

COLUMBIA BANKING SYSTEM INC

Form 424B5

April 30, 2010

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Filed Pursuant to Rule 424(b)(5)

Registration No. 333-166017

Prospectus Supplement

to Prospectus dated April 19, 2010

9,600,000 Shares

Common Stock

We are offering 9,600,000 shares of our common stock. Our common stock is quoted on the Nasdaq Global Select Market under the symbol COLB. On April 29, 2010, the last reported sale price of our common stock on the Nasdaq Global Select Market was \$23.28 per share.

These shares of common stock are not savings accounts, deposits or other obligations of a bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Investing in our common stock involves risks. See **Risk Factors beginning on page S-8 to read about factors you should consider before buying our common stock.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$ 21.75	\$ 208,800,000
Underwriting discounts and commissions	\$ 0.97875	\$ 9,396,000
Proceeds to Columbia Banking System, Inc. (before expenses)	\$ 20.77125	\$ 199,404,000
The underwriters also may purchase up to an additional 1,440,000 shares of our common stock within 30 days of the date of this prospectus supplement to cover over-allotments, if any.		

The underwriters expect to deliver the common stock in book-entry form only, through the facilities of The Depository Trust Company, against payment on or about May 5, 2010.

Keefe, Bruyette & Woods

Book-Running Manager

D.A. Davidson & Co.

RBC Capital Markets

Sandler O'Neill + Partners, L.P.

Prospectus Supplement dated April 29, 2010

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since such dates.

This prospectus supplement is a supplement to the accompanying prospectus that is also a part of this document. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a shelf registration process. Under the shelf registration statement, we may offer and sell shares of our common stock described in the accompanying prospectus in one or more offerings. In this prospectus supplement, we provide you with specific information about the terms of this offering. Both this prospectus supplement and the accompanying prospectus include important information about us, our common stock and other information you should know before investing in our common stock. This prospectus supplement may also add, update and change information contained in the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus, the statements made in the accompanying prospectus are deemed modified or superseded by the statements made in this prospectus supplement. You should read both this prospectus supplement and the accompanying prospectus as well as additional information described under **Where You Can Find More Information** in the accompanying prospectus before investing in our common stock.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement, including information included or incorporated by reference, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions that are not historical facts, and other statements identified by words such as expects, anticipates, intends, plans, believes, should, projects, seeks, estimates or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. In addition to the factors set forth in this prospectus supplement, the sections titled Risk Factors, Business and Management's Discussion and Analysis of Financial Condition and Results of Operations from our 2009 Annual Report on Form 10-K and the other documents incorporated by reference in this prospectus supplement, the following factors, among others, could cause actual results to differ materially from the anticipated results:

local and national economic conditions could be less favorable than expected or could have a more direct and pronounced effect on us than expected and adversely affect our ability to continue internal growth at historical rates and maintain the quality of our earning assets;

the local housing/real estate market could continue to decline;

the risks presented by a continued economic recession, which could adversely affect credit quality, collateral values, including real estate collateral, investment values, liquidity and loan originations and loan portfolio delinquency rates;

the integration of our two recent FDIC-assisted acquisitions may present unforeseen challenges;

the efficiencies and enhanced financial and operating performance we expect to realize from investments in personnel, acquisitions and infrastructure could not be realized;

interest rate changes could significantly reduce net interest income and negatively affect funding sources;

projected business increases following strategic expansion or opening of new branches could be lower than expected;

changes in the scope and cost of FDIC insurance and other coverages, and changes in the U.S. Treasury's Capital Purchase Program;

changes in accounting principles, policies, and guidelines applicable to bank holding companies and banking;

competition among financial institutions could increase significantly;

the goodwill we have recorded in connection with acquisitions could become impaired, which may have an adverse impact on our earnings and capital;

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the reputation of the financial services industry could deteriorate, which could adversely affect our ability to access markets for funding and to acquire and retain customers;

the terms and costs of the numerous actions taken by the Federal Reserve, the U.S. Congress, the Treasury, the FDIC, the SEC and others in response to the liquidity and credit crisis, or the failure of these actions to help stabilize the financial markets, asset prices, market liquidity, or worsening of current financial market and economic conditions could materially and adversely affect our business, financial condition, results of operations, and the trading price of our common stock; and

our ability to effectively manage credit risk, interest rate risk, market risk, operational risk, legal risk, liquidity risk and regulatory and compliance risk.

Please take into account that forward-looking statements speak only as of the date of this prospectus supplement or, in the case of any accompanying prospectus or documents incorporated by reference in this prospectus supplement or the prospectus, the date of such document. We do not undertake any obligation to publicly correct or update any forward-looking statement whether as a result of new information, future events or otherwise.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus. Generally, when we refer to the prospectus, we are referring to this prospectus supplement and the accompanying prospectus combined. This summary may not contain all of the information that you should consider before investing in our common stock.

We urge you to read this prospectus supplement carefully, including the accompanying prospectus and the documents incorporated by reference, before making an investment decision. Unless we state otherwise or the context indicates otherwise, references to Columbia, we, us, our and the Company in this prospectus supplement and the accompanying prospectus refer to Columbia Banking System, Inc. and its subsidiaries.

Our Company

Columbia Banking System, Inc., headquartered in Tacoma, Washington, is a regional bank holding company providing commercial banking services in Washington and Oregon, primarily along the Interstate 5 (North-South) corridor. We offer a wide range of banking products and services, including transaction and savings deposits, commercial, consumer and real estate loans, cash management services, and retail brokerage services. We serve individuals, small- to medium-sized businesses, community organizations and public entities.

As of March 31, 2010, our wholly owned banking subsidiary, Columbia State Bank, had 85 banking offices located in Washington and Oregon. We serve the geographic markets of (i) the greater Puget Sound region including Tacoma, Seattle, Bellevue, the western Puget Sound area, and the Bellingham community in northwestern Washington, (ii) the greater Portland area, including the Columbia River Gorge market spanning both Washington and Oregon, (iii) southeastern Washington and eastern Oregon, (iv) central Oregon and (v) the northern coast of Oregon.

In 2007, we made two acquisitions: (1) Mountain Bank Holding Company in the Enumclaw plateau east of Tacoma, and (2) Town Center Bancorp in Portland, Oregon. In 2008, we merged our subsidiary, Bank of Astoria, into Columbia State Bank, although we kept its five branches branded as Bank of Astoria. As discussed more fully below, in January 2010, we completed two FDIC-assisted acquisitions.

As of March 31, 2010, we had total assets of approximately \$4.1 billion, total net loans receivable of approximately \$2.5 billion, total deposits of approximately \$3.4 billion and approximately \$538.7 million in shareholders' equity. Our common stock is listed on the Nasdaq Global Select Market under the symbol COLB.

Our principal offices are located at 1301 A Street, Tacoma, Washington 98402-4200, and our telephone number is (253) 305-1900.

