

## BRANCH LOCATIONS

### WASHINGTON

#### PIERCE COUNTY

##### 13th & A

1301 South A St.  
Suite 100  
Tacoma, WA 98402  
253.396.6900

##### Allenmore

1959 South Union  
Tacoma, WA 98405  
253.627.6909

##### Bonney Lake

19925 State Rte. 410 E  
Bonney Lake, WA 98390  
253.863.8500

##### Broadway Plaza

1102 Broadway Plaza  
Tacoma, WA 98402  
253.305.1940

##### Edgewood/Milton

1250 Meridian E  
Milton, WA 98354  
253.952.6646

##### Fife

1501 54th Ave. E  
Fife, WA 98424  
253.922.7870

##### Fircrest

2401 Mildred St. W  
Fircrest, WA 98466  
253.566.1172

##### Gig Harbor

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

##### Downtown Gig Harbor

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

##### Lakewood

6202 Mount Tacoma Dr. SW  
Lakewood, WA 98499  
253.581.4232

##### Martin Luther King

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

#### Old Town

2200 North 30th St.  
Tacoma, WA 98403  
253.272.0412

#### 104th & Canyon

10321 Canyon Road E  
Puyallup, WA 98373  
253.539.7100

#### 43rd & Meridian

4220 South Meridian  
Puyallup, WA 98373  
253.770.0770

#### 176th & Meridian

17208 Meridian E  
Puyallup, WA 98373  
253.445.6748

#### South Hill Mall

3500 South Meridian  
Suite 503  
Puyallup, WA 98373  
253.770.8161

#### Spanaway

17502 Pacific Ave. S  
Spanaway, WA 98387  
253.539.3094

#### Stadium

601 North 1st  
Tacoma, WA 98403  
253.597.8811

#### Summit

10409 Canyon Road E  
Puyallup, WA 98373  
253.770.9323

#### 84th & Pacific

201 South 84th St.  
Tacoma, WA 98444  
253.471.7000

#### Westgate

5727 North 21st St.  
Tacoma, WA 98406  
253.761.8170

#### KING COUNTY

##### Auburn

25 16th St. NE  
Auburn, WA 98002  
253.939.9600

##### Bellevue Way

10350 NE 10th St.  
Bellevue, WA 98004  
425.452.7323

##### Federal Way

33370 Pacific Highway S  
Federal Way, WA 98003  
253.925.9323

##### Forest Villa

2749 Auburn Way S  
Auburn, WA 98002  
253.887.1186

##### Kent

504 West Meeker  
Kent, WA 98032  
253.852.0475

##### Redmond

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

##### South Auburn

4101 A St. SE  
Auburn, WA 98002  
253.939.9800

##### 2nd & Columbia

721 Second Ave.  
Seattle, WA 98104  
206.223.1000

#### COWLITZ COUNTY

##### Commerce

1338 Commerce Ave.  
