U.S. SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Form 10-Q/A

[X] Quarterly report Pursuant to section 13 or 15(d) of the Securities and Exchange act of 1934
For the quarter ended March 31, 2002

[ ] Transition report pursuant to section 13 or 15(d) of the Securities and Exchange act of 1934 For the transition period from ______ to _____

Commission file number 0-23881

COWLITZ BANCORPORATION
(Exact name of registrant as specified in its charter)

Washington	91-1529841
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
927 Commerce Ave., Longview, Washington	98632
(Address of principal executive offices)	(Zip Code)

(360) 423-9800
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No __

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value on April 30, 2002: 3,732,172 shares

TABLE OF CONTENTS

COWLITZ BANCORPORATION
CONSOLIDATED STATEMENTS OF CONDITION
(in thousands of dollars, except number of shares)

(unaudited)		March 31, 2002		December 31, 2001
ASSETS				
Cash and cash equivalents	$	58,961	$	50,177
Investment securities:				
Investments available-for-sale (at fair value, cost of $41,795 and $30,172 at March 31, 2002 and December 31, 2001,		41,638		30,188
Investments held-to-maturity (at amortized cost, fair value of $1,852 and $4,157 at March 31, 2002 and December 31, 2001, respectively		1,819		4,115
Total investment securities		43,457		34,303
Federal Home Loan Bank stock, at cost		3,593		3,531
Loans held for sale		18,898		37,322
Loans, net of deferred loan fees		226,101		235,212
Allowance for loan losses		(5,617)		(5,997)
Loans, net		220,484		229,215
Premises and equipment, net of accumulated depreciation of $4,164 and $4,029 at March 31, 2002 and December 31, 2001, respectively		5,052		5,235
Goodwill		2,352		3,560
Intangible assets, net of accumulated amortization of $1,269 and $1,203 at March 31, 2002 and December 31, 2001, respectively		700		767
Accrued interest receivable and other assets		6,649		6,550
Total assets	$	360,146	$	370,660
LIABILITIES				
Deposits:				
Non-interest-bearing demand	$	43,243	$	43,225
Savings and interest-bearing demand		97,259		96,587
Certificates of deposit		165,648		175,678
Total deposits		306,150		315,490
Short-term borrowings		3,325		2,750
Long-term borrowings		18,933		19,009
Accrued interest payable and other liabilities		3,029		4,663
Total liabilities		331,437		341,912
SHAREHOLDERS' EQUITY				
Preferred stock, no par value; 5,000,000 shares authorized as of March 31, 2002 and December 31, 2001, no shares issued and outstanding		-		-
Common stock, no par value; 25,000,000 authorized as of March 31, 2002 and December 31, 2001; 3,732,172 and 3,692,560 shares issued and outstanding at March 31, 2002 and December 31, 2001, respectively		17,019		16,802
Additional paid-in capital		1,538		1,538
Retained earnings		10,270		10,398
Accumulated other comprehensive income, net of taxes		(118)		10
Total shareholders' equity		28,709		28748
Total liabilities and shareholders' equity	$	360,146		370,660

The accompanying notes are an integral part of these statements.

COWLITZ BANCORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands of dollars, except per share amount)

	Three months ended March 31, 2002	Three months ended March 31, 2001	Year Ended December 31, 2001
(unaudited)			
INTEREST INCOME			
Interest and fees on loans	$ 5,060	$ 6,186	$ 25,088
Interest on taxable investment securities	367	184	848
Interest on non-taxable investment securities	2	2	8
Other interest and dividend income	260	221	1,283
Total interest income	5,689	6,593	27,227
INTEREST EXPENSE			
Savings and interest-bearing demand	396	605	2,600
Certificates of deposit	1,892	2,218	9,382
Short-term borrowings	10	33	115
Long-term borrowings	237	364	1,285
Total interest expense	2,535	3,220	13,382
Net interest income before provision for loan losses	3,154	3,373	13,845
PROVISION FOR LOAN LOSSES	(300)	(252)	(5,262)
Net interest income after provision for loan losses	2,854	3,121	8,583
NON-INTEREST INCOME			
Service charges on deposit accounts	178	190	737
Gains on loans sold	1,174	757	4,872
Escrow fees	222	184	895
Fiduciary income	71	61	238
Credit card income	125	143	507
Brokerage Fees	605	403	2,450
Gain on sale of subsidiary	423	-	-
Net gains (losses) on sale of repossessed assets	2	(15)	(429)
Other income	61	56	232
Net gains on sales of available-for-sale securities	-	18	89
Total non-interest income	2,861	1,797	9,591
NON-INTEREST EXPENSE			
Salaries and employee benefits	2,446	2,165	9,365
Net occupancy and equipment expense	555	615	2,440
Impairment of goodwill	-	-	1,215
Business taxes	163	128	613
Amortization of intangibles	66	147	582
Net cost of operation of other real estate	84	15	144
Data processing and communications	103	126	543
Professional fees	301	146	641
Postage and freight	125	109	478
Credit card expense	116	107	408
FDIC insurance	147	833	1,180
Other operating expense	568	545	2,831
Total non-interest expense	4,674	4,175	19,474
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)	1,041	743	(1,300)
Income tax expense (benefit)	378	286	150
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	663	457	(1,450)
CUMULATIVE EFFECT ON PRIOR YEARS OF ACCTG CHANGE (Less applicable income taxes of $417,000)	791	-	-
NET INCOME	$ (128)	$ 457	$ (1,450)
BASIC EARNINGS PER SHARE OF COMMON STOCK	$ (0.03)	$ 0.12	$ (0.39)
DILUTED EARNINGS PER SHARE-COMMON STOCK	$ (0.03)	$ 0.12	$ (0.39)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAX PER DILUTED SHARE OF COMMON STOCK	$ (0.21)	$ -	$ -

The accompanying notes are an integral part of these statements.

COWLITZ BANCORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands of dollars, except per share amount)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity	Comprehensive Income (loss)
BALANCE AT DECEMBER 31, 2000	3,689,327	$ 16,785	$ 1,538	$ 12,048	$ 38	$ 30,409	
Comprehensive Income:							
Net loss	-	-	-	(1,450)	-	(1,450)	$ (1,450)
Net change in unrealized gains on investments available-for-sale, net of deferred taxes of $8	-	-	-	-	(28)	(28)	(28)
Comprehensive loss	-	-	-	-	-	-	(1,478)
Issuance of common stock for cash	3,233	17	-	-	-	17	
Cash dividends paid ($.05 per share)	-	-	-	(200)	-	(200)	
BALANCE AT DECEMBER 31, 2001	3,692,560	16,802	1,538	10,398	10	28,748	
Comprehensive Income:							
Net income	-	-	-	(128)	-	(128)	$ (128)
Net change in unrealized gains on investments available-for-sale, net of deferred taxes of $157	-	-	-	-	(128)	(128)	(128)
Comprehensive income	-	-	-	-	-	-	$ (256)
Issuance of common stock for cash	39,612	217	-	-	-	217	
BALANCE AT MARCH 31, 2002 (unaudited)	3,732,172	$ 17,019	$ 1,538	$ 10,270	$ (118)	$ 28,709	

The accompanying notes are an integral part of these statements.