Business Strategy

Our business strategy is to provide our customers with the financial sophistication and breadth of products of a regional banking company while retaining the appeal and service level of a community bank. We continually evaluate our existing business processes while focusing on maintaining asset quality and balanced loan and deposit portfolios, building our strong core deposit base, expanding total revenue and controlling expenses in an effort to increase our return on average equity and gain operational efficiencies. We believe that, as a result of our strong commitment to highly personalized, relationship-oriented customer service, our varied products, our strategic branch locations and the long-standing community presence of our managers, banking officers and branch personnel, we are well positioned to attract and retain new customers and to increase our market share of

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loans, deposits, and other financial services in the communities we serve. We are committed to increasing market share in the communities we serve by continuing to leverage our existing branch network, adding new branch locations and considering business combinations that are consistent with our expansion strategy throughout the Pacific Northwest.

Recent Developments

Recent Acquisitions

In January 2010, we completed two FDIC-assisted acquisitions:

On January 22, 2010, we acquired from the FDIC all of the deposits and certain assets of Columbia River Bank, an Oregon state-chartered bank headquartered in The Dalles, Oregon. In the transaction, we acquired tangible assets with an acquisition date fair value of approximately \$884.9 million and assumed liabilities with an acquisition date fair value of approximately \$912.9 million, located in 21 branches in Washington and Oregon. The assets acquired and liabilities assumed were recorded at their fair values based on the requirements of the Business Combinations topic of the Financial Accounting Standards Board Accounting Standards Codification (the FASB ASC).

On January 29, 2010, we assumed all of the non-brokered deposits and acquired certain assets of American Marine Bank, a Washington state-chartered bank headquartered in Bainbridge Island, Washington, from the FDIC. In the transaction, we acquired tangible assets with an acquisition date fair value of approximately \$303.5 million and assumed liabilities with an acquisition date fair value of approximately \$292.6 million, located in 11 branches throughout the western Puget Sound region. The assets acquired and liabilities assumed were recorded at their fair values based on the requirements of the Business Combinations topic of the FASB ASC. As part of this acquisition, we received regulatory approval to exercise trust powers and intend to continue to operate the Trust and Wealth Management Division of American Marine Bank.

In each of the FDIC-assisted acquisitions, we participated in a competitive bid process, in which we offered a negative bid on net assets acquired (\$43.9 million in the case of Columbia River Bank and \$23.0 million in the case of American Marine Bank) and paid the FDIC a 1% deposit premium on non-brokered deposits. We did not assume any brokered deposits of American Marine Bank. In connection with the FDIC-assisted acquisitions, we entered into loss-sharing agreements with the FDIC which cover a majority of the assets acquired (assets covered by these loss-sharing agreements are referred to in this prospectus supplement as covered assets), and loan valuations incorporate estimated losses.

Results for the Quarter Ended March 31, 2010

On April 28, 2010, we announced our financial results for the first quarter ended March 31, 2010. We reported net income applicable to common shareholders of \$6.8 million for the three months ended March 31, 2010, compared to net income applicable to common shareholders of \$419 thousand for the three months ended March 31, 2009. The results for the quarter reflected a provision for loan losses of approximately \$15.0 million due to the continued decline in real estate values, principally relating to residential land, lots and lot development loans. Also impacting earnings was a \$9.8 million pre-tax bargain purchase gain on the acquisition of American Marine Bank. At March 31, 2010, our total assets were approximately \$4.1 billion, an increase from total assets of approximately \$3.0 billion at March 31, 2009. Our total net loans were approximately \$2.5 billion at March 31, 2010, an increase from total net loans of approximately \$2.2 billion at March 31, 2009, and our total deposits were approximately \$3.4 billion at March 31, 2010, compared to total deposits of approximately \$2.3 billion at March 31, 2009. Total shareholders' equity at March 31, 2010 was approximately \$538.7 million, an increase over total shareholders' equity of approximately \$415.7 million at March 31, 2009. See Selected Historical Financial Information.

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Asset Quality

The majority of assets acquired in both FDIC-assisted transactions during the first quarter 2010 are covered under FDIC loss-sharing agreements, and loan valuations incorporate estimated losses. As a result, a large portion of our covered loan portfolio has minimal loss exposure. Loans that were classified as nonperforming loans by Columbia River Bank and American Marine Bank are no longer classified as nonperforming. At acquisition, the carrying value of these loans was adjusted to reflect fair value, and are covered under the FDIC loss-sharing agreements. The new book value reflects an amount that management believes will ultimately be collected.

Total nonperforming assets at March 31, 2010 were approximately \$126.6 million, or 3.62% of total non-covered assets. At December 31, 2009, nonperforming assets were \$129.5 million, or 4.05% of total assets. On this same basis, total loans past due 90 days or more (including nonaccruing loans) represented 5.43% of total loans at March 31, 2010, down 7 basis points, compared to 5.50% of total loans at December 31, 2009.

We reported net charge-offs totaling \$11.5 million in the first quarter of 2010, or 1.88% of average loans on an annualized basis compared to \$13.2 million, or 1.66% of average loans, in the fourth quarter of 2009 on a similar basis. We recorded a loan loss provision of \$15.0 million, unchanged from the fourth quarter of 2009. In accordance with the FASB ASC, the assets acquired in the FDIC-assisted transactions were recorded at estimated fair value at consummation, including estimated loan losses. As a result, no loan loss reserves were recorded on these loans at March 31, 2010. At March 31, 2010, our ratio of loan loss reserves to total loans was 2.92% excluding the covered loans, compared to 2.66% at December 31, 2009.

Net Interest Margin

We reported a tax-equivalent net interest margin of 4.78% in the first quarter of 2010, an improvement of 48 basis points from 4.30% in the fourth quarter of 2009. The margin improvement was driven by a significant expansion in noninterest bearing deposits, favorable deposit pricing, fair value adjustments recorded in the FDIC-assisted transactions, and improved competitive dynamics in many of our markets and businesses.

Balance Sheet

Our total assets increased \$932.9 million, or 29.1%, to \$4.1 billion at March 31, 2010 from December 31, 2009. Total shareholders' equity increased \$10.6 million, or 2%, since December 31, 2009.

Investment Securities

Total investment securities increased \$99.0 million, or 16%, to \$719.0 million during the first quarter of 2010. As a percentage of total assets, the investment portfolio decreased from 19.4% at December 31, 2009, to 17.4% at March 31, 2010. The average yield on investment securities was 4.87% in the first quarter of 2010, down 61 basis points on a linked quarter basis, as we re-invested significant cash flows from the FDIC-assisted transactions into lower yielding, shorter maturity investment securities. We hold in our investment portfolio primarily government agency and municipal securities.

