# 2014 FIRST QUARTER

Columbia Banking System Inc.

# Cautionary Note: Forward Looking Statements

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements relate to future events and expectations and involve known and unknown risks and uncertainties. Actual results may differ materially from those currently expected or projected in these forward-looking statements. These forward-looking statements are based on current expectations and assumptions, and we assume no obligation to update these forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements. For risks relating to these forward-looking statements and factors that could cause actual results to differ materially from those anticipated, please review Columbia's latest Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, including the "Risk Factors," "Business" and "Management's Discussion and Analysis" sections therein) and other filings with the Securities and Exchange Commission.

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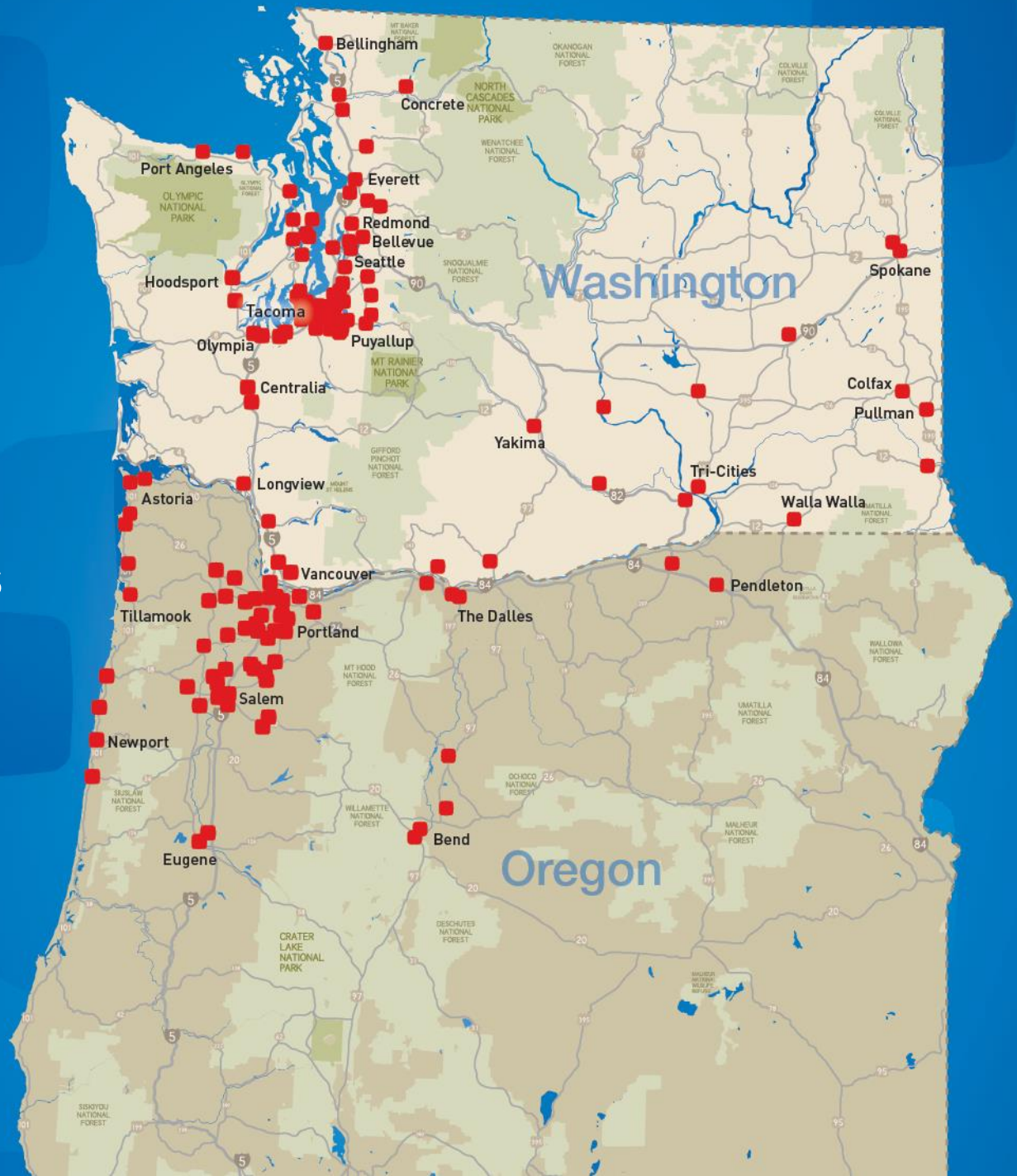
# Columbia Footprint

Strong retail system of 140 branch locations in the Pacific Northwest built through de novo branching and strategic acquisitions



# Integration of West Coast Bank

- Transaction closed April 1, 2013;  we realized our anticipated quarterly earnings accretion from this transaction during each quarter of 2013.
- Projected annual cost savings of $20.9 million have been implemented as of March 31, 2014.
- Acquisition related expenses  for the transaction totaled $28 million through first quarter 2014, compared to a projection of $30 million when the deal was signed.
- Integration is essentially complete as of first quarter 2014; however, there are some lingering merger related costs.
- Loan and deposit production has been solid across the entire geographic footprint.