COWLITZ BANCORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of dollars)

(unaudited)	Three months ended March 31, 2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ (128)	$ 457
Adjustments to reconcile net income to net cash provided by Operating activities:		
Deferred tax benefit	27	8
Depreciation and amortization	248	354
Change in accounting principle	1,208	-
Provision for loan losses	300	252
Net gain on sale of subsidiary	(423)	-
Net gains on sales of investments available-for-sale	-	(18)
Net amortization of investment security premiums and accretion of discounts	36	(2)
Net losses (gains) on sales of foreclosed assets	(2)	(15)
Gains on loans sold	(1,174)	(639)
Origination of loans held for sale	(92,936)	(101,880)
Proceeds of loans sales	112,534	62,549
Increase in accrued interest receivable and other assets	(123)	(347)
Increase (decrease) accrued interest payable and other liabilities	(1,421)	242
Federal Home Loan Bank stock dividends	(62)	(54)
Net cash from operating activities	18,084	39,093
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investment securities held-to-maturity	2,598	990
Proceeds from sales and maturities of investment securities available-for-sale	5,387	2,156
Proceeds from sales of foreclosed assets	83	240
Purchases of investment securities:		
Held-to-maturity	(300)	(99)
Available-for-sale	(17,048)	(2,250)
Net (increase) decrease in loans	8,720	10,395
Net cash paid from sale of subsidiary	(104)	-
Purchases of premises and equipment	(12)	(98)
Net cash from investment activities	(676)	(9,456)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in demand, savings, and interest bearing demand deposits	690	19,026
Net increase (decrease) in certificates of deposit	(10,030)	24,980
Dividends paid	-	(67)
Net increase in short-term borrowings	575	2,050
Repayment of long-term borrowings	(76)	(46)
Issuance of common stock for cash, net of amount paid for fractional shares and offering costs	217	6
Net cash from financing activities	(8,624)	45,949
Net increase (decrease) in cash and cash equivalents	8,784	2,600
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	50,177	25,589
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 58,961	$ 22,989

The accompanying notes are an integral part of these statements.

COWLITZ BANCORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except number of shares and per share amounts)

Nature of Operations

Cowlitz Bancorporation (the "Company") was organized in 1991 under Washington law to become the holding company for Cowlitz Bank (also the "Company" or the "Bank"), a Washington state chartered bank that commenced operations in 1978. The principal executive offices of the Company are located in Longview, Washington.

The Company offers or makes available a broad range of financial services to its customers, primarily small and medium-sized businesses, professionals and retail customers. The Bank's commercial and personal banking services include commercial and real estate lending, consumer lending, mortgage origination and trust services. From 1998 through 2001, the Company also provided asset-based lending services to companies throughout the Western United States through its subsidiary, Business Finance Corporation ("BFC"), which was sold in the first quarter of 2002. See footnote 9 for a detailed discussion of the sale of BFC.

The Company's goal is to expand its position as a community-based provider of financial services. The Company's growth strategy is based on providing both exceptional personal service and a wide range of financial services to its customers. This is done by emphasizing personal service and developing strong community ties, offering financial products and services that are focused on small and medium-sized businesses, and increasing business volume in existing markets. In accordance with this strategy, during 1999 and 2000, the Company acquired or opened several mortgage and escrow branches. Bay Mortgage and Bay Escrow of Bellevue, Washington, Bay Mortgage and Bay Escrow of Seattle, Washington, Bay Mortgage of Silverdale, Washington, and Bay Mortgage of Vancouver, Washington (collectively "Bay Mortgage") have joined together with the Longview mortgage operations as a mortgage lending services branch of Cowlitz Bank. Bay Mortgage serves customers throughout the greater Bellevue/Seattle market area, Cowlitz County, and through the Vancouver office, the greater Portland, Oregon market. The Bank also expanded its commercial banking activities in the Seattle/Bellevue area with the September 1999 opening of a branch in Bellevue, Washington, which is doing business as Bay Bank. In mid-2000, the Company acquired Northern Bank of Commerce ("NBOC") of Portland, Oregon, which operates as a branch of the Bank doing business as Northern Bank of Commerce. NBOC operates its main office in downtown Portland, and has 12 limited service branches located within retirement centers in the Portland metropolitan area.

For the first quarter of 2001, the Company has reclassified certain income and expense items relating to the loans funded or processed by Bay Mortgage in order to conform with changes in the current period presentation. Fees collected on loans brokered, but not funded, by Bay Mortgage to outside lenders had been recorded as interest income but are now properly classified as non-interest income. Similarly, loan origination fees related to loans held-for-sale previously reported as interest income have been reclassified as non-interest income. Loan origination fees on loans held-for-sale, net of certain direct origination costs, are deferred and amortized as an adjustment of the yield on the related loan using the interest method. Such net deferred loan origination fees are recognized when the related loans are subsequently sold or repaid. These reclassifications have no effect on the Company's previously reported financial position, results of operations, or earnings per share.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

The interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, including normal recurring accruals necessary for fair presentation of results of operations for the interim periods included herein have been made. The results of operations for the three months ended March 31, 2002 are not necessarily indicative of results to be anticipated for the year ending December 31, 2002.

(amounts in thousands, except number of shares and per share amounts)

Supplemental Cash Flow Information

For purposes of presentation in the statements of cash flows, cash and cash equivalents are defined as those amounts in the balance sheet caption "Cash and due from banks" and include cash on hand, amounts due from banks and federal funds sold. Federal funds sold generally mature the day following purchase.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for loan losses. Actual results could differ from those estimates.

Earnings Per Share

The following table reconciles the numerator and denominator of the basic and diluted earnings per share computations:

	Net Income/ (Loss)	Weighted Avg. Shares	Per Share Amount
	For the three months ended March 31, 2002		
Basic earnings per share	$ (128)	3,699,519	$ (0.03)
Stock Options		46,564	
Diluted earnings per share	$ (128)	3,746,083	$ (0.03)
	For the three months ended March 31, 2001		
Basic earnings per share	$ 457	3,690,457	$ 0.12
Stock Options		32,470	
Diluted earnings per share	$ 457	3,722,827	$ 0.12

Options to purchase 538,106 shares of common stock with exercise prices ranging from $5.71 to $12.00, with an average price of $8.56, were outstanding at March 31, 2002 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares. These options expire from 2007-2010.

Recently Issued Accounting Standards

SFAS Nos. 141, 142, 143, and 144

Statement of Financial Accounting Standard (SFAS) No. 141 – "*Business Combinations*" addresses financial accounting and reporting for business combinations and supersedes APB Opinion No. 16, "*Business Combinations*," and FASB Statement No. 38, "*Accounting for Preacquisition Contingencies of Purchased Enterprises*." All business combinations in the scope of this Statement are to be accounted for using the purchase method. The provisions of this Statement apply to all business combinations initiated after June 30, 2001. This Statement also applies to all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later. The Company has adopted this standard, but the adoption is not expected to have a material impact to the Company's financial position or results of operations.

(amounts in thousands, except number of shares and per share amounts)

Statement of Financial Accounting Standard (SFAS) No. 142 – "*Goodwill and Other Intangible Assets*," addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "*Intangible Assets*." It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The provisions of this Statement are required to be applied starting with fiscal years beginning after December 15, 2001. The Company has adopted this standard effective January 1, 2002. Under the new rules, goodwill (and intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to annual impairment tests in accordance with the Statement. Other intangible assets will continue to be amortized over their useful lives.

Acquired intangible assets consisted of the following at the periods indicated:

	At March 31, 2002		At December 31, 2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Core Deposits	$ 1,970	$ (1,270)	$ 1,970	$ (1,203)
Unamortized intangible assets				
Goodwill	$ 2,840	$ (488)	$ 4,048	$ (488)

The changes in the carrying amount of goodwill for the periods indicated are as follows:

	Three Months Ended March 31, 2002			
	Commercial Banking	Mortgage Banking	Other	Total
Balance beginning of period	852	2,708	-	3,560
Goodwill amortized during period	-	-	-	-
Impairment losses recognized under SFAS No. 142		(1,208)		(1,208)
Balance end of period	$ 852	$ 1,500	$ -	$ 2,352

	Three Months Ended March 31, 2001			
	Commercial Banking	Mortgage Banking	Other	Total
Balance beginning of period	914	2,097	1,307	4,318
Goodwill amortized during period	(16)	(40)	(25)	(81)
Balance end of period	$ 898	$ 2,057	$ 1,282	$ 4,237

	Year Ended December 31, 2001			
	Commercial Banking	Mortgage Banking	Other	Total
Balance beginning of period	914	2,097	1,307	4,318
Goodwill amortized during period	(62)	(161)	(92)	(315)
Impairment losses recognized under SFAS No. 121			(1,215)	(1,215)
Addition to goodwill -Bay Mortgage earn-out payments		772		772
Balance end of period	$ 852	$ 2,708	$ -	$ 3,560

Future estimated amortization expense for core deposit intangibles consist of the following for the years ended December 31:

2003	265
2004	236
2005	-
2006	-
2007	-
Thereafter	-
Total	$ 501

The aggregate amortization expense for the quarter ended March 31, 2002 and 2001 amounted to $66,000 and $147,000, respectively. Aggregate amortization expense for the quarter ended March 31, 2001 includes $81,000 of amortization expense attributed to Goodwill, which is no longer being amortized according to the provisions of SFAS No. 142.

