




2006 Annual Report
Making a Difference



Strengthening communities

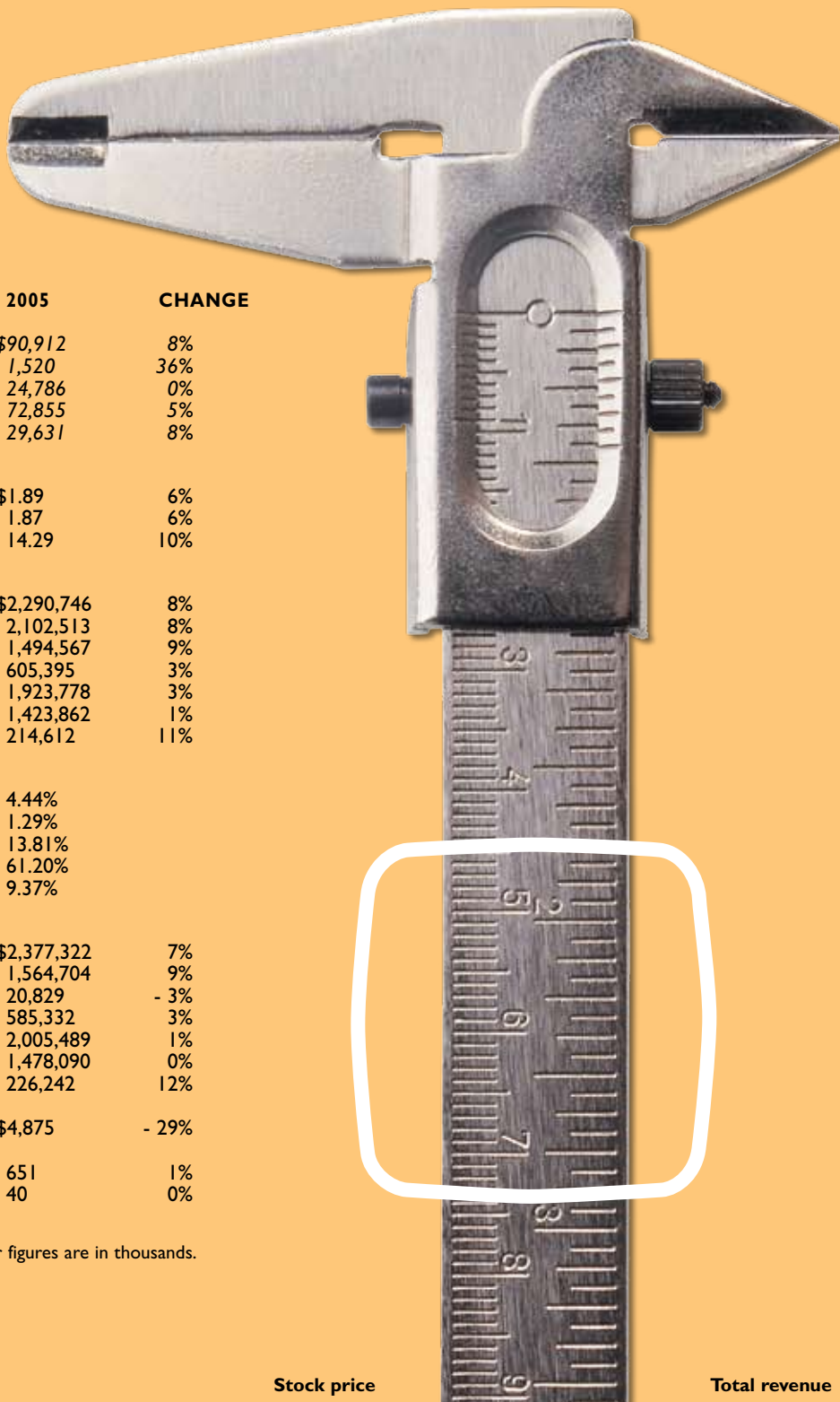
People make the difference



Look around on any given day and you'll see it happening — dreamers starting businesses, people working hard, families planning their futures, neighbors helping neighbors. It's the underlying thread that holds a community together, and we all make a difference. At Columbia Bank and Bank of Astoria, we're here to help make a difference, too — for our customers, the communities we serve, and our shareholders. From helping families manage their finances to helping businesses grow with loans, you can count on us to be here for you. Because, when each of us makes a difference, the entire community benefits.