Loans

From December 31, 2009 to March 31, 2010, total loans increased \$566.1 million, or 28.2%, but declined \$59.3 million, or 3.0%, excluding the loans acquired in the two FDIC-assisted transactions. The loan portfolio is comprised of disparate components. Approximately 24.8% of our \$2.5 billion net loan portfolio is comprised of covered assets, so the loss-sharing agreements with the FDIC provide considerable protection against credit risk on those assets. Covered under the FDIC loss-sharing agreements were the acquired loan portfolios of Columbia

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River Bank (\$454.3 million and 17.6% of total gross loans) and American Marine Bank (\$171 million and 6.6% of total gross loans). These loans are recorded at an aggregate fair value discount of \$249.6 million, or 28.5% of loans acquired. Finally, \$2.0 billion in loans are associated with the legacy franchise, which were underwritten under our guidelines.

Deposits

As of March 31, 2010, outstanding deposits were \$3.4 billion, an increase of \$888.5 million, or 35.8%, from December 31, 2009. Outstanding deposits at March 31, 2010 consisted of \$756.1 million in noninterest bearing deposits, \$651.4 million in NOW accounts, \$1.1 billion, net in savings and money-market accounts, and \$856.8 million in time deposits. On a consolidated basis, noninterest bearing deposits totaled \$756.1 million at March 31, 2010, up \$181.4 million, or 31.6%, compared to December 31, 2009. On a linked quarter basis, average noninterest bearing deposits increased \$284.7 million, or 62.5%, and interest-bearing deposits increased \$526.4 million, or 28.2%. The average rate on interest bearing deposits in the first quarter of 2010 was 0.84%, a decrease of 66 basis points on a linked quarter basis, compared to a 59 basis point decline in the cost of average interest bearing liabilities. We had \$151 million in short-term borrowings at March 31, 2010, or approximately 4.2% of total liabilities.

Risk Factors

An investment in our common stock involves certain risks. You should carefully consider the risks described under **Risk Factors** beginning on page S-8 of this prospectus supplement and in the **Risk Factors** section included in our Annual Report on Form 10-K for the year ended December 31, 2009, as well as other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, including our financial statements and the notes thereto, before making an investment decision.

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The Offering

The following summary contains basic information about our common stock and is not intended to be complete. It does not contain all the information that is important to you. For a more complete description of our common stock, see **Description of Capital Stock** beginning on page S-19.

Common stock we are offering 9,600,000 shares

Common stock outstanding after this offering 37,842,420 shares(1)(2)

Use of Proceeds Our net proceeds from this offering will be approximately \$199.2 million, or approximately \$229.1 million if the underwriters exercise their over-allotment option in full, after deducting underwriting discounts and commissions and other estimated expenses of this offering. We intend to use the net proceeds from this offering for selective acquisitions that meet our disciplined criteria, to fund internal growth and for general corporate purposes. We may also use proceeds from this offering to repurchase all or a portion of the securities we have issued to the U.S. Department of Treasury. See **Use of Proceeds**.

Nasdaq Global Select Market Symbol COLB

Settlement Date Delivery of shares of our common stock will be made against payment therefor on or about May 5, 2010.

- (1) The number of our shares outstanding immediately after the closing of this offering is based on 28,242,420 shares of common stock outstanding as of March 31, 2010.
 - (2) Unless otherwise indicated, the number of shares of common stock presented in this prospectus supplement excludes shares issuable pursuant to the exercise of the underwriters' over-allotment option, 102,821 shares of common stock issuable upon exercise of outstanding stock options as of March 31, 2010, with a weighted average exercise price of \$20.43 per share, 648,446 shares of common stock issuable under our stock compensation plans as of March 31, 2010, and the Warrant (as defined below) for 398,023 shares of common stock held by the U.S. Department of the Treasury (the **Treasury**).
- We have issued \$76.9 million of our Fixed Rate Cumulative Perpetual Preferred Stock, Series A (**Series A Preferred Stock**) to the Treasury pursuant to the Troubled Asset Relief Program (**TARP**) Capital Purchase Program (**CPP**), together with a warrant to purchase up to 398,023 shares of our common stock at an initial purchase price of \$14.49 per share (the **Warrant**).

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The following selected financial information as of and for the fiscal years ended December 31, 2009, 2008, 2007, 2006 and 2005 is derived from audited consolidated financial statements of Columbia. The financial information as of and for the three months ended March 31, 2010 and 2009 is derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which Columbia considers necessary for fair presentation of the financial results of operations for such periods. The operating results for the three months ended March 31, 2010 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2010. The financial data below should be read in conjunction with the financial statements and notes thereto incorporated by reference in this prospectus supplement.

	At or for the Three Months Ended March 31, (unaudited)			At or for the Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005	
	(dollars in thousands, except per share data)							
Summary of Operations:								
Interest income	\$ 44,287	\$ 36,029	\$ 143,035	\$ 175,060	\$ 184,217	\$ 151,675	\$ 122,207	
Interest expense	6,013	8,126	27,683	55,547	75,397	53,912	31,295	
Net interest income	38,274	27,903	115,352	119,513	108,820	97,763	90,912	
Provision for loan and lease losses	15,000	11,000	63,500	41,176	3,605	2,065	1,520	
Net interest income after provision for loan and lease losses	23,274	16,903	51,852	78,337	105,215	95,698	89,392	
Noninterest income	18,473	6,974	29,690	14,850	27,748	24,672	24,786	
Noninterest expense	33,897	23,181	94,488	92,125	88,829	76,134	72,855	
Pre-tax net income (loss)	7,850	696	(12,946)	1,062	44,134	44,236	41,323	
Taxes	(66)	(816)	(8,978)	(4,906)	11,753	12,133	11,692	
Net income (loss)	\$ 7,916	\$ 1,512	\$ (3,968)	\$ 5,968	\$ 32,381	\$ 32,103	\$ 29,631	
Net income (loss) applicable to common shareholders	\$ 6,809	\$ 419	\$ (8,371)	\$ 5,498	\$ 32,381	\$ 32,103	\$ 29,631	
Basic earnings (loss) per common share(1)	\$ 0.24	\$ 0.02	\$ (0.38)	\$ 0.30	\$ 1.91	\$ 2.00	\$ 1.89	
Diluted earnings (loss) per common share(1)	\$ 0.24	\$ 0.02	\$ (0.38)	\$ 0.30	\$ 1.89	\$ 1.98	\$ 1.86	
Cash dividends per common share(1)	\$ 0.01	\$ 0.04	\$ 0.07	\$ 0.58	\$ 0.66	\$ 0.57	\$ 0.39	
Statement of Financial Condition:								
Total assets	\$ 4,133,812	\$ 3,045,757	\$ 3,200,930	\$ 3,097,079	\$ 3,178,713	\$ 2,553,131	\$ 2,377,322	
Cash and securities	1,043,410	617,492	936,719	629,255	666,948	709,477	685,738	
Non-covered loans, net and loans held for sale	1,892,628	2,145,253	1,955,406	2,191,549	2,260,611	1,689,713	1,545,725	
Net covered loans	625,331							
Allowance for loan and lease losses	56,981	44,249	53,478	42,747	26,599	20,182	20,829	
Intangible assets	131,844	101,157	100,382	101,427	103,061	32,667	33,119	
Total deposits	3,371,165	2,344,406	2,482,705	2,382,151	2,498,061	2,023,351	2,005,489	
Total borrowings	176,637	233,895	150,755	250,804	288,250	248,376	119,284	
Shareholders' equity	538,721	415,717	528,139	415,385	341,731	252,347	226,242	