The transitional disclosure requirements of SFAS No. 142 require presentation of income for all periods reported, adjusted for amortization expense for all goodwill and intangible assets. The following adjusted income amounts are reconciled to reported net income:

	(Pro forma) Three months ended March 31,		December 31,
(unaudited)			
(in thousands of dollars, except per share amount)	2002	2001	2001
Reported net income	$ (128)	$ 457	$ (1,450)
Add back: Goodwill amortization, net of tax	-	53	208
Restated net income	$ (128)	$ 510	$ (1,242)
BASIC EARNINGS PER SHARE OF COMMON STOCK			
Reported net income per share	$ (0.03)	$ 0.12	$ (0.39)
Add back: Goodwill amortization per share, net of tax	-	0.01	0.06
Restated net income per share	$ (0.03)	$ 0.13	$ (0.33)
DILUTED EARNINGS PER SHARE OF COMMON STOCK			
Reported net income per share	$ (0.03)	$ 0.12	$ (0.39)
Add back: Goodwill amortization per share, net of tax	-	0.01	0.06
Restated net income per share	$ (0.03)	$ 0.13	$ (0.33)

The Company has applied the new rules on accounting for goodwill and other intangible assets during the first quarter of 2002. Application of the non-amortization provisions of the Statement is expected to result in an increase in net income of $325,000 per year. Amortization expense on intangible assets was $66,000 for the three months ended March 31, 2002 compared to $147,000 for the same period of 2001. During the first quarter of 2002, upon adoption of SFAS 142, the Company performed a transitional impairment test of goodwill and indefinite lived intangible assets. The effect of changing to this new accounting principle is a one-time charge of $791,000 net of tax, related to the Company's mortgage banking segment. The impairment test was performed using a market valuation approach, utilizing recent sales data of similar mortgage operations, combined with an estimate of the Company's current value. This combined valuation was below the segment's asset value, so the goodwill value was adjusted to reflect the impairment. The writedown is included in the Company's consolidated statement of operations as a separately captioned item entitled "Cumulative Effect on Prior Years of Accounting Change." The Company does not anticipate any additional future impairment charges related to the carrying value of its goodwill, and no adjustments will be made to the current quarter's final calculated impairment charge of $791,000.

(amounts in thousands, except number of shares and per share amounts)

Statement of Financial Accounting Standard (SFAS) No. 143 – "*Accounting for Asset Retirement Obligations*," addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and/or the normal operation of a long-lived asset, except for certain obligations of lessees. As used in this Statement, a legal obligation is an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel. This Statement amends FASB Statement No. 19, "*Financial Accounting and Reporting by Oil and Gas Producing Companies*." This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002, so will become effective for the Company in the first quarter of 2003.

Statement of Financial Accounting Standard (SFAS) No. 144 – "*Accounting for the Impairment or Disposal of Long-Lived Assets*" addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes FASB Statement No. 121, "*Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*," and the accounting and reporting provisions of APB Opinion No. 30. SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale, and broadens the presentation of discontinued operations to include more disposal transactions. Application of SFAS No. 144 was effective on January 1, 2002, at which time the Company adopted this standard.

The Company does not anticipate that the adoption of Statement Nos. 143 and 144 will have a material effect on its financial position or results of operations.

Comprehensive Income

For the Company, comprehensive income includes net income reported on the statements of operations and changes in the fair value of its available-for-sale investments reported as a component of shareholders' equity.

The components of comprehensive income (loss) for the three month periods ended March 31, 2002 and 2001 and the twelve month period ended December 31, 2001, are as follows:

	Three months ended March 31, 2002	Three months ended March 31, 2001	Twelve months ended December 31, 2002
Unrealized gain (loss) arising during the period, net of tax	$ (128)	$ 34	$ 31
Reclassification adjustment for net realized gains (losses) on securities available-for-sale included in net income during the year, net of tax	-	18	(59)
Comprehensive income (loss)	$ (128)	$ 16	$ (28)

Segments of an Enterprise and Related Information:

The Company is principally engaged in community banking activities through its branches and corporate offices. The community banking activities include accepting deposits, providing loans and lines of credit to local individuals, businesses and governmental entities, investing in investment securities and money market instruments, and holding or managing assets in a fiduciary agency capacity on behalf of its customers and their beneficiaries. The Company provided asset based financing to companies throughout the western United States through its BFC subsidiary, until its sale in the first quarter of 2002. Bay Mortgage specializes in all facets of residential lending including FHA and VA loans, construction loans and bridge loans.

COWLITZ BANCORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except number of shares and per share amounts)

The community banking, asset based financing activity, and mortgage-banking activities are monitored and reported by Company management as separate operating segments. The seven separate banking offices and 12 retirement center branches have been aggregated into a single reportable segment, "Banking," and Bay Mortgage is included as a segment, "Mortgage Banking." The asset based financing segment, BFC, is reported as a separate segment in the following table below. The BFC segment was sold during the first quarter of 2002. See footnote 9 for a detailed discussion of the sale of BFC.

The accounting policies for the Company's segment information provided below are the same as those described for the Company in the summary of significant accounting policies footnote included in the Company's 2001 annual report, except that some operating expenses are not allocated to segments.

Summarized financial information for the period ended March 31, 2002 and 2001 concerning the Company's reportable segments is shown in the following tables.

Three months ended March 31, 2002

	Banking	Mortgage Banking	Holding Company	BFC	Intersegment	Consolidated
Interest income	$ 5,264	$ 744	$ 3	$ 130	$ (452)	$ 5,689
Interest expense	2,479	425	59	24	(452)	2,535
Net interest income	2,785	319	(56)	106	-	3,154
Provision for loan loss	300	-	-	-	-	300
Non-interest income	401	2,037	423	-	-	2,861
Non-interest expense	2,634	1,722	185	133	-	4,674
Income (loss) before tax	252	634	182	(27)	-	1,041
Income tax exp. (benefit)	98	219	70	(9)	-	378
Income (loss) before change in accounting principle	154	415	112	(18)	-	663
Change in accounting principle net of tax	-	791	-	-	-	791
Net income(loss)	$ 154	$ (376)	$ 112	$ (18)	$ -	$ (128)
Depreciation/amortization	$ 217	$ 29	$ -	$ 2	$ -	$ 248
Total assets	$ 356,446	$ 37,936	$ 31,718	$ -	$ (65,954)	$ 360,146

Three months ended March 31, 2001

	Banking	Mortgage Banking	Holding Company	BFC	Intersegment	Consolidated
Interest income	$ 5,977	$ 759	$ 44	$ 337	$ (524)	$ 6,593
Interest expense	3,172	437	63	72	(524)	3,220
Net interest income	2,805	322	(19)	265	-	3,373
Provision for loan loss	210	-	-	42	-	252
Non-interest income	453	1,344	-	-	-	1,797
Non-interest expense	2,502	1,313	169	191	-	4,175
Income (loss) before tax	546	353	(188)	32	-	743
Provision (benefit) for income taxes	194	120	(47)	19	-	286
Net income(loss)	$ 352	$ 233	$ (141)	$ 13	$ -	$ 457
Depreciation/amortization	$ 257	$ 68	$ -	$ 29	$ -	$ 354
Total assets	$ 337,041	$ 67,786	$ 33,807	$ 5,599	$ (100,671)	$ 343,562

Business Acquisitions and Sales

The current year to date net income also includes a gain on the sale of the Company's finance subsidiary, Business Finance Corp (BFC). BFC was purchased in August of 1998 in order to diversify the Company's holdings and to provide accounts receivable financing as an additional income source and an additional service to customers in the Western United States. However, during 2001, due to a poor return on investment, and a desire to focus its resources more fully on the core banking business, the Company began evaluating alternatives for this segment, including the possibility of selling the segment or reducing the level and scope of its operations. Charges taken in the fourth quarter of 2001 related to loan loss provisions and goodwill impairment, also contributed to the Company's decision to reduce its future commitment and investment in this segment. A formal plan of disposal for the segment was established in January of 2002. The only cost associated with the disposal of the BFC segment was for severance pay and this amount, which was recognized during the first quarter, was not significant.

