in Pierce County among all FDIC-insured institutions. We are continuing to leverage the strong base of branches we have built in our market areas. In November, we consolidated the operations of our two Bellevue branches into the remodeled Bellevue Way location. While we have no immediate plans for new branches, we are considering new markets and locations on an ongoing basis, and will take advantage of opportunities as they arise.

In January 2004, Mark Nelson, EVP and Chief Credit Officer, accepted the new position of Chief Banking Officer. In this new position, Mark will lead the bank's commercial and consumer lending and branch banking functions, as well as the Private Banking, Marketing, Cash Management, and International departments. The Chief Banking Officer position will help us enhance the delivery of our extensive mix of products and services to our customers by leveraging

our broad branch network and strong commercial banking activities.

As always, we want to acknowledge the role of our wonderful staff in our success. Our employees *are* the bank to our customers. On a daily basis, we ask our employees to deliver a level of service that exceeds our customers' expectations. We firmly believe that this differentiates us from our competitors. That's why our bank slogan is "*You'll Notice The Difference.*"



William T. Weyerhaeuser



Melanie J. Dressel

EXECUTIVE OFFICERS

(Clockwise from upper left): **Melanie J. Dressel**, President and Chief Executive Officer, Columbia Banking System, Inc. and Columbia Bank; **Mark W. Nelson**, Executive Vice President, Chief Banking Officer; **Gary R. Schminkey**, Executive Vice President, Chief Financial Officer; **Evans Q. "Tex" Whitney**, Executive Vice President, Human Resources.