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Book value per share(1)	\$	16.44	\$	18.73	\$	16.13	\$	18.82	\$	19.03	\$	15.71	\$	14.29
Tangible common book value per share(1)(2)	\$	11.77	\$	13.20	\$	12.57	\$	13.23	\$	13.29	\$	13.68	\$	12.20
Key Operating Ratios:														
Return on average assets		0.81%		0.20%		(0.13)%		0.19%		1.14%		1.30%		1.29%
Return on average common equity		5.93%		0.49%		(2.16)%		1.59%		11.19%		13.50%		13.81%
Efficiency ratio		67.03%		63.59%		61.53%		59.88%		61.33%		58.95%		61.20%
Net interest margin(3)		4.78%		4.26%		4.33%		4.38%		4.35%		4.49%		4.44%
Cost of funds		0.95%		1.54%		1.34%		2.44%		3.63%		3.04%		1.91%
Dividend payout ratio		4.17%		200.0%		nm		193.3%		34.92%		28.79%		20.97%

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	At or for the Three Months Ended March 31, (unaudited)			At or for the Year Ended December 31,			
	2010	2009	2009	2008	2007	2006	2005
	(dollars in thousands, except per share data)						
Asset Quality Ratios:							
Non-performing assets to total assets	3.62%	3.99%	4.05%	3.54%	0.46%	0.14%	0.21%
Non-performing assets to non-covered loans plus non-covered OREO	6.43%	5.55%	6.39%	4.90%	0.64%	0.20%	0.31%
Net charge-offs to average loans	1.88%	1.71%	2.48%	1.11%	0.02%	0.17%	0.04%
Allowance for loan and lease losses to total non-covered loans	2.92%	2.02%	2.66%	1.91%	1.17%	1.18%	1.33%
Allowance for loan and lease losses to non-performing non-covered loans	53.83%	37.71%	48.40%	40.04%	183.94%	579.94%	428.84%
Capital Ratios:							
Average equity to average assets	13.68%	13.73%	14.98%	11.31%	10.20%	9.62%	9.37%
Tangible common equity to tangible assets(4)	8.31%	8.18%	11.40%	8.02%	7.76%	8.72%	8.24%
Total risk-based capital ratio	17.80%	14.47%	19.60%	14.25%	10.90%	13.23%	12.97%
Tier 1 risk-based capital ratio	16.54%	13.21%	18.34%	12.99%	9.87%	12.21%	11.82%
Leverage ratio	10.94%	11.30%	14.33%	11.27%	8.54%	9.86%	9.54%

(1) Revised for stock splits and stock dividends.

(2) Tangible common book value per share is defined as total shareholders' equity, less any outstanding preferred stock, reduced by recorded goodwill and other intangible assets divided by total common shares outstanding.

(3) Calculated on a tax-equivalent basis.

(4) Tangible common equity to tangible assets is defined as total shareholders' equity, less any outstanding preferred stock, reduced by recorded goodwill and other intangible assets divided by total assets reduced by recorded goodwill and other intangible assets.

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RISK FACTORS

An investment in our common stock involves certain risks. Before you invest in our common stock, you should be aware that there are various risks, including those described below, that could affect the value of your investment in the future. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. The risk factors described in this section, as well as any cautionary language in this prospectus supplement, provide examples of risks, uncertainties and events that could have a material adverse effect on our business, including our operating results and financial condition. This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. These risks could cause our actual results to differ materially from the expectations that we describe in our forward-looking statements. You should carefully consider the risks described below and the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2009, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

Risks Associated with Our Business

The national economic recession could adversely affect our future results of operations or market price of our stock.

The national economy and the financial services sector in particular are currently facing challenges of a scope unprecedented in recent history. We cannot accurately predict the severity or duration of the current economic recession, which has adversely impacted the markets we serve. The U.S. economy has also experienced substantial volatility in the financial markets. Any further deterioration in the economies of the nation as a whole or in our markets would have an adverse effect, which could be material, on our business, financial condition, results of operations and prospects, and could also cause the market price of our stock to decline. While it is impossible to predict how long these conditions may exist, the economic recession could continue to present risks for some time for the industry and our company.

The current economic recession in the market areas we serve may continue to adversely impact our earnings and could increase our credit risk associated with our loan portfolio and the value of our investment portfolio.

Substantially all of our loans are to businesses and individuals in Washington and Oregon, and a continuing decline in the economies of these market areas could have a material adverse effect on our business, financial condition, results of operations and prospects. A series of large Puget Sound-based businesses have implemented substantial employee layoffs and scaled back plans for future growth. Additionally, acquisitions and consolidations have resulted in substantial employee layoffs, along with a significant increase in office space availability in downtown Seattle. Oregon has also seen a similar pattern of large layoffs in major metropolitan areas. There has been a decline in housing prices in both Washington and Oregon. A further deterioration in the market areas we serve could result in the following consequences, any of which could have an adverse impact, which could be material, on our business, financial condition, results of operations and prospects:

commercial and consumer loan delinquencies may increase further;

problem assets and foreclosures may increase;

collateral for loans made may decline further in value, in turn reducing customers' borrowing power, reducing the value of assets and collateral associated with existing loans;

certain securities within our investment portfolio could become other than temporarily impaired, requiring a write down through earnings to fair value thereby reducing equity;

low cost or non-interest bearing deposits may decrease; and

demand for our loan and other products and services may decrease.

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Our loan portfolio mix, which has a concentration of loans secured by real estate, could result in increased credit risk in an economic recession.

Our loan portfolio is concentrated in commercial real estate and commercial business loans. These types of loans, as well as real estate construction loans and land development loans, acquisition and development loans related to the for sale housing industry, generally are viewed as having more risk of default than residential real estate loans or certain other types of loans or investments. In fact, the FDIC has issued pronouncements alerting banks of its concern about heavy loan concentrations. Because our loan portfolio contains a significant number of construction, commercial business and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans may cause a significant increase in our non-performing loans. An increase in non-performing loans could result in a loss of earnings from these loans, an increase in the provision for loan losses, or an increase in loan charge-offs, which could have an adverse impact on our results of operations and financial condition.

A further downturn in the economies or real estate values in the markets we serve could have a material adverse effect on both borrowers' ability to repay their loans and the value of the real property securing such loans. Our ability to recover on defaulted loans would then be diminished, and we would be more likely to suffer losses on defaulted loans.

Our Allowance for Loan and Lease Losses (ALLL) may not be adequate to cover future loan losses, which could continue to adversely affect earnings.