On February 15, 2002, after a thorough evaluation of options had been considered by management, the Company completed its sale of BFC and recognized a pre-tax gain of $423,000 from the sale of BFC's remaining assets. The assets sold consisted primarily of the segment's collateralized factored receivable accounts that also possessed a positive credit and collection history. Because the final decision to sell BFC was not made until January 2002, the gain was not reported for the year ending December 31, 2002 in accordance with the provisions of APB Opinion No. 30, "*Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*", which was effective through December 31, 2001 until it was later superceded by SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", which became effective for the Company beginning January 1, 2002. The following table summarizes the sale transaction.

(dollars in thousands)		
Net finance receivables sold	$	2,511
Other assets sold		120
Total assets sold		2,631
Loans assumed		2,800
Other liabilities assumed		213
Due from purchaser		41
Total liabilities assumed and due from purchaser		3,054
Pre-tax gain on sale	$	423

Commitments and Contingencies

On March 8, 2002, a lawsuit was filed in the King County, Washington Superior Court against the Company by Independent Financial Network, Inc. ("IFN"), and one of IFN's shareholders, Scott Rerucha. The Company acquired certain assets and operations from IFN in 1999 pursuant to a purchase agreement with IFN, Mr. Rerucha, and other individuals. The operations acquired from IFN are the core of the Company's Bay Mortgage division. The complaint alleges, among other things, that the Company has materially breached its obligations under the purchase agreement and requests that the plaintiffs be awarded unspecified damages and that Mr. Rerucha be relieved of his non-competition obligations under the purchase agreement. The Company does not believe it has breached its obligations under the IFN agreement and intends to vigorously defend this action. The Company believes the potential damages awarded, if any, will not materially affect the Company's financial position, results of operation or cash flows. However, if Mr. Rerucha is relieved of his non-competition obligations, it is difficult to assess the potential impact on the earning potential of the Company's mortgage segment. The non-competition obligation currently extends through July 2004.

Certain of the Company's long-term borrowings have restrictive covenants that require the Company to maintain minimum levels of net income to required annual debt-service payments. At March 30, 2001, the Company was in violation of a covenant requiring the control of “overhead expenses, including salaries, in order to assure that quarterly net after-tax income less dividends to shareholders will exceed three times total loan payments of principal and interest.” However, a waiver of the covenant violation for the quarter ended March 31, 2002 was received from the Company's lender on May 6th, 2002. If the Company remains in violation of this debt covenant in future quarters, the lender has the discretion to require immediate repayment of the balance due, or repossess the collateral for this note. The Company does not anticipate remaining in violation of this covenant in future quarters.

Subsequent Events: NONE

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULT OF OPERATIONS

The following Management's discussion and Analysis of Financial Conditions and Results of Operations includes a discussion of certain significant business trends and uncertainties as well as certain forward-looking statements and is intended to be read in conjunction with and is qualified in its entirety by reference to the consolidated financial statements of the Company and accompanying notes included elsewhere in this report.

This discussion and information in the accompanying financial statements contains certain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the company, are generally identifiable by words such as "expect", "believe", "intend", "anticipate", "estimate" or similar expressions, and are subject to risks and uncertainties that could cause actual results to differ materially from those stated. Examples of such risks and uncertainties that could have a material adverse affect on the operations and future prospects of the company, and could render actual results different from those expressed in the forward-looking statement, include, without limitation: changes in general economic conditions, competition for financial services in the market area of the company, the level of demand for loans, quality of the loan and investment portfolio, deposit flows, legislative and regulatory initiatives, and monetary and fiscal policies of the U.S. Government affecting interest rates. The reader is advised that this list of risks is not exhaustive and should not be construed as any prediction by the Company as to which risks would cause actual results to differ materially from those indicated by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

For the first quarter of 2001, the Company has reclassified certain income and expense items relating to the loans funded or processed by Bay Mortgage in order to conform with changes in the current period presentation. Fees collected on loans brokered, but not funded, by Bay Mortgage to outside lenders had been recorded as interest income but are now properly classified as non-interest income. Similarly, loan origination fees related to loans held-for-sale previously reported as interest income have been reclassified as non-interest income. Loan origination fees on loans held-for-sale, net of certain direct origination costs, are deferred and amortized as an adjustment of the yield on the related loan using the interest method. Such net deferred loan origination fees are recognized when the related loans are subsequently sold or repaid. These reclassifications have no effect on the Company's previously reported financial position, results of operations, or earnings per share.

Results of Operations

During the first quarter of 2002, the Company has taken a one-time impairment charge to the carrying amount of its goodwill from the adoption of Statement of Financial Accounting Standards No. 142, "*Goodwill and Other Intangible Assets*" (SFAS No. 142). The impairment charge is recognized as a result of a transitional goodwill impairment test required by SFAS No. 142. The effect of this new accounting principle is a charge of $791,000 or $.21 per diluted share, net of tax of $417,000. This is a final calculation of the impairment charge, and the Company does not anticipate additional adjustments or charges related to the adoption of SFAS No. 142. The Company reported a net loss of $128,000 or $.03 per diluted share for the first quarter of 2002 after adopting the provisions of SFAS No. 142, compared to net income of $457,000 or $0.12 per share for the first quarter of 2001.

The following pro forma table restates prior period net income and earnings per share as if SFAS No. 142 had been in effect.

(unaudited) (in thousands of dollars, except per share amount)	(Pro forma) Three months ended March 31, 2002	 2001	 December 31, 2001
Reported net income	$ (128)	$ 457	$ (1,450)
Add back: Goodwill amortization, net of tax	-	53	208
Restated net income	$ (128)	$ 510	$ (1,242)
BASIC EARNINGS PER SHARE OF COMMON STOCK			
Reported net income per share	$ (0.03)	$ 0.12	$ (0.39)
Add back: Goodwill amortization per share, net of tax	-	0.01	0.06
Restated net income per share	$ (0.03)	$ 0.13	$ (0.33)
DILUTED EARNINGS PER SHARE OF COMMON STOCK			
Reported net income per share	$ (0.03)	$ 0.12	$ (0.39)
Add back: Goodwill amortization per share, net of tax	-	0.01	0.06
Restated net income per share	$ (0.03)	$ 0.13	$ (0.33)

The current quarter net income also includes a gain on the sale of the Company's finance subsidiary, Business Finance Corp (BFC), of $284,000 after tax or $.08 per diluted share. BFC was purchased in August of 1998 in order to diversify the Company’s holdings and to provide accounts receivable financing as an additional income source and an additional service to customers in the Western United States. However, during 2001, due to a poor return on investment, and a desire to focus its resources more fully on the core banking business, the Company began evaluating alternatives for this segment, including the possibility of selling the segment or reducing the level and scope of its operations. Charges taken in the fourth quarter of 2001 related to loan loss provisions and goodwill impairment, also contributed to the Company’s decision to reduce its future commitment in this segment. A formal plan of disposal for the segment was established in January of 2002. The only cost associated with the disposal of the BFC segment was for severance pay and this amount, which was recognized during the first quarter, was not significant.

On February 15, 2002, after a thorough evaluation of options had been considered by management, the Company completed its sale of BFC and recognized a pre-tax gain of $423,000 from the sale of remaining assets. The assets sold consisted primarily of the segment’s collateralized factored receivable accounts that also possessed a positive credit and collection history. Because the final decision to sell BFC was not made until January 2002, the gain was not reported for the year ended December 31, 2001 in accordance with the provisions of APB Opinion No. 30, “*Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*”, which was effective through December 31, 2001 until it was later superceded by SFAS No. 144, “*Accounting for the Impairment or Disposal of Long-Lived Assets*”, which became effective for the Company beginning January 1, 2002. The following table summarizes the sale transaction.