Longview, WA 98632  
360.636.9200

##### 30th Avenue

2207 30th Ave.  
Longview, WA 98632  
360.423.8760

##### Woodland

782 Goerig St.  
Woodland, WA 98674  
360.225.9421

#### KITSAP COUNTY

##### Port Orchard

228 Bravo Terrace  
Port Orchard, WA 98367  
360.876.8384

#### THURSTON COUNTY

##### West Olympia

2820 Harrison Ave. NW  
Olympia, WA 98502  
360.357.5800

### OREGON

#### CLATSOP COUNTY

##### Astoria (Headquarters)

1122 Duane St.  
Astoria, OR 97103  
503.325.2228

##### Warrenton

630 SE Marlin Ave.  
Warrenton, OR 97146  
503.861.9753

##### Cannon Beach

107 Sunset Blvd.  
Cannon Beach, OR 97110  
503.436.0727

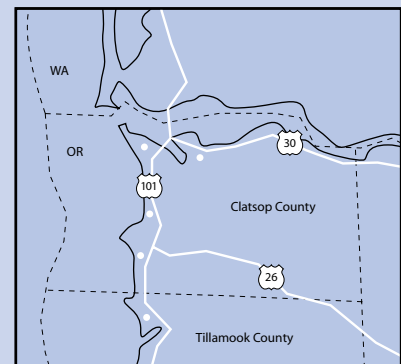
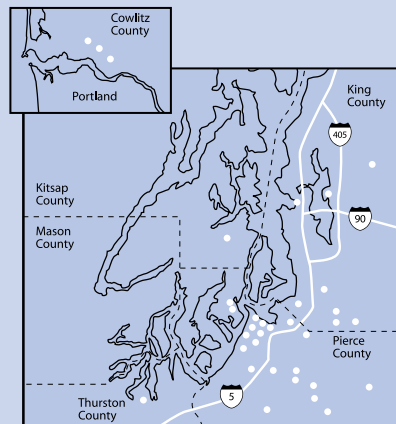
##### Seaside

301 Ave. A  
Seaside, OR 97138  
503.738.8445

#### TILLAMOOK COUNTY

##### Manzanita

715 Laneda Ave.  
Manzanita, OR 97130  
503.368.4284



# MOVING OUR COMMUNITY FORWARD TOGETHER



2004 ANNUAL REPORT

 Columbia Banking System Inc.

Columbia Bank  
1301 South A Street  
Tacoma, Washington 98402  
253.305.1900/1.800.305.1905

[www.columbiabank.com](http://www.columbiabank.com)

# 2004 ANNUAL REPORT



Moving Our Community Forward Together

 Columbia Banking System Inc.

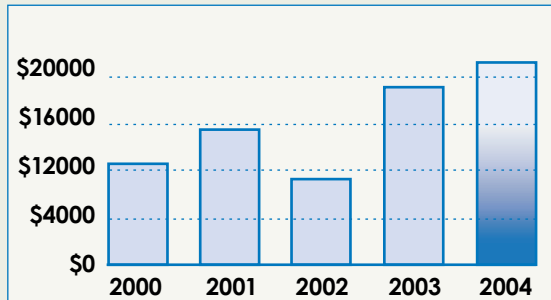
At Columbia Bank, our belief in strong communities is at the core of everything we do. We've applied our financial expertise and market savvy to our keen sense of community vitality to create some of the most innovative, progressive programs and services in the industry.

Columbia Bank is all about smart people serving the individual needs and dreams of our customers, from online banking to investment services, business loans, personal loans, and much more. It's hard, rewarding work. And, of course, it all starts with a smile.

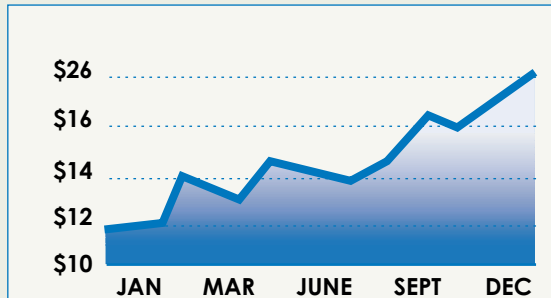


# Consolidated Financials 2004

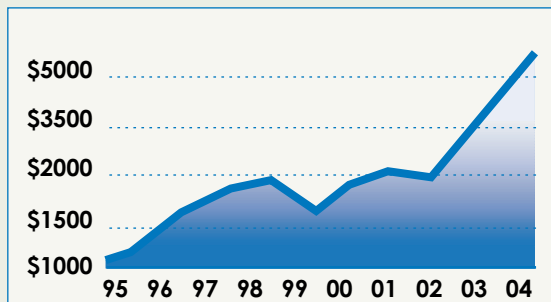
## Net Income



## COLB Stock Price 2004



## Value of \$1000 Investment



2004                      2003                      Change

### FOR THE YEAR

Net interest income	\$71,943	\$63,867	13%
Provision for loan losses	995	2,850	-65%
Noninterest income	22,244	22,784	-2%
Noninterest expense	61,326	55,960	10%
Net income	22,513	19,522	15%