Consolidated financials

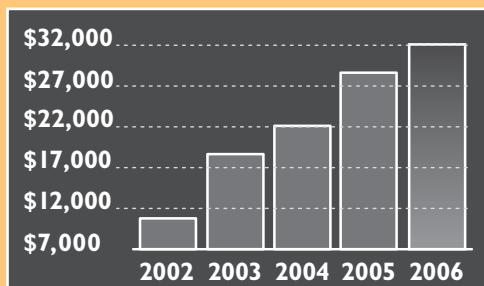
How we measure success



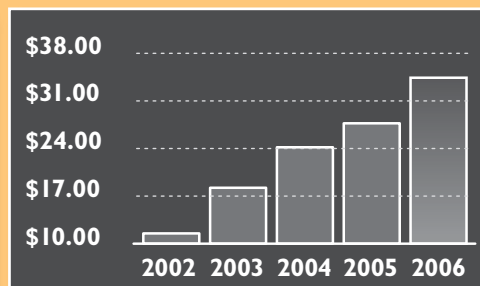
	2006	2005	CHANGE
FOR THE YEAR			
Net interest income	\$97,763	\$90,912	8%
Provision for loan losses	2,065	1,520	36%
Noninterest income	24,672	24,786	0%
Noninterest expense	76,134	72,855	5%
Net income	32,103	29,631	8%
PER SHARE			
Net income (basic)	\$2.01	\$1.89	6%
Net income (diluted)	1.99	1.87	6%
Book value	15.71	14.29	10%
AVERAGES			
Total assets	\$2,473,404	\$2,290,746	8%
Interest-earning assets	2,265,393	2,102,513	8%
Loans	1,629,616	1,494,567	9%
Securities	623,631	605,395	3%
Deposits	1,976,448	1,923,778	3%
Core deposits	1,433,395	1,423,862	1%
Shareholders' equity	237,843	214,612	11%
FINANCIAL RATIOS			
Net interest margin	4.49%	4.44%	
Return on average assets	1.30%	1.29%	
Return on average equity	13.50%	13.81%	
Efficiency ratio	58.95%	61.20%	
Average equity to average assets	9.62%	9.37%	
AT YEAR-END			
Total assets	\$2,553,131	\$2,377,322	7%
Loans	1,708,962	1,564,704	9%
Allowance for loan losses	20,182	20,829	- 3%
Securities	605,133	585,332	3%
Deposits	2,023,351	2,005,489	1%
Core deposits	1,473,701	1,478,090	0%
Shareholders' equity	252,347	226,242	12%
Total nonperforming assets	\$3,480	\$4,875	- 29%
Full-time equivalent employees	657	651	1%
Banking offices	40	40	0%

All dollar figures are in thousands.

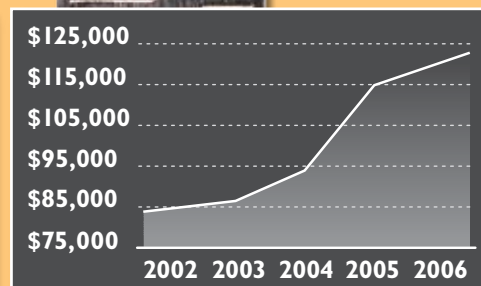
Net income



Stock price



Total revenue



Leading the way

It all starts with people



Executive Officers

Clockwise from top: Gary R. Schminkey, Executive Vice President, Chief Financial Officer; Andrew McDonald, Executive Vice President, Chief Credit Officer; Mark W. Nelson, Executive Vice President, Chief Banking Officer; Melanie J. Dressel, President & Chief Executive Officer, Columbia Banking System and Columbia Bank; Evans Q. "Tex" Whitney, Executive Vice President, Human Resources



Board of Directors

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



"Tex" Whitney

Tex Whitney, Executive Vice President, Human Resources, retired on January 3, 2007 after 40 years in banking. Tex has been an integral part of Columbia Bank since its reorganization and the relocation of its headquarters to Tacoma in 1993. "Tex leaves a meaningful legacy," Melanie Dressel said, "not only from his contribution to Columbia Bank's culture, but also in the banking community he has served so well. We are grateful for Tex's commitment to the bank, its employees, and the communities we serve."

Corporate Headquarters

Columbia Banking System, Inc.
1301 A Street, Suite 800
P.O. Box 2156
Tacoma, WA 98401-2156
253.305.1900
800.305.1905
www.columbiabank.com

Independent Auditors

Deloitte & Touche, LLP

Transfer Agent & Registrar

American Stock Transfer & Trust Co.

Market Makers

Lehman Brothers Inc.
Keefe Bruyette and Woods, Inc.
Morgan Stanley & Co., Inc.
Goldman Sachs
UBS Securities LLC
Knight Equity Markets LP
D.A. Davidson and Co.

Regulatory & Securities Counsel

Graham & Dunn PC

Annual Meeting

Greater Tacoma Convention & Trade Center
1500 Broadway
Tacoma, WA
Wednesday, April 25, 2007 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

Information

For information about Columbia Banking System, 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 releases via the Internet is provided by Company News On Call at www.prnewswire.com.