We maintain an ALLL in an amount that we believe is adequate to provide for losses inherent in our portfolio. While we strive to carefully monitor credit quality and to identify loans that may become non-performing, at any time there are loans in the portfolio that could result in losses, but that have not been identified as non-performing or potential problem loans. We cannot be sure that we will be able to identify deteriorating loans before they become non-performing assets, or that we will be able to limit losses on those loans that have been identified. Additionally, the process for determining the ALLL requires different, subjective and complex judgments about the future impact from current economic conditions that might impair the ability of borrowers to repay their loans. As a result, future significant increases to the ALLL may be necessary. Additionally, future increases to the ALLL may be required based on changes in the composition of the loans comprising the portfolio, deteriorating values in underlying collateral (most of which consists of real estate) and changes in the financial condition of borrowers, such as may result from changes in economic conditions, or as a result of incorrect assumptions by management in determining the ALLL. Additionally, banking regulators, as an integral part of their supervisory function, periodically review our ALLL. These regulatory agencies may require us to increase the ALLL which could have a negative effect on our financial condition and results of operation. Any increase in the ALLL would have an adverse effect, which could be material, on our financial condition and results of operations.

Nonperforming assets take significant time to resolve and adversely affect our results of operations and financial condition.

Our nonperforming assets adversely affect our net income in various ways. Until economic and market conditions improve, we expect to continue to incur additional losses relating to an increase in nonperforming loans. We do not record interest income on non-accrual loans, thereby adversely affecting our income, and increasing loan administration costs. When we receive collateral through foreclosures and similar proceedings, we are required to mark the related loan to the then fair market value of the collateral, which may result in a loss. An increase in the level of nonperforming assets also increases our risk profile and may impact the capital levels our regulators believe is appropriate in light of such risks. We utilize various techniques such as loan sales, workouts, and restructurings to manage our problem assets. Decreases in the value of these problem assets, the underlying collateral, or in the borrowers' performance or financial condition, could adversely affect our business, results of operations and financial condition. In addition, the resolution of nonperforming assets requires significant commitments of time from management and staff, which can be detrimental to performance of their other responsibilities. There can be no assurance that we will not experience further increases in nonperforming loans in the future.

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Our acquisitions and the integration of acquired businesses may not result in all of the benefits anticipated, and future acquisitions may be dilutive to current shareholders.

We have in the past and may in the future seek to grow our business by acquiring other businesses. Recently, we acquired assets and deposits of Columbia River Bank and American Marine Bank in FDIC-assisted transactions. There can be no assurance that our acquisitions will have the anticipated positive results, including results relating to: correctly assessing the asset quality of the assets being acquired; the total cost of integration including management attention and resources; the time required to complete the integration successfully; the amount of longer-term cost savings; being able to profitably deploy funds acquired in an acquisition; or the overall performance of the combined entity.

We also may encounter difficulties in obtaining required regulatory approvals and unexpected contingent liabilities can arise from the businesses we acquire. Integration of an acquired business can be complex and costly, sometimes including combining relevant accounting and data processing systems and management controls, as well as managing relevant relationships with employees, clients, suppliers and other business partners. Integration efforts could divert management attention and resources, which could adversely affect our operations or results.

Given the continued economic recession, market volatility and uncertainty, notwithstanding our loss-sharing arrangements with the FDIC with respect to the assets we recently acquired of Columbia River Bank and American Marine Bank, we may continue to experience increased credit costs or need to take additional markdowns and allowances for loan losses on the assets and loans acquired that could adversely affect our financial condition and results of operations in the future. We may also experience difficulties in complying with the technical requirements of our loss-sharing agreements with the FDIC, which could result in some assets which we acquire in FDIC-assisted transactions losing their coverage under such agreements. There is no assurance that as our integration efforts continue in connection with these transactions, other unanticipated costs, including the diversion of personnel, or losses, will not be incurred.

Acquisitions may also result in business disruptions that cause us to lose customers or cause customers to remove their accounts from us and move their business to competing financial institutions. It is possible that the integration process related to acquisitions could result in the disruption of our ongoing businesses or inconsistencies in standards, controls, procedures and policies that could adversely affect our ability to maintain relationships with clients, customers, depositors and employees. The loss of key employees in connection with an acquisition could adversely affect our ability to successfully conduct our business.

We may engage in future acquisitions involving the issuance of additional common stock and/or cash. Any such acquisitions and related issuances of stock may have a dilutive effect on earnings per share and the percentage ownership of current shareholders. The use of cash as consideration in any such acquisitions could impact our capital position and may require us to raise additional capital.

Furthermore, notwithstanding our recent acquisitions, we cannot provide any assurance as to the extent to which we can continue to grow through acquisitions as this will depend on the availability of prospective target opportunities at valuations we find attractive and the competition for such opportunities from other parties.

FDIC-assisted acquisition opportunities may not become available and increased competition may make it more difficult for us to successfully bid on failed bank transactions.

A part of our near-term business strategy is to pursue failing banks that the FDIC plans to place in receivership. The FDIC may not place banks that meet our strategic objectives into receivership. Failed bank transactions are attractive opportunities in part because of loss-sharing arrangements with the FDIC that limit the acquirer's downside risk on the purchased loan portfolio and, apart from our assumption of deposit liabilities, we have significant discretion as to the non-deposit liabilities that we assume in such transactions. In addition, assets

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purchased from the FDIC are marked to their fair value and in many cases there is little or no addition to goodwill arising from an FDIC-assisted transaction. The bidding process for failing banks could become very competitive and the FDIC does not provide information about bids until after the failing bank has been closed. We may not be able to match or beat the bids of other acquirers unless we bid aggressively by increasing the premium paid on assumed deposits or reducing the discount bid on assets purchased, which could make the acquisition less attractive to us.

If the goodwill we have recorded in connection with acquisitions becomes impaired, it could have an adverse impact on our earnings and capital.

Accounting standards require that we account for acquisitions using the purchase method of accounting. Under purchase accounting, if the purchase price of an acquired company exceeds the fair value of its net assets, the excess is carried on the acquirer's balance sheet as goodwill. In accordance with generally accepted accounting principles, our goodwill is evaluated for impairment on an annual basis or more frequently if events or circumstances indicate that a potential impairment exists. Such evaluation is based on a variety of factors, including the quoted price of our common stock, market prices of common stock of other banking organizations, common stock trading multiples, discounted cash flows, and data from comparable acquisitions. There can be no assurance that future evaluations of goodwill will not result in impairment and ensuing write-down, which could be material, resulting in an adverse impact on our earnings and capital.

We may pursue additional capital, which may not be available on acceptable terms or at all, could dilute the holders of our outstanding common stock and may adversely affect the market price of our common stock.