### PER SHARE

Basic earnings	\$1.55	\$1.39	12%
Diluted earnings	1.52	1.37	11%
Book value	13.14	10.66	23%

### AVERAGES

Total assets	\$1,919,573	\$1,696,417	13%
Interest-earning assets	1,769,470	1,544,869	15%
Loans	1,186,506	1,128,941	5%
Securities	552,742	401,594	38%
Deposits	1,690,513	1,483,173	14%
Core deposits	1,238,536	1,017,126	22%
Shareholders' equity	169,853	141,129	20%

### FINANCIAL RATIOS

Net interest margin	4.19%	4.23%
Return on average assets	1.17%	1.15%
Return on average equity	13.25%	13.83%
Efficiency ratio	63.20%	62.86%
Average equity to average assets	8.85%	8.32%

### AT YEAR-END

Total assets	\$2,179,280	\$1,744,347	25%
Loans	1,359,743	1,078,302	26%
Allowance for loan losses	19,881	20,261	-2%
Securities	643,060	523,864	23%
Deposits	1,864,028	1,544,626	21%
Core deposits	1,382,235	1,098,237	26%
Shareholders' equity	204,900	150,372	36%
Full-time equivalent employees	564	539	5%
Banking offices	39	34	15%

All dollar figures above are in thousands.



At Columbia Bank, we take pride in moving the community forward every day.



## Corporate Headquarters

Columbia Banking System, Inc.  
1301 South A Street, Suite 800  
P.O. Box 2156  
Tacoma, WA 98402-2156  
253.305.1900  
1.800.305.1905

## Independent Auditors

Deloitte & Touche, LLP

## Transfer Agent & Registrar

American Stock Transfer & Trust Co.

## Market Makers

D. A. Davidson and Co.  
Lime Brokerage LLC  
Knight Equity Markets LP  
Goldman Sachs  
Schwab Capital Markets  
Brut LLC  
RBC Capital Markets

## Regulatory & Securities Counsel

Graham & Dunn PC

## Annual Meeting

Greater Tacoma Convention &  
Trade Center  
1500 Broadway  
Tacoma, Washington  
Wednesday, April 27, 2005 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 Bank, including news and financial results, product information and service locations, access our home page on the World Wide Web, at [www.columbiabank.com](http://www.columbiabank.com). You can also view or retrieve copies of Columbia Bank's financial reports on the Internet by connecting to [www.sec.gov](http://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](http://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 Bank'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](mailto:jcoy@columbiabank.com)**

## BOARD OF DIRECTORS

Left to right: **Frederick M. Goldberg**, Managing Partner, Goldberg Investments; **Daniel C. Regis**, Managing Director, Digital Partners; **Thomas L. Matson**, President and Chief Executive Officer, Hulco, Inc. and Winsor Corporation; **Donald Rodman**, Owner and Executive Officer, Rodman Realty; **John P. Folsom**, President, Brown & Brown of Washington, Inc.; **James M. Will**, President, Titus-Will Enterprises; **Melanie J. Dressel**, President & Chief Executive Officer, Columbia Banking System and Columbia Bank; **Thomas M. Hulbert**, President and Chief Executive Officer, Hulco, Inc. and Winsor Corporation; **William T. Weyerhaeuser**, Chairman of the Board, Columbia Banking System.



## EXECUTIVE OFFICERS

**Andy McDonald**, Executive Vice President and Chief Credit Officer; **Melanie J. Dressel**, President and Chief Executive Officer, Columbia Banking System, Inc. and Columbia Bank; **Evans Q "Tex" Whitney**, Executive Vice President, Human Resources; **Mark W. Nelson**, Executive Vice President, Chief Banking Officer; **Gary R. Schminkey**, Executive Vice President, Chief Financial Officer.