# Share of Deposit Market

## Washington

| 2013 Rank | Institution (ST) | 2013 Deposits ($000s) | 2013 Market Share* |
|---|---|---|---|
| 1 | Bank of America (NC) | 25,259,298 | 21.45% |
| 2 | Wells Fargo (CA) | 13,550,440 | 11.51% |
| 3 | U.S. Bank (MN) | 12,841,179 | 10.90% |
| 4 | JP Morgan Chase (NY) | 11,122,022 | 9.44% |
| 5 | Key Bank (OH) | 8,556,094 | 7.26% |
| 6 | Washington Federal (WA) | 4,314,346 | 3.66% |
| 7 | **Columbia Bank** | **3,530,866** | **3.00%** |
| 8 | Sterling Savings (WA) | 3,404,310 | 2.89% |
| 9 | Union Bank (Mitsubishi UFJ) | 3,078,558 | 2.61% |
| 10 | Washington Trust (WA) | 3,062,066 | 2.60% |
| **Other Institutions in Market** | | **29,053,161** | **24.68%** |
| **Total for Institutions in Market** | | **117,772,340** | **100.00%** |

## Oregon

| 2013 Rank | Institution (ST) | 2013 Deposits ($000s) | 2013 Market Share* |
|---|---|---|---|
| 1 | U.S. Bank (MN) | 12,071,085 | 20.60% |
| 2 | Wells Fargo (CA | 9,434,782 | 16.10% |
| 3 | Bank of America (NC) | 9,030,717 | 15.41% |
| 4 | JP Morgan Chase (NY) | 4,516,040 | 7.71% |
| 5 | Umpqua Bank (OR) | 4,417,571 | 7.54% |
| 6 | Key Bank (OH) | 3,249,570 | 5.55% |
| 7 | **Columbia Bank** | **2,309,155** | **3.94%** |
| 8 | Washington Federal (WA) | 1,902,495 | 3.25% |
| 9 | Sterling Savings Bank (WA) | 1,798,826 | 3.07% |
| 10 | Bank of the West (CA) | 1,099,102 | 1.88% |
| **Other Institutions in Market** | | **8,769,542** | **14.95%** |
| **Total for Institutions In Market** | | **58,598,885** | **100.00%** |

* Based on June 30, 2013 FDIC deposit market share data

# Columbia Overview – An Historical Look Back

- Opened in Tacoma, Washington in August, 1993
- Organic growth first five years (1992-1996)
  - Average annual growth rate for total assets:  38.9%
  - Expanding from 4 to 16 branches
- Cascade Bancorp acquisition (December 1997); $97 million in assets
- Bank of Fife acquisition (December 1997); $34 million in assets
- Bank of Astoria acquisition (October 2004); $203 million in assets
- Mount Rainier Bank acquisition (July, 2007); $266 million in assets
- Town Center Bank acquisition (July, 2007); $166 million in assets
- Raised $120 million through common stock offering  (August, 2009)
- Raised an additional $240 million through common stock offering (May 2010)

# Columbia Overview – An Historical Look Back

- Repaid all $76.9 million in Capital Purchase Program funds (August 2010)
- Repurchased common stock warrant issued to U.S. Treasury (Sept. 2010)
- FDIC-assisted acquisitions:
  - Columbia River Bank (January, 2010) $913 million in assets
  - American Marine Bank (January, 2010) $308 million in assets
  - Summit Bank (May, 2011) $131 million in assets
  - First Heritage Bank (May, 2011) $165 million in assets
  - Bank of Whitman (August, 2011) $438 million in assets
- Announced definitive agreement with West Coast Bancorp (September 26, 2012).
- West Coast acquisition completed April 1, 2013; $2.6 billion in assets
- Integration essentially completed

# Positive Business Climate & Economic Outlook

- **Improving economic trends** in the Pacific Northwest, led by Seattle, WA and Portland, OR metro areas .
- **Unemployment** rates improving in Washington & Oregon, with net gain in jobs
  April 2014: 6.3% Washington 6.9% Oregon
- **Pacific Northwest businesses** feeling more optimistic
- **Portland, Tacoma and Seattle ports** rank #4, #5 and #6, respectively, in the west coast top 10 in terms of cargo tonnage.
- **Military a major driver of NW economy**. Over 90,000 Active and Civilian personnel across Washington and Oregon; provides over $3 billion annually in total payroll
- **Home prices** continue to rise; home sales decline due to tight inventories and limited new-home construction. (Sales down 20% for two consecutive quarters in King County.)
- **Export-driven, diversified economy** steadily improving in the Pacific Northwest, with world-class companies and a well-educated workforce.