In the current economic environment, we believe it is prudent to consider alternatives for raising capital when opportunities to raise capital at attractive prices present themselves, in order to further strengthen our capital and better position ourselves to take advantage of opportunities that may arise in the future, including the possible redemption of the Series A Preferred Stock we issued and sold to Treasury under the CPP. Such alternatives may include issuance and sale of common or preferred stock, trust preferred securities, or borrowings by the Company, with proceeds contributed to our banking subsidiary, Columbia State Bank (the "Bank"). Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at the time, which are outside of our control, and our financial performance. We cannot assure you that such capital will be available to us on acceptable terms or at all. Any such capital raising alternatives could dilute the holders of our outstanding common stock, and may adversely affect the market price of our common stock and our performance measures such as earnings per share.

Fluctuating interest rates can adversely affect our profitability.

Our profitability is dependent to a large extent upon net interest income, which is the difference (or "spread") between the interest earned on loans, securities and other interest-earning assets and the interest paid on deposits, borrowings, and other interest-bearing liabilities. Because of the differences in maturities and repricing characteristics of our interest-earning assets and interest-bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest-earning assets and interest paid on interest-bearing liabilities. Accordingly, fluctuations in interest rates could adversely affect our interest rate spread, and, in turn, our profitability.

Fluctuations in interest rates on loans could adversely affect our business.

Significant increases in market interest rates on loans, or the perception that an increase may occur, could adversely affect both our ability to originate new loans and our ability to grow. Conversely, decreases in interest rates could result in an acceleration of loan prepayments. An increase in market interest rates could also adversely affect the ability of our floating-rate borrowers to meet their higher payment obligations. If this occurred, it could cause an increase in nonperforming assets and charge offs, which could adversely affect our business.

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The FDIC has increased insurance premiums to restore and maintain the federal deposit insurance fund, which has increased our costs and could adversely affect our business.

The FDIC adopted a final rule revising its risk-based assessment system, effective April 1, 2009. The changes to the assessment system involve adjustments to the risk-based calculation of an institution's unsecured debt, secured liabilities and brokered deposits.

The FDIC also recently imposed a special deposit insurance assessment of five basis points on all insured institutions. This emergency assessment was calculated based on the insured institution's assets at June 30, 2009, and collected on September 30, 2009. Based on our June 30, 2009 assets subject to the FDIC assessment, the special assessment was approximately \$1.4 million. This special assessment is in addition to the regular quarterly risk-based assessment.

Additional increases in FDIC insurance premiums could have a significant impact on Columbia.

In November 2009, the FDIC issued a rule requiring that insured institutions prepay their estimated quarterly risk-based assessments to the FDIC for the fourth quarter of 2009 and for 2010, 2011 and 2012, and, in September 2009, the FDIC increased the regular assessment rate by three basis points effective January 1, 2011, as a means of replenishing the deposit insurance fund. The prepayment was collected on December 30, 2009, and was accounted for as a prepaid expense amortized over the prepayment period.

The FDIC deposit insurance fund may suffer additional losses in the future due to bank failures. There can be no assurance that there will not be additional significant deposit insurance premium increases or special assessments imposed in order to restore the insurance fund's reserve ratio. Any significant premium increases or special assessments could have a material adverse effect on our financial condition and results of operations.

We operate in a highly regulated environment and changes of or increases in, or supervisory enforcement of, banking or other laws and regulations or governmental fiscal or monetary policies could adversely affect us.

As discussed more fully in the section entitled "Supervision and Regulation" of our Annual Report on Form 10-K for the year ended December 31, 2009, incorporated by reference into this prospectus supplement, we are subject to extensive regulation, supervision and examination by federal and state banking authorities. In addition, as a publicly-traded company, we are subject to regulation by the Securities and Exchange Commission. Any change in applicable regulations or federal, state or local legislation or in policies or interpretations or regulatory approaches to compliance and enforcement, income tax laws and accounting principles could have a substantial impact on us and our operations. Changes in laws and regulations may also increase our expenses by imposing additional fees or taxes or restrictions on our operations. Additional legislation and regulations that could significantly affect our powers, authority and operations may be enacted or adopted in the future, which could have a material adverse effect on our financial condition and results of operations. Failure to appropriately comply with any such laws, regulations or principles could result in sanctions by regulatory agencies, or damage to our reputation, all of which could adversely affect our business, financial condition or results of operations. In that regard, proposals for legislation restructuring the regulation of the financial services industry are currently under consideration. Adoption of such proposals could, among other things, increase the overall costs of regulatory compliance. Further, regulators have significant discretion and authority to prevent or remedy unsafe or unsound practices or violations of laws or regulations by financial institutions and holding companies in the performance of their supervisory and enforcement duties. Recently, these powers have been utilized more frequently due to the serious national, regional and local economic conditions we are facing. The exercise of regulatory authority may have a negative impact on our financial condition and results of operations. Additionally, our business is affected significantly by the fiscal and monetary policies of the U.S. federal government and its agencies, including the Federal Reserve Board.

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We cannot accurately predict the actual effects of recent legislation or the proposed regulatory reform measures and various governmental, regulatory, monetary and fiscal initiatives which have been and may be enacted on the financial markets, on the Company and on the Bank. The terms and costs of these activities, or the failure of these actions to help stabilize the financial markets, asset prices, market liquidity and a continuation or worsening of current financial market and economic conditions could materially and adversely affect our business, financial condition, results of operations, and the trading price of our common stock.

A continued tightening of the credit markets and credit market volatility may make it difficult to maintain adequate funding for loan growth, which could adversely affect our earnings.

A continued tightening of the credit markets and the inability to maintain adequate liquidity to fund continued loan growth may negatively affect asset growth and, therefore, our earnings capability. In addition to deposit growth and payments of principal and interest received on loans and investment securities, we also rely on borrowing lines with the Federal Home Loan Bank of Seattle (FHLB) and the Federal Reserve Bank of San Francisco to fund loans. However, the FHLB has discontinued the repurchase of its stock and discontinued the distribution of dividends. Based on the foregoing, there can be no assurance the FHLB will have sufficient resources to continue to fund our borrowings at their current levels. In the event of a deterioration in our financial condition or a further downturn in the economy, particularly in the housing market, our ability to access these funding resources could be negatively affected, which could limit the funds available to us making it difficult for us to maintain adequate funding for loan growth. In addition, our customers' ability to raise capital and refinance maturing obligations could be adversely affected, resulting in a further unfavorable impact on our business, financial condition and results of operations.

We may be required, in the future, to recognize impairment with respect to investment securities, including the FHLB stock we hold.

Our securities portfolio currently includes securities with unrecognized losses. We may continue to observe declines in the fair market value of these securities. We evaluate the securities portfolio for any other than temporary impairment each reporting period, as required by generally accepted accounting principles in the United States of America, and as of March 31, 2010, we did not recognize any securities as other-than-temporarily impaired. There can be no assurance, however, that future evaluations of the securities portfolio will not require us to recognize an impairment charge with respect to these and other holdings.