# To Our shareholders

2004 was a good year for Columbia Bank as we reached the milestone of \$2 billion in assets and reported record profits. The improving economy and our strong branch network supported our growth in loans, deposits and credit quality. Through expanded customer relationships, we continued to leverage our broad base of branches, building greater market share. We increased value to the Company with a successful acquisition and new additions to our staff that provided significant contributions to our bottom line.



*Melanie Dressell and  
Cheri Folk*

In October 1, 2004 the acquisition of Bank of Astoria brought \$170 million in assets, and most importantly, its very capable staff who share our culture and attitude about providing exceptional customer service. The bank is headquartered in Astoria, Oregon and has five branches, located in Astoria, Warrenton, Seaside, Cannon Beach and Manzanita. Led by Cheri Folk, President and Chief Executive Officer, Bank of Astoria is a high-performing organization, with 34% market share in Clatsop County. Bank of Astoria will continue to operate under its existing name and locations, with the same management and local board of directors.

We are pleased to report record profits for the year 2004, the result of increased interest income, loan growth, rising short-term interest rates and our ongoing commitment to providing excellent service to our customers. Net income for 2004 was \$22.5 million compared with \$19.5 million in 2003, an increase of 15%. On a diluted per-share basis, net income for the year was \$1.52, up 11% from \$1.37 in 2003.

Another important highlight for the year was our loan growth. Compared to 2003, our outstanding loans grew \$281 million, up 26% to \$1.4 billion at the end of 2004. Our 4th quarter showed the most loan growth, increasing over \$194 million from the end of the 3rd quarter 2004. This increase is system wide. While the Bank of Astoria portfolio added over \$100 million in loans, we generated the remainder through our loan production staff throughout our market areas. Our lenders stepped up their emphasis on calling on potential and current customers, and continued to provide the exceptional service for which we are known. These efforts have been rewarded with not only new relationships moving to Columbia Bank, but also expansion of existing relationships.

We also expanded our King County team in 2004. We added nine experienced bankers who were formerly with Washington Mutual, which discontinued its business banking operation. These bankers had many other opportunities, but chose to come to Columbia Bank, and are making significant contributions to our loan portfolio.

Our merchant services area is another of our success stories. The group continues to grow its fee income, which was \$7.3 million for 2004, up 19% from 2003.



In addition to healthy loan growth, we experienced improving trends in almost all of our nonperforming asset classes. In June of 2004, we welcomed Andy McDonald to our executive team as EVP and Chief Credit Officer. Andy has continued our efforts to improve our credit quality; in fact, we are seeing some of our strongest credit quality statistics. Our nonperforming loans to period-end loans ratio was 0.62%, nonperforming assets to period-end assets was 0.42% and our allowance for loan losses to nonperforming loans was 235% at December 31, 2004.

While we have focused the last couple of years on maximizing the potential of our branch network and focusing on the strong base we have built in our current market area, we will always consider strategic new markets and branch locations. We will extend our footprint early this year by adding a branch in University Place, which is a thriving community just west of Tacoma, and will bring Columbia Bank's total network to 35 branches in 5 counties.

We continue to see progress in our objective of increased market share. In 2003, Columbia Bank was number 1 in deposits among commercial banks in Pierce County, and in 2004 we reached almost 18% share of the market. Our retail network is strong, with several branches having over \$100 million in deposits, and yet there is plenty of room to grow—we believe we haven't reached capacity in any of our markets.

In summary, Columbia Bank had a good year. The seamless integration of Bank of Astoria, as well as the significant expansion in our lending staff in King County were certainly highlights of our year, and demonstrate our commitment to the strategy of quality growth. Our improved profitability reflects the success of our strategy to provide excellent service to our retail and commercial customers. Of course, this wouldn't be possible without the efforts of our wonderful staff, who strive to exceed the expectations of our customers each and every day.

As always, we will continue to emphasize our strong commitment to the hundreds of community activities we support not only financially, but also by volunteering our time. Although we will continue to grow, our strategy and heartfelt desire is to be the community bank in all the communities we serve.

**William T. Weyerhaeuser**



**Melanie J. Dressel**