(dollars in thousands)	
Net finance receivables sold	$ 2,511
Other assets sold	120
Total assets sold	2,631
Loans assumed	2,800
Other liabilities assumed	213
Due from purchaser	41
Total liabilities assumed and due from purchaser	3,054
Pre-tax gain on sale	$ 423

The Company’s revenues (net interest income before provision for loan losses plus non-interest income) have increased 16.3% in the first quarter of 2002 compared to the same period in 2001 and non-interest expenses have also increased by 12.0% under the same comparison. Assets have declined 2.8% and liabilities 3.1% during the first quarter of 2002, compared to the levels at December 31, 2001.

Total assets have decreased $10.5 million primarily due to a $18.4 million decrease in loans held-for-sale, and a decline of $8.7 million in net loans. Approximately $9.2 million of the cash made available from the decreases in loans and loans held-for-sale has been used to increase the Company's investment securities portfolio, while another $8.8 million is on deposit with the Federal Home Loan Bank.

The decrease of $10.5 million in total liabilities is due to a drop in deposits of $9.3 million, primarily in the broker certificates of deposit. The Company has streamlined its process to sell mortgage loans into the secondary market, therefore the Company does not anticipate the volume of loans funded but not yet sold to reach the levels experienced in 2001. This allows the Company to reduce the volume of broker certificates of deposit as they mature, because the excess liquidity is no longer needed to fund the high volumes of loans originated, but not yet sold into the secondary market. At March 31, 2002, the Company had $55.6 million in broker deposits or 18.2% of the $306.2 million total deposits. Approximately $40.0 million of these broker deposits are scheduled to mature during the remainder of 2002.

Critical Accounting Policies

Cowlitz Bancorporation (the "Company") and its wholly owned subsidiary, Cowlitz Bank (also the "Company" or the "Bank") have identified their most critical accounting policy to be that related to the allowance for loan losses. The Company utilizes both quantitative and qualitative considerations in establishing an allowance for loan losses believed to be appropriate as of each reporting date. Quantitative factors include historical loss experience, recent delinquency and charge-off experience, changes in the levels of non-performing loans, portfolio size, and other known factors with specific loans. Qualitative factors include assessments of the types and quality of the loans within the loan portfolio as well as current local, regional, and national economic considerations. Changes in the above factors could have a significant affect on the determination of the allowance for loan losses. Therefore, a full analysis is performed by management on a quarterly basis to ensure that changes in estimated loan loss levels are adjusted on a timely basis. For further discussion of this significant management estimate, see "Allowance for Loan Losses."

Another critical accounting policy of the Company is that related to the carrying value of goodwill. During the first quarter of 2002, the Company has taken a one-time impairment charge to the carrying amount of its goodwill related to the adoption of Statement of Financial Accounting Standards No. 142, *"Goodwill and Other Intangible Assets*" (SFAS No. 142). The impairment charge is recognized as a result of a transitional goodwill impairment test required by SFAS No. 142. The Company adopted primarily a market approach in assessing goodwill impairment and will measure the carrying value at least annually under the new accounting rules. For further discussion of the adoption of SFAS No. 142 and its effects on the Company's operations, see note 6, "Recently Issued Accounting Statements."

Net Interest Income

For financial institutions, the primary component of earnings is net interest income. Net interest income is the difference between interest income, principally from loans and the investment securities portfolio, and interest expense, principally on customer deposits and borrowings. Changes in net interest income result from changes in "volume," "spread," and "margin." Volume refers to the dollar level of interest-earning assets and interest-bearing liabilities. Spread refers to the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities. Net interest margin is the ratio of net interest income to total interest-earning assets and is influenced by the level and relative mix of interest-earning assets and interest-bearing liabilities.

Net interest income for the quarter ended March 31, 2002 was $3.2 million, which was a decrease of 6.5% from $3.4 million for the same period of 2001. The overall tax-equivalent earning asset yield was 6.75% for the quarter ended March 31, 2002 compared to 9.26% for the quarter ended March 31, 2001. This significant decline is primarily due to eleven cuts in the national fed funds rate, and the Company's prime rate during 2001. The volume of average earning assets increased to $337.3 million at March 31, 2002 compared to $284.9 million at March 31, 2001. The increase in earning assets volume is the result of the growth of the mortgage division during 2001. Although the mortgage loans held-for-sale volumes have declined from the levels of 2001, much of the broker CD volume is still with the Bank until the CD's mature. Instead of funding the loans held-for-sale, the majority of the cash from the CD's has been invested in the available-for-sale investment portfolio, which has increased $11.5 million, or is on deposit at the Federal Home Loan Bank. The Company anticipates a reduction in cash and due from banks as the broker certificates mature unless the funds are needed to support another dramatic increase in mortgage loan volume as experienced in 2001.

The average cost of interest bearing liabilities decreased to 3.57% at March 31, 2002 compared to 5.48% at March 31, 2001. This decrease in rates paid is also primarily due to the overall decline in interest rates in 2001. Average rates paid on interest-bearing liabilities did not decrease as far as the average yields earned on interest-earning assets because some longer term certificates of deposit are still on the books at relatively high interest rates. These certificates will re-price at the current lower interest rates as they mature. Average interest bearing liabilities increased $49.3 million from $234.9 million for the three months ended March 31, 2001 to $284.3 million for the three months ended March 31, 2002. The majority of this increase is in deposits, particularly broker certificates of deposit purchased to fund the mortgage loan volume growth in 2001.

The decline in interest rates during 2001 has contributed to the narrowing interest spread during the first quarter of 2002 when compared to the first quarter of 2001. Prime based loans re-priced downward immediately when the prime rate was adjusted, but fixed rate liabilities, particularly CD's, did not immediately adjust to prime, so don't re-price as quickly. In the falling rate environment experienced in 2001, yields on assets declined more rapidly than the liability rates, narrowing the interest spread. With the expectation of a static interest rate environment for the majority of 2002, the Company anticipates a widening of the interest rate spread as higher rate certificates continue to mature and re-price at the current lower interest rates, while the overall loan interest rates remain relatively stable. The Company also anticipates a decline in broker certificate of deposit volumes during 2002, as discussed above, which will further widen the interest rate spread. Excess cash on deposit with the Federal Home Loan Bank earning the federal funds rate will be used to pay-off some broker certificates as they mature. The interest rate the Company is paying on these deposits is higher than the fed funds rate that is currently being earned, creating a negative interest rate spread. This imbalance will be corrected as the broker certificates mature, helping to widen the overall interest rate spread. Depending on cash flow and liquidity needs, the Company may not renew many of the broker certificates as they mature, but retains the ability to purchase additional deposits if funding or liquidity needs arise. The Company may choose to purchase deposits in the future, despite some exposure to interest rate and liquidity risks. Because broker certificates are extremely rate sensitive, they are potentially volatile deposits that will only renew at higher prices than core deposits. The interest rate risk associated with broker certificates is not as pronounced to the Company because of the deposit rate environment of its primary market, Cowlitz County. This market has a very high concentration of credit unions, which offer higher than average deposit rates, so in order to compete for core deposits, the Company's rates are also somewhat higher than average. During the time period funding was needed for the mortgage segment's growth, the cost to acquire broker certificates of deposit was lower than the Company's certificate rates.

Analysis of Net Interest Income

The following table presents information regarding yields and interest earning assets, expense on interest bearing liabilities, and net yields on interest earning assets for periods indicated on a tax equivalent basis.

(unaudited)
(in thousands of dollars)

	Three months ended March 31, 2002	Three months ended March 31, 2001	Increase (Decrease)	Change
Interest income (1)	$ 5,690	$ 6,594	$ (904)	(13.7) %
Interest expense	2,535	3,220	(685)	(21.3) %
Net interest income	$ 3,155	$ 3,374	$ (219)	(6.5) %
Average interest earning assets	$ 337,315	$ 284,898	$ 52,417	18.4 %
Average interest bearing liabilities	$ 284,273	$ 234,949	$ 49,324	21.0 %
Average yields earned (2)	6.75 %	9.26 %	(2.51) %	
Average rates paid (2)	3.57 %	5.48 %	(1.91) %	
Net interest spread (2)	3.18 %	3.78 %	(0.60) %	
Net interest margin (2)	3.74 %	4.74 %	(1.00) %	

Interest earned on non-taxable securities has been computed on a 34% tax equivalent basis.
Ratios for the three months ended March 31, 2002 and 2001 have been annualized.