Shareholders, media representatives, and other individuals seeking general information, additional copies of the annual report, Form 10-Q, or Form 10-K should contact:

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Corporate Communications
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Tacoma, WA 98402-2156
Tel 253.305.1965
Fax 253.305.0317
E-mail jcoy@columbiabank.com

11/06
9/20/4

1/201

1/01

1/17

1/19

April 12
1/39
10/3



To our shareholders

Building for the future

2006 was a year characterized by solid loan growth, increased interest income, effective expense management, and improved profitability. As always, our focus was on our core value of deepening and strengthening customer relationships through providing the best service possible, coupled with a wide range of products and services. In order to deliver this level of service, we rely on our outstanding team of professionals at both Columbia Bank and Bank of Astoria who share this commitment to meeting the needs of our customers. They truly make a difference.

Our earnings for the year were \$32.1 million, an increase of 8% from 2005. Diluted earnings per share for 2006 were \$1.99, an increase of 6% from \$1.87 in 2005. Revenue grew to \$122 million from \$116 million in 2005, with an 8% increase in net interest income. Return on average assets for 2006 improved to 1.30%, up from 1.29% for 2005. Return on average equity for the year was 13.50% compared to 13.81% for the prior year.

During the first half of 2006, we successfully completed the conversion of Columbia Bank's operating system. The implementation of our new system, while requiring time and resources as we diligently worked to have a smooth transition for our customers, has positioned us for the future. It has given us more flexibility in developing and implementing new products and services for our customers, and has resulted in significantly lower data processing expenses.

We saw good growth in our loans, which were up over 9% year-over-year, and up \$53 million from third quarter 2006. Total loans at year-end were more than \$1.7 billion. We maintain an excellent diversity in our loan portfolio, which positions us well to evaluate all new loans based on their individual merits without the constraints created by excessive concentrations in any single category. To fund these loans, we were pleased with our ability to maintain a strong and stable core deposit base of more than 73% of our total deposits, which helped us manage the expected pressure on our net interest margin as costs for deposits caught up with rising interest rates.

In order to continue to grow our loans and deposits, finding high-quality bankers is very important to us. We are fortunate that we attract talented individuals—we call them "Columbia Bankers" rather than lenders, as deposit gathering is as important as generating loans, and will continue to be a strong focus for us throughout our market area.

During the fourth quarter, we allocated \$950,000 to our loan loss provision as a result of loan growth and a \$1.5 million loan charge-off on a "legacy credit" dating back to 1999. The balance of our loan portfolio has continued to perform very well, with our nonperforming loans at their lowest level in seven years.

We are very proud that Columbia Bank was named the 2006 Outstanding Philanthropic Corporation by the Association of Fundraising Professionals, Washington Chapter. This award not only reflects a strong commitment to their community by our Columbia bankers, but also demonstrates our staff's dedication to their customers, translating into value for our shareholders. We know that the foundation of our growth is the strength of the communities we serve, and thank our staff for making a real difference.

All of us at Columbia would like to express our deep appreciation to Tex Whitney, who retired at the end of the year after 40 years in banking. Tex was an integral part of the organization since the formation of the new Columbia Bank almost 14 years ago. He will be missed.

Our commitment for 2007 and beyond is to grow the organization, and build long-term value for our shareholders. As always, our focus continues on growth in earnings and increasing market share, emphasizing the vision of customer service and the broad range of products that has served us so well. We plan to expand our geographic footprint as we position ourselves as a Pacific Northwest regional community bank. We have several branches in our pipeline and have enthusiastic, experienced bankers looking forward to developing these new markets for us.

As we go forward, we will stay true to our core values, remaining grounded in long-term decision-making that will benefit our customers, our employees, and our shareholders. Thank you for your continued support.

Sincerely,

William T. Weyerhaeuser



Chairman of the Board,
Columbia Banking System

Melanie J. Dressel



President and Chief Executive Officer



Branch locations

We're here where you need us

Washington Columbia Bank

Pierce County

13th & A
1301 A Street
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 98391
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

Gig Harbor (Downtown)
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 Jr.
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

Puyallup
618 S Meridian
Puyallup, WA 98371
253.840.6000

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

University Place
4221 Bridgeport
Way West
University Place,
WA 98466
253.564.8333

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

King County

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

Auburn (South)
4101 A St. SE
Auburn, WA 98002
253.939.9800

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. NE
Suite 105
Redmond, WA 98052
425.558.7500

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 Bank of Astoria

Clatsop County

Astoria (Headquarters)
1122 Duane St.
Astoria, OR 97103
503.325.2228

Cannon Beach
107 Sunset Blvd.
Cannon Beach, OR 97110
503.436.0727

Seaside
301 Ave. A
Seaside, OR 97138
503.738.8445

Warrenton
630 SE Marlin Ave.
Warrenton, OR 97146
503.861.9750

Tillamook County

Manzanita
715 Laneda Ave.
Manzanita, OR 97130
503.368.4284





 **Columbia Banking System Inc.**

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Tacoma, Washington 98402
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