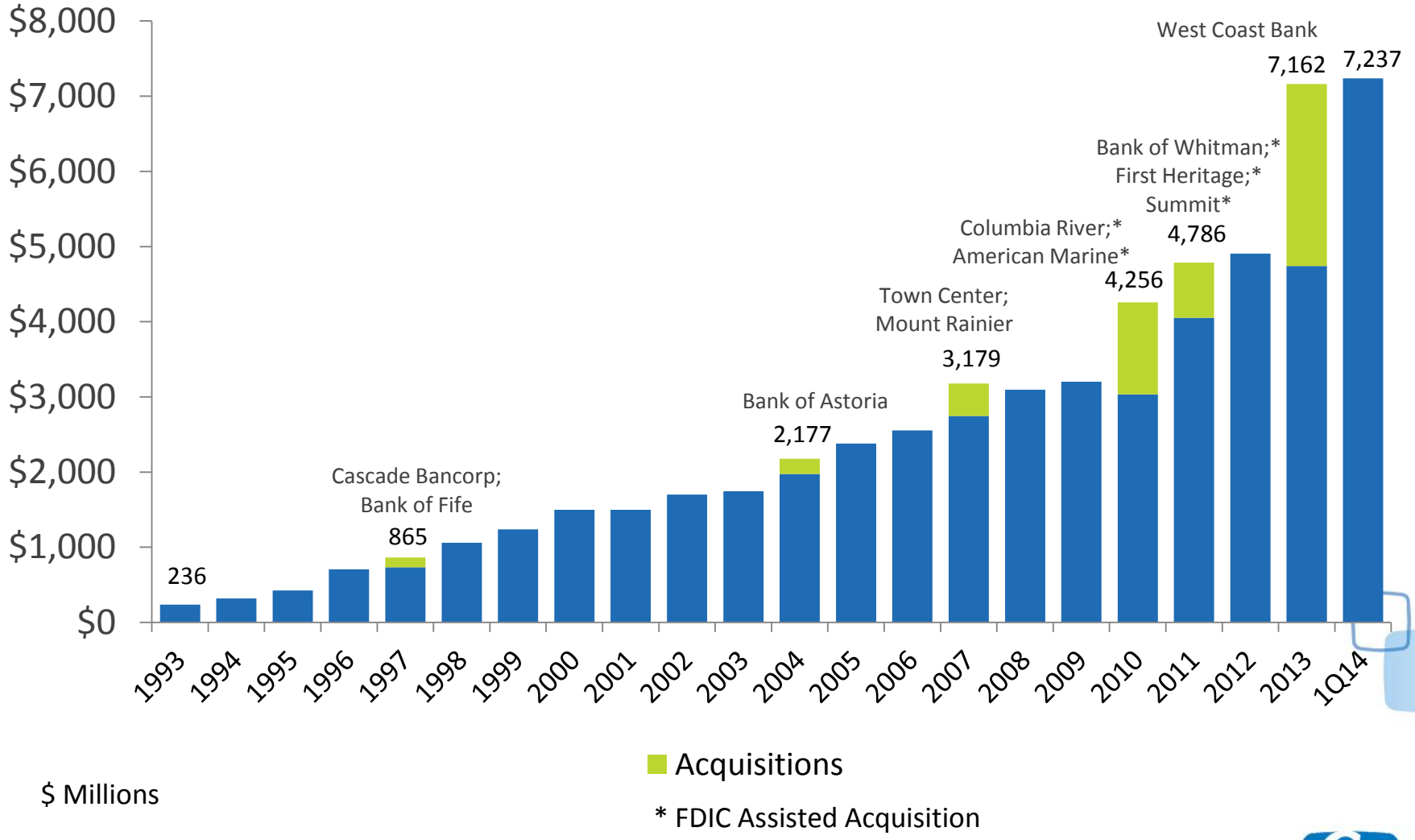
# Operating Highlights

| $ in Thousands | 1Q14 | 4Q13 | 3Q13 | 2Q13 | 1Q13 |
|---|---|---|---|---|---|
| Operating Net Interest Income | $63,257 | $65,720 | $65,488 | $66,480 | $44,037 |
| Provision/(Recap) for Loan Losses | (500) | (2,100) | 4,260 | 2,000 | (1,000) |
| **Operating NII after Provision** | **63,757** | **67,820** | **61,228** | **64,480** | **45,037** |
| Operating Noninterest Income | 18,572 | 18,804 | 19,422 | 19,832 | 11,750 |
| Operating Noninterest Expense | 56,194 | 56,981 | 58,087 | 57,891 | 39,700 |
| **Pre-tax Operating Income** | **26,135** | **29,643** | **22,563** | **26,421** | **17,087** |
| ***Pre-tax Op Inc (before LL Provision)*** | ***25,635*** | ***27,543*** | ***26,823*** | ***28,421*** | ***16,087*** |
| Non-Operating Adjustments: | | | | | |
| FDIC Acquired Loan Acctg Impact