Market Risks

Exposure to Regional Economy

Historically, the Company has been extremely dependent upon the economy of Cowlitz County. That risk has been mitigated somewhat by the Company's expansion into the Seattle, Washington and Portland, Oregon markets. The Company continues to be dependent upon the economy of the Pacific Northwest region.

Credit Risk

The Company, like other lenders, is subject to credit risk, which is the risk of losing principal and interest due to customers' failure to repay loans in accordance with their terms. Although the Company has established lending criteria and an adequate allowance for loan losses to help mitigate credit risk, a downturn in the economy or the real estate market or a rapid increase in interest rates could have a negative effect on collateral values and borrowers' ability to repay. The Company's targeted customers are small to medium-size businesses, professionals and retail customers that may have limited capital resources to repay loans during an economic downturn.

Interest Rate Risk

The Company's earnings are largely derived from net interest income, which is interest income and fees earned on loans and investment income, less interest expense paid on deposits and other borrowings. Interest rates are highly sensitive to many factors which are beyond the control of the Company's management, including general economic conditions, and the policies of various governmental and regulatory authorities. As interest rates change, net interest income is affected. With fixed rate assets (such as fixed rate loans) and liabilities (such as certificates of deposit), the effect on net interest income depends on the maturity of the asset and liability. The Company's primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on the Company's net interest income and capital, while structuring the Company's asset/liability position to obtain the maximum yield-cost spread on that structure. Interest rate risk is managed through the monitoring of the Company's gap position and sensitivity to interest rate risk by subjecting the Company's balance sheet to hypothetical interest rate shocks. In a falling rate environment, as experienced in 2001, the spread between interest yields earned and interest rates paid, may narrow, depending on the relative level of fixed and variable rate assets and liabilities. In a stable or increase rate environment, as anticipated in 2002, the company's variable rate loans will remain steady or increase immediately with changes in interest rates, while fixed rate liabilities, particularly certificates of deposit will only re-price as the liability matures.

Non-Interest Income

Non-interest income consists of the following components:

	March 31,	
	2002	2001
Service charge on deposit accounts	$ 178	$ 190
Gains on loans sold	1,174	757
Brokerage fees	605	403
Fiduciary income	71	61
Escrow fees	222	184
Credit Card income	125	143
ATM income	28	14
Safe deposit box fees	24	28
Gain on sale of subsidiary	423	-
Gain on sale of repossessed assets	2	(15)
Gains on sale of available-for-sale securities	-	18
Other miscellaneous fees and income	9	14
Total non-interest income	**$ 2,861**	**$ 1,797**

Non-interest income increased to $2.9 million for the three months ended March 31, 2002 from $1.8 million in the corresponding period of 2001. During the first quarter of 2002, the Company sold BFC resulting in a $423 gain. The remaining increase from quarter to quarter is due to additional non-interest income generated by mortgage lending activities including gains on loans sold, escrow fees and brokerage fees. Mortgage income accounted for 82.1% of the total non-interest income, excluding the gain on sale of subsidiary, for the first quarter of 2002, and 74.8% for the same period of 2001. The increase in mortgage income was due to the significant increase in mortgage loan volumes after February of 2001 and into the first quarter of 2002 to correspond with the decline in interest rates during 2001. Implementation of a program to charge for non-customer ATM usage has generated an additional $5,000 of ATM income for the first quarter of 2002.

Non-Interest Expense

Non-interest expense consists of the following components:

	March 31, 2002	March 31, 2001
Salaries and employee benefits	$ 2,446	$ 2,165
Net occupancy and equipment	555	615
Amortization of intangible assets	66	147
Net cost of operation of other real estate owned	84	15
Business taxes	163	128
Data processing and communications	103	126
Stationary and supplies	72	60
Credit card expense	116	107
Parking, travel and education	83	82
Loan expense	78	74
Advertising	45	50
Professional fees	301	146
Postage and freight	125	109
FDIC insurance	147	72
Other miscellaneous expenses	290	279
Total non-interest expense	**$ 4,674**	**$ 4,175**

Non-interest expenses increased 11.9% to $4.7 million for the quarter ended March 31, 2002 compared to $4.2 million for the quarter ended March 31, 2001. Contributing to the increase was salary and other costs related to the growth of the mortgage division during 2001, a rise in FDIC insurance premiums, and higher professional fees primarily associated with the sale of BFC in the first quarter of 2002.

Salary expense has increased from $2.2 million for the first quarter of 2001 to $2.4 million during the same period of 2002. At March 31, 2002 the Company had 195 full-time equivalent employees compared to 203 at March 31, 2001. Although the number of employees has declined, commission expenses at Bay Mortgage have increased because there was a larger volume of mortgage loans originated in the first quarter of 2002 compared to the first quarter of 2001.

Net occupancy expenses consist of depreciation on premises, lease costs, equipment, maintenance and repair expenses, utilities and related expenses. The Company's net occupancy expense for the three months ended March 31, 2002 was $555,000 compared to $615,000 for the three months ended March 31, 2001. The decrease in occupancy expense in the first quarter of 2002 was due primarily to a reduction in depreciation expense of $21,000 on assets that became fully depreciated during 2001. Lease payments decreased by $10,000 and service and repair charges are $18,000 lower than last year.

The FDIC insurance has increased because in the first quarter 2001, the Bank was required to pay $.10 per $100 of domestic deposits, which has increased to $.17 per $100. The FDIC issued regulations establishing a system for setting deposit insurance premiums based upon the risks a particular bank or savings association poses to the deposit insurance funds. This system bases an institution's risk category partly upon whether the institution is well capitalized, adequately capitalized or less than adequately capitalized. Each insured depository institution is also assigned to one of three "supervisory" categories based on reviews by regulators, statistical analysis of financial statements and other relevant information. An institution's assessment rate depends upon the capital category and supervisory category to which it is assigned. Annual assessment rates currently range from zero per $100 of domestic deposits for the highest rated institution to $0.27 per $100 of domestic deposits for an institution in the lowest category. Under legislation enacted in 1996 to recapitalize the Savings Association Insurance Fund, the FDIC is authorized to collect assessments against insured deposits to be paid to the Financing Corporation ("FICO") to service FICO debt incurred in the 1980's. The current FICO assessment rate for BIF insured deposits is $0.0176 per $100 of deposits per year. Any increase in deposit insurance of FICO assessments could have an adverse effect on Cowlitz Bank's earnings.

Professional fees include exam and audit expenses, consulting and legal fees, and other professional fees. The increase in these expenses during the first three months of 2002 compared to the same period of 2001 is the result of higher legal fees relating to the repossession of assets on defaulted loans, and a broker commission related to the sale of BFC.

Income Taxes

The provision for income taxes was $378,000 and $286,000 for the three months ended March 31, 2002 and 2001, respectively. The provision resulted in an effective tax rate of 36.3% and 38.5% for the first quarters of 2002 and 2001, respectively.

Provision for Loan Losses

The amount of the allowance for loan losses is analyzed by management on a regular basis to ensure that it is adequate to absorb losses inherent in the loan portfolio as of the reporting date. When a provision for loan losses is recorded, the amount is based on past charge-off experience, a careful analysis of the current loan portfolio, the level of non-performing and impaired loans, evaluation of future economic trends in the Company's market area, and other factors relevant to the loan portfolio. See the "Allowance for Loan Losses" disclosure for a more detailed discussion.

The Company's provision for loan losses was $300,000 and $252,000 for the quarters ended March 31, 2002 and 2001, respectively. Charge-offs, net of recoveries, were $391,000 for the three months ended March 31, 2002 compared to net charge-offs of $1.7 million for the three months ended March 31, 2001 and $3.8 million for the year ended December 31, 2001. The Company recognized an adjustment to the allowance for loan losses of $289,000 related to the sale of BFC during the first quarter of 2002. At March 31, 2002, the allowance for loan losses as a percentage of total loans was 2.48%, down slightly from the level of 2.55% at December 31, 2001 and up from 1.30% at March 31, 2001.

