



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Columbia Banking System, Inc. / Columbia State Bank

Person to be contacted regarding this report:	Gary R. Schminkey, EVP & CFO
UST Sequence Number:	66
CPP Funds Received:	76898000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Nov 21, 2008
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	2078816
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	33826
City:	Tacoma
State:	Washington

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	We continue to look for opportunities to provide loans to our community and help stimulate our local economy. Our bankers have vigorously worked to identify and provide loans to creditworthy borrowers. The CPP funds have helped in these efforts.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	The majority of our new loan production has been commercial business lending and commercial real estate loans.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Securities increased \$91 million during 2009. Agency-backed mortgage securities increased \$58.4 million and state and municipal obligations increased \$33.2 million.

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input checked="" type="checkbox"/>	Reduce borrowings	Borrowings decreased from \$200 million at December 31, 2008 to \$100 million at year end 2009.
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	Interest-earning deposits with banks increased \$245 million during 2009, as loans paid down and deposits increased.

What actions were you able to avoid because of the capital infusion of CPP funds?

The additional equity from this preferred stock issuance bolstered our already strong capital levels, and affirmed our financial strength and our successful business model. Despite the challenges we face, we are well positioned to survive the the current business cycle and positioned to provide a source of strength to our markets and customers, and our participation in the CPP enhances and bolsters that strength.

The issuance of preferred stock under the CPP enhanced our ability to lend while providing our shareholders and customers a measure of confidence as we work our way through a difficult economic climate. Consequently, if we did not choose to receive the CPP funding we may have taken a different approach to loan growth until we were satisfied the economic uncertainties were beginning to subside.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

We decided to participate in the CPP to enhance the strength of the Company and provide the needed boost in confidence for our retail and commercial customers. We have communicated publicly on numerous occasions outlining our ability and intent to provide financing to both consumers and businesses, as well as answering questions pertaining to the intended uses of CPP and any misperception concerning the program.

We offered a program that would provide affordable financing to consumers who buy a home from builders and developers who borrowed money from us as a way to reduce their inventory. That program produced \$16.4 million in new residential loans in 2009.

We have also worked to increase our Small Business Administration (SBA) lending capabilities to serve the small businesses in our communities. While we presently have a strong small business program, this enhancement will give our lenders additional tools to expand small business lending even during periods of slow economic activity. During 2009 our SBA lending totaled \$10.0 million, an increase of \$3.2 million as compared to 2008.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

[Empty response box]

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.