In addition, as a condition to membership in the FHLB, we are required to purchase and hold a certain amount of FHLB stock. Our stock purchase requirement is based, in part, upon the outstanding principal balance of advances from the FHLB. At March 31, 2010, we had stock in the FHLB totaling \$17.9 million. The FHLB stock held by us is carried at cost and is subject to recoverability testing under applicable accounting standards. The FHLB has discontinued the repurchase of their stock and discontinued the distribution of dividends. As of March 31, 2010, we did not recognize an impairment charge related to our FHLB stock holdings. There can be no assurance, however, that future negative changes to the financial condition of the FHLB may not require us to recognize an impairment charge with respect to such holdings.

Our ability to access markets for funding and acquire and retain customers could be adversely affected by negative public opinion, the deterioration of other financial institutions or the further deterioration of the financial services industry's reputation.

The financial services industry continues to be featured in negative headlines about the global and national credit crisis and the resulting stabilization legislation enacted by the U.S. federal government. These reports can be damaging to the industry's image and potentially erode consumer confidence in insured financial institutions, such as our banking subsidiary. In addition, our ability to engage in routine funding and other transactions could be adversely affected by the actions and financial condition of other financial institutions or negative public opinion resulting from our actual or alleged conduct in any number of activities, including lending practices,

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governmental enforcement actions taken by regulators or community organizations in response to those activities. Financial services institutions are interrelated as a result of trading, clearing, correspondent, counterparty or other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry in general, could lead to market-wide liquidity problems, losses of depositor, creditor and counterparty confidence and to losses or defaults by us or by other institutions. We could experience material changes in the level of deposits as a direct or indirect result of other banks' difficulties or failure, which could affect the amount of capital we need. In addition, negative perceptions associated with our continued participation in the CPP may adversely affect our ability to retain customers, attract investors and compete for new business opportunities.

Substantial competition in our market areas could adversely affect us.

Commercial banking is a highly competitive business. We compete with other commercial banks, savings and loan associations, credit unions, finance, insurance and other non-depository companies operating in our market areas. We also experience competition, especially for deposits, from internet-based banking institutions, which have grown rapidly in recent years. We are subject to substantial competition for loans and deposits from other financial institutions. Some of our competitors are not subject to the same degree of regulation and restriction as we are. Some of our competitors have greater financial resources than we do. Some of our competitors have severe liquidity issues, which could impact the pricing of deposits in our marketplace. If we are unable to effectively compete in our market areas, our business, results of operations and prospects could be adversely affected.

Changes in accounting standards could materially impact our financial statements.

From time to time the Financial Accounting Standards Board and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be very difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements.

Our ability to receive dividends from our banking subsidiary accounts for most of our revenue and could affect our liquidity and ability to pay dividends.

We are a separate and distinct legal entity from our banking subsidiary, Columbia State Bank. We receive substantially all of our revenue from dividends from our banking subsidiary. These dividends are the principal source of funds to pay dividends on our common and preferred stock and principal and interest on our outstanding debt. Various federal and/or state laws and regulations limit the amount of dividends that our bank may pay us. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. Limitations on our ability to receive dividends from our subsidiary could have a material adverse effect on our liquidity and on our ability to pay dividends on common or preferred stock. Additionally, if our subsidiary's earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, we may not be able to make dividend payments to our common and preferred shareholders or principal and interest payments on our outstanding debt.

Significant legal or regulatory actions could subject us to substantial uninsured liabilities and reputational harm and have a material adverse effect on our business and results of operations.

We are from time to time subject to claims and proceedings related to our operations. These claims and legal actions, which could include supervisory or enforcement actions by our regulators, or criminal proceedings by prosecutorial authorities, could involve large monetary claims, including civil money penalties or fines imposed by government authorities, and significant defense costs. To mitigate the cost of some of these claims,

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we maintain insurance coverage in amounts and with deductibles that we believe are appropriate for our operations. However, our insurance coverage does not cover any civil money penalties or fines imposed by government authorities and may not cover all other claims that might be brought against us or continue to be available to us at a reasonable cost. As a result, we may be exposed to substantial uninsured liabilities, which could adversely affect our business, prospects, results of operations and financial condition. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects.

We are subject to a variety of operational risks, including reputational risk, legal risk and compliance risk, and the risk of fraud or theft by employees or outsiders, which may adversely affect our business and results of operations.

We are exposed to many types of operational risks, including reputational risk, legal and compliance risk, the risk of fraud or theft by employees or outsiders, and unauthorized transactions by employees or operational errors, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems.

If personal, non-public, confidential or proprietary information of customers in our possession were to be mishandled or misused, we could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include, for example, if such information were erroneously provided to parties who are not permitted to have the information, either by fault of our systems, employees, or counterparties, or where such information is intercepted or otherwise inappropriately taken by third parties.

Because the nature of the financial services business involves a high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon automated systems to record and process transactions and our large transaction volume may further increase the risk that technical flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We also may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control (for example, computer viruses or electrical or telecommunications outages, or natural disasters, disease pandemics or other damage to property or physical assets) which may give rise to disruption of service to customers and to financial loss or liability. We are further exposed to the risk that our external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees as we are) and to the risk that we (or our vendors) business continuity and data security systems prove to be inadequate. The occurrence of any of these risks could result in a diminished ability of us to operate our business (for example, by requiring us to expend significant resources to correct the defect), as well as potential liability to clients, reputational damage and regulatory intervention, which could adversely affect our business, financial condition and results of operations, perhaps materially.

Risks Associated with this Offering and Our Common Stock

The market price of our common stock may decline after the offering.

The price per share at which we sell the common stock may be more or less than the market price of our common stock on the date the offering is consummated. If the purchase price is greater than the market price at the time of sale, purchasers will experience an immediate decline in the market value of the common stock purchased in this offering. If the actual purchase price is less than the market price for the shares of common stock, some purchasers in the offering may be inclined to immediately sell shares of common stock to attempt to realize a profit. Any such sales, depending on the volume and timing, could cause the price of our common stock to decline. Additionally, because stock prices generally fluctuate over time, there is no assurance that purchasers of our common stock in the offering will be able to sell shares after the offering at a price that is equal to or greater than the actual purchase price. Purchasers should consider these possibilities in determining whether to purchase shares in the offering and the timing of any sales of shares of common stock.

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Our profitability measures could be adversely affected if we are unable to effectively deploy the capital raised in this offering.

As described below under "Use of Proceeds," we may use the net proceeds of this offering for selective acquisitions that meet our disciplined acquisition criteria, to fund internal growth, or the repurchase of all or a portion of the Series A Preferred Stock issued to the Treasury, and for general corporate purposes. Although we are periodically engaged in discussions with potential acquisition candidates, we are not currently a party to any purchase or merger agreement. There can be no assurance that we will be able to negotiate future acquisitions on terms acceptable to us. Investing the proceeds of this offering in securities until we are able to deploy the proceeds would provide lower margins than we generally earn on loans, potentially adversely impacting shareholder returns, including earnings per share, net interest margin, return on assets and return on equity.

The Series A Preferred Stock diminishes the net income available to our common shareholders and earnings per common share, and the Warrant may be dilutive to holders of our common stock.

The dividends accrued and the accretion on discount on the Series A Preferred Stock reduce the net income available to common shareholders and our earnings per common share. The Series A Preferred Stock is cumulative, which means that any dividends not declared or paid will accumulate and will be payable when the payment of dividends is resumed. The Series A Preferred Stock's dividend rate will increase to 9% per annum five years after its original issuance if not earlier redeemed. If we are unable to redeem the Series A Preferred Stock prior to the date of this increase, the cost of this capital to us will increase substantially on that date, from 5.0% per annum to 9.0% per annum. Depending on our financial condition at the time, this increase in the annual dividend rate on the Series A Preferred Stock could have a material negative effect on our earnings and could also adversely affect our ability to declare and pay dividends on our common shares. Shares of Series A Preferred Stock will also receive preferential treatment in the event of the liquidation, dissolution or winding up of Columbia. Additionally, the ownership interest of the existing holders of our common stock will be diluted to the extent the Warrant is exercised. The shares of common stock underlying the Warrant represent approximately 1.4% of the shares of our common stock outstanding as of March 31, 2010 (including the shares issuable upon exercise of the Warrant in our total outstanding shares). Although the Treasury has agreed not to vote any of the shares of common stock acquired upon exercise of the Warrant, a transferee of any portion of the Warrant or of any shares of common stock acquired upon exercise of the Warrant is not bound by this restriction. For additional information related to the Series A Preferred Stock, see Note 23 to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" of our Annual Report on Form 10-K for the year ended December 31, 2009, incorporated by reference into this prospectus supplement.

The terms of the Series A Preferred Stock pose risks to the holders of our common stock in a variety of ways.

The terms of the Series A Preferred Stock pose risks to the holders of our common stock in a variety of ways:

The terms of the Series A Preferred Stock allow the Treasury to impose additional restrictions, including on dividends, and such amendments to the terms of the Series A Preferred Stock as may be required to comply with changes in applicable federal law.

The holders of Series A Preferred Stock, including the Treasury, may have different interests from the holders of our common stock, and could exercise their special voting rights to block certain transactions, including authorizing senior stock, amendments to the Series A Preferred Stock and approval of certain mergers, share exchanges or similar transactions, even where such transactions may be considered desirable by, or in the best interests of, the holders of our common stock.

Common stock dividends may not be declared if we are in arrears on the payment of dividends on the Series A Preferred Stock.

The holder of the Series A Preferred Stock must consent to any repurchase of common stock (other than in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice).

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There can be no assurance as to the level of dividends we may pay on our common stock.

Holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. Although we have historically declared cash dividends on our common stock, we are not required to do so and there may be circumstances under which we would eliminate our common stock dividend in the future. This could adversely affect the market price of our common stock. Also, our ability to increase our dividend or to make other distributions is restricted due to our participation in the CPP, which limits (without the consent of the U.S. Treasury) our ability to increase our quarterly common stock dividend above the amount of the last quarterly cash dividend per share declared prior to October 14, 2008 or to repurchase our common stock for so long as the Series A Preferred Stock remains outstanding.

We have various anti-takeover measures that could impede a takeover.

Our articles of incorporation include certain provisions that could make more difficult the acquisition of us by means of a tender offer, a proxy contest, merger or otherwise. These provisions include certain non-monetary factors that our board of directors may consider when evaluating a takeover offer, and a requirement that any Business Combination be approved by the affirmative vote of no less than 66 2/3% of the total shares attributable to persons other than a Control Person. These provisions and certain provisions of Washington law regarding business combinations of Washington corporations that have a class of voting stock registered under the Exchange Act, as we do, are summarized in the accompanying prospectus. See Description of Securities We May Offer Antitakeover Effects of Certain Provisions in our Articles, Bylaws and Washington Law on page B-8 of the accompanying prospectus. These provisions may have the effect of lengthening the time required for a person to acquire control of us through a tender offer, proxy contest or otherwise, and may deter any potentially hostile offers or other efforts to obtain control of us. This could deprive our shareholders of opportunities to realize a premium for their Columbia common stock, even in circumstances where such action is favored by a majority of our shareholders.

USE OF PROCEEDS

We expect to receive net proceeds from the sale of common stock offered hereby of approximately \$199.2 million (or approximately \$229.1 million if the underwriters exercise their over-allotment option in full), after deducting underwriting discounts and commissions and estimated expenses payable by us. We intend to use the net proceeds of the offering for selective acquisitions that meet our disciplined criteria, to fund internal growth and for general corporate purposes. With respect to acquisitions, we may use proceeds of the offering to take advantage of opportunities such as FDIC-assisted acquisitions. Depending on our evaluation of the optimal use of the proceeds of the offering, we may determine to apply the proceeds to the repurchase of all or a portion of the Series A Preferred Stock we have issued to the Treasury. Pending allocation to specific uses, we intend to invest the proceeds in short-term interest-bearing investment grade securities.

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The following table shows our consolidated capitalization (unaudited) as of March 31, 2010 and to give effect to the issuance of the common stock offered hereby. You should read the following table with the consolidated financial statements and notes which are incorporated by reference into this prospectus supplement.

	As of March 31, 2010 (unaudited)	
	Actual	As Adjusted(1)
	<i>(Dollars in thousands, except per share data)</i>	
Long-term debt:		
Long-term subordinated debt	\$ 25,686	\$ 25,686
Shareholders' equity:		
Preferred stock (no par value); 2,000,000 shares authorized; 76,898 outstanding, liquidation preference of \$1,000 per share	74,447	74,447
Common stock (no par value); 63,032,681 shares authorized; 28,242,420 shares outstanding; 37,842,420 shares outstanding, as adjusted	349,546	548,700
Retained earnings	99,843	99,843
Accumulated other comprehensive income	14,885	14,885
Total shareholders' equity	\$ 538,721	\$ 737,875
Book value per share	\$ 16.44	\$ 17.53
Tangible common book value per share(2)	\$ 11.77	\$ 14.05
Equity to total assets	13.03%	17.03%
Tangible common equity to tangible assets(3)	8.31%	12.65%
Regulatory capital ratios(4):		
Total risk-based capital ratio	17.80%	25.70%
Tier 1 risk-based capital ratio	16.54%	24.44%
Leverage ratio	10.94%	16.15%

(1) Assumes that 9,600,000 shares of our common stock are sold in this offering at \$21.75 per share and that the net proceeds thereof are approximately \$199.2 million after deducting underwriting discounts and commissions and our estimated expenses.

(2) Tangible common book value per share is defined as total shareholders' equity, less any outstanding preferred stock, reduced by recorded goodwill and other intangible assets divided by the total common shares outstanding.