Net charge-offs during the first quarter of 2002 are significantly lower than during the first quarter of 2001, and for the year of 2001. Management made the commitment during 2001 to identify and charge-off loans deemed non-collectable, to bolster loan loss reserves to help absorb potential future losses on loans as the Cowlitz county and national economies recover, and to strengthen internal controls in identifying loan problems prior to the need to charge-off. The lower charge-off experience during the first quarter of 2002 is evidence of the Company's progress of these goals, and with continued attention, the Company anticipates additional improvements going forward.

The allowance for loan losses is based upon estimates of probable losses inherent in the loan portfolio. The amount actually realized for these loans can vary significantly from the estimated amounts.

The following table shows the Company's loan loss performance for the periods indicated:

(unaudited) (in thousands of dollars)		Quarter Ended March 31, 2002		Quarter Ended March 31, 2001		Year Ended December 31, 2001
Loans outstanding at end of period	$	226,101	$	242,369	$	235,212
Average loans outstanding during the period		230,080	$	238,394	$	239,678
Allowance for loan losses, beginning of period		5,997	$	4,561	$	4,561
Loans charged off:						
Commercial		391		648		2,729
Real Estate		30		1,020		1,743
Consumer		1		5		53
Credit Cards		36		7		86
Total loans charged-off		458		1,680		4,611
Recoveries:						
Commercial		32		-		115
Real Estate		25		13		652
Consumer		1		14		15
Credit Cards		9		1		3
Total recoveries		67		15		785
Provision for loan losses		300		252		5,262
Adjustment incident to sale of subsidiary		(289)		-		-
Allowance for loan losses, end of period	$	5,617	$	3,148	$	5,997
Ratio of net loans charged-off to average loans outstanding		0.17 %		0.70 %		1.60 %
Ratio of allowance for loan losses to loans at end of period		2.48% %		1.30 %		2.55 %

Loans

Total loans outstanding were $226.1 million and $235.2 million at March 31, 2002 and December 31, 2001, respectively. Loan commitments such as home equity and other lines of credit, unused available credit on credit cards, and letters of credit, were $50.2 million at March 31, 2002 and $53.7 million at December 31, 2001. In addition, the Company had $18.9 million of loans held for sale at March 31, 2002 compared to $37.3 million at December 31, 2001. During the first quarter of 2002, the Company funded $92.9 million of loans to be sold into the secondary market, and delivered $112.5 million to the market. This compares to $101.9 million funded and $62.5 million delivered during the first quarter of 2001.

The following table presents the composition of the Company's loan portfolio at the dates indicated:

(unaudited)		March 31, 2002			December 31, 2001	
		Amount	Percentage		Amount	Percentage
Commercial	$	48,799	21.51 %	$	50,152	21.25 %
Real estate construction		36,258	15.98		26,520	11.24
Real estate commercial		100,949	44.51		111,437	47.23
Real estate mortgage		34,922	15.39		36,190	15.34
Consumer and other		5,922	2.61		11,650	4.94
		226,850	100.00 %		235,949	100.00%
Deferred loan fees		(749)			(737)	
Total loans		226,101			235,212	
Allowance for loan losses		(5,617)			(5,997)	
Total loans, net	$	220,484		$	229,215	

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable losses which have occurred as of the date of the financial statements. The loan portfolio is regularly reviewed to evaluate the adequacy of the allowance for loan losses. In determining the level of the allowance, the Company evaluates the amount necessary for specific non-performing loans and estimates losses inherent in other loans. An important element in determining the adequacy of an allowance for loan losses is an analysis of loans by loan rating categories. The risk of a credit is evaluated by the Company's management at inception of the loan using an established grading system. This grading system currently includes ten levels of risk. Risk gradings range from "1" for the strongest credits to "10" for the weakest; a "10" rated loan would normally represent a loss, and all loans rated 6-10 are collectively the Company's watch list. The specific gradings from 6-10 are "management attention", "special mention", "substandard", "doubtful", or "loss". When indicators such as operating losses, collateral impairment or delinquency problems show that a credit may have weakened, the credits will be downgraded as appropriate. Similarly, as borrowers bring loans current, show improved cash flows, or improve the collateral position of the loan, the credits may be upgraded. Management reviews all credits periodically for changes in such factors. There have been no changes to the Company's allowance for loan losses related to changes in methods or assumptions since December 31, 2001. Any adjustments or changes in the elements and components of the allowance since year end are primarily the result of loan quality assessments, and variations in total loan volumes.

The result is an allowance with two components:

Specific Reserves: Loans on the Company's watch list, as described above, are specifically reserved for by applying a separate reserve factor to the volume of loans within each risk grade. The reserve factors are determined on the basis of suggested regulatory guidelines. Management assesses each loan on the watch list to assure the reserve factor applied to each risk grade is sufficient for each individual loan within the pool. When significant conditions or circumstances exist on an individual loan indicating greater risk, additional specific reserves may be required. Management considers in its analysis expected future cash flows, the value of collateral and other factors that may impact the borrower's ability to pay.

General Allowance: Any loan that does not require a specific reserve is subject to a general reserve loss factor. Management determines this factor by analyzing the volume and mix of the existing loan portfolio, including the volume and severity of non-performing loans and adversely classified credits; analysis of net charge-offs experienced on previously classified loans; the nature and value of collateral securing the loans; the trend in loan growth, including any rapid increase in loan volume within a relatively short period of time; management's subjective evaluation of general and local economic and business conditions affecting the collectibility of the Company's loans; the relationship and trend over the past several years of recoveries in relation to charge-offs; and any changes in lending policies, lending management, or the loan review system. This decision also reflects management's attempt to ensure that the overall allowance appropriately reflects a margin for the imprecision necessarily inherent in estimates of expected loan losses.

The quarterly analysis of specific and general loss components of the allowance is the principal method relied upon by management to ensure that changes in estimated loan loss levels are adjusted on a timely basis. The inclusion of historical loss factors in the process of determining the general component of the allowance also acts as a self-correcting mechanism of management's estimation process, as loss experience more remote in time is replaced by more recent experience. In its analysis of the specific and the general components of the allowance, management also considers regulatory guidance in addition to the Company's own experience.

Loans and other extensions of credit deemed uncollectable are charged to the allowance. Subsequent recoveries, if any, are credited to the allowance. Actual losses may vary from current estimates and the amount of the provision may be either greater than or less than actual net charge-offs. The related provision for loan losses that is charged to income is the amount necessary to adjust the allowance to the level determined through the above process. In accordance with the Company's methodology for assessing the appropriate allowance for loan losses, the general portion of the allowance was $2.7 million at March 31, 2002 compared to $3.2 million at December 31, 2001. The reduction to the general allowance is a combination of a reduction in total loans to $226.1 million at March 31, 2002 from $235.2 million at December 31, 2001, and a migration of about $2.1 million in loans onto the Company's watch list. Once a loan is added to the watch list, as discussed above, a specific reserve is assigned to that loan rather than a general reserve allowance.

At March 31, 2002, approximately $2.9 million of the allowance for loan losses was allocated based on an estimate of the amount that was necessary to provide for potential losses related to the watch list and other specific loans, compared to $2.8 million at December 31, 2001. Specific reserves decline as those loans requiring specific reserves are reduced by either principal payments, reclassification assessments, or have been charged off, and increase as additional loans requiring specific reserves are identified. During the first three months of 2002, $393,000 of loans requiring specific reserves were charged against the reserve. This reduction in specific reserve was offset by a migration of about $2.1 of loans onto the company's watch list from the general loan pool, keeping the specific reserve allowance relatively unchanged since December 31, 2001. Total loans on the Company's watch list increased from $27.1 million at December 31, 2001 to $28.8 million at March 31, 2002.

Management's evaluation of the factors above resulted in allowances for loan losses of $5.6 million and $6.0 million at March 31, 2002 and December 31, 2001, respectively. The sale of BFC accounted for $289,000 of the reduction in the allowance from December 31, 2001 to March 31, 2002. The allowance as a percentage of total loans was 2.48% at March 31, 2002 and 2.55% at December 31, 2001.

The allowance for loan losses is based upon estimates of probable losses inherent in the loan portfolio. The amount actually observed for these losses can vary significantly from the estimated amounts.

The Company, during its normal loan review procedures, considers a loan to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. A loan is not considered to be impaired during a period of minimal delay (less than 90 days) unless available information strongly suggests impairment. The Company measures impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair market value of the collateral if the loan is collateral dependent. Impaired loans are charged to the allowance when management believes, after considering economic and business conditions, collection efforts, and collateral position, that the borrower's financial condition is such that collection of principal is not probable.

Generally, no interest is accrued on loans when factors indicate collection of interest is doubtful or when the principal or interest payments become 90 days past due, unless collection of principal and interest are anticipated within a reasonable period of time and the loans are well secured. For such loans, previously accrued but uncollected interest is charged against current earnings, and income is only recognized to the extent payments are subsequently received and collection of the remaining recorded principal balance is considered probable.

The Company manages the general risks inherent in the loan portfolio by following loan policies and underwriting practices designed to result in prudent lending activities. The following table presents information with respect to non-performing assets:

(unaudited) (in thousands of dollars)	March 31, 2002	December 31 2001
Loans on non-accrual status	4,403	4,807
Loans past due greater than 90 days but not on non-accrual status	379	1,178
Other real estate owned	1,417	1,498
Other Assets	5	5
Total non-performing assets	6,204	7,488
Percentage of non-performing assets to total assets	1.72 %	2.02 %

At March 31, 2002 non-performing assets were $6.2 million or 1.72% of total assets compared to $7.5 million or 2.02% of total assets at December 31, 2001. Approximately $4.0 million of the non-accrual loans are primarily secured by real estate and the remainder consists of commercial and consumer loans with varying collateral. Any losses on non-accrual loans that are considered probable have been estimated by management in its regular quarterly assessment of the allowance for loan losses as discussed above. The increase in the provision for loan losses each year is largely reflective of the increases in the average non-accrual loans and the level of net charge-offs during the periods, as well as total asset growth.

Some of the decline in non-performing assets from December 31, 2001 to March 31, 2002 is the result of the sale of BFC. At December 31, 2001, non-performing assets associated with BFC were $217,000. The Company is actively working on identifying and reducing the level of non-performing assets, and has undertaken a more aggressive approach relating to the collection and ultimate reduction of non-performing assets. As these impaired loans are identified and brought current, charged-off, or the repossessed collateral sold, the level of non-performing assets is expected to decrease.

Other real estate owned declined from $1.5 million at December 31, 2001 to $1.4 million at March 31, 2002 as properties classified as other real estate have been sold.

Liquidity

Liquidity represents the ability to meet deposit withdrawals and fund loan demand, while retaining the flexibility to take advantage of business opportunities. The Company's primary sources of funds are customers deposits, loan payments, sales of assets, advances from the FHLB (Federal Home Loan Bank) and the use of the federal funds market.

As of March 31, 2002, approximately $8.4 million of the securities portfolio matures within one year, and another $8.0 million is callable within one year. The maturities of mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on the expected maturity of the underlying collateral. Mortgage-backed securities may mature earlier than their stated contractual maturities because of accelerated principal repayments of the underlying loans.

Historically the Company has utilized borrowings from the FHLB as an important source of funding for its growth. The Company has an established borrowing line with the FHLB that permits it to borrow up to 15% of the Bank's assets, subject to collateral limitations. Advances from the FHLB have maturity periods ranging from 1 through 15 years and at March 31, 2002, bear interest at rates ranging from 2.00% to 8.62%. At March 31, 2002, $16.0 million in advances were outstanding from the FHLB.

During 2001, the Company experienced extremely rapid growth in its residential lending segment as consumers took advantage of relatively low housing market interest rates to refinance, build, or purchase homes. Although these residential mortgage loans are typically sold within 15-45 days after funding, the volume funded but unsold grew from $10.0 million at December 31, 2000 to over $55.0 million during the first quarter of 2001, and to over $68.0 million at the peak during the fourth quarter of 2001. In order to take advantage of the income generated by the increase in mortgage loan volume, the Company utilized the broker CD market to fund the growth. As origination volumes of loans held-for-sale began to taper off toward the end of 2001 and into the first quarter of 2002, the excess funds were deposited in the Company's cash account with the FHLB. Efficiencies developed late in 2001 in the process of loan origination and sale into the secondary market, combined with a decrease in demand in the mortgage lending market, make it unlikely the Company will experience a dramatic increase in loan volume as experienced during 2001. If this assumption holds true during 2002, the Company anticipates a reduction in broker CD's as they mature, helping to reduce any excess liquidity. During the second quarter of 2002, $28.2 million of broker and out-of-market certificates of deposit mature.

Capital

The Company and the Bank are required to maintain minimum amounts of capital to "risk weighted" assets, as defined by banking regulators. The Company and the Bank are required to have total capital and tier 1capital ratios of 8.0% and 4.0%, respectively. In addition, the Bank is required to maintain a tier 1 leverage capital ratio of not less than 4%. At March 31, 2002, the Company's total capital and tier 1 capital ratios were 11.05% and 9.79%, respectively; and at December 31, 2001, the company's ratios were 10.10% and 8.84%, respectively. At March 31, 2002, the Bank's total capital, tier 1 capital, and tier 1 leverage capital ratios were 11.58%, 10.32%, and 7.54%, respectively, and at December 31, 2001 were 10.72%, 9.46%, and 6.99%, respectively. The Company's ratio of shareholders' equity to average assets was 7.96%, and 8.14% at March 31, 2002 and December 31, 2001, respectively. To be considered "well capitalized" as defined by banking regulators, the Bank and the Company must maintain a total capital ratio of greater than 10%, a tier 1 capital ratio of greater than 6%, and the Bank must maintain a tier 1 leverage capital ratio of greater than 5%. At March 31, 2002 and at December 31, 2001, both the Company and the Bank exceeded the minimum requirements to be considered "well capitalized" under banking regulations.

Part II. Other Information

Item 5

Other Information

None

Item 6

Exhibits. Exhibit 99.1 Certification of Chief Executive Officer and Chief Financial Officer

Reports of Form 8-K

1. On March 29, 2002 the Company filed an 8-K containing item 5. This report announced changes in the Company's executive management and board of directors.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: January 17, 2003

Cowlitz Bancorporation
(Registrant)

By: /s/ Don P. Kiser
Don P. Kiser
Vice-President, Chief Financial Officer, and Secretary
Acting Officer-In-Charge

CERTIFICATIONS

Principal Executive Officer:

I, Don P. Kiser, certify that:

1. I have reviewed this amended quarterly report on Form 10-Q/A of Cowlitz Bancorporation;

2. Based on my knowledge, this amended quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this amended quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this amended quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this amended quarterly report;

Date: January 17, 2003

/s/ Don P. Kiser
Don P. Kiser, Chief Financial Officer
Acting Officer-In-Charge
Cowlitz Bancorporation

Principal Accounting Officer:

I, Don P. Kiser, certify that:

1. I have reviewed this amended quarterly report on Form 10-Q/A of Cowlitz Bancorporation;

2. Based on my knowledge, this amended quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this amended quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this amended quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this amended quarterly report;

Date: January 17, 2003

/s/ Don P. Kiser
Don P. Kiser, Chief Financial Officer
Cowlitz Bancorporation

Exhibit 99.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

This certification is given by the undersigned Chief Executive Officer and Chief Financial Officer of Cowlitz Bancorporation (the "Registrant") pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Each of the undersigned hereby certifies, with respect to the Registrant's quarterly report of Form 10-Q/A for the period ended March 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Don P. Kiser
Don P. Kiser
Chief Financial Officer
Acting Officer-In-Charge
Cowlitz Bancorporation

/s/ Don P. Kiser
Don P. Kiser
Chief Financial Officer
Cowlitz Bancorporation

January 17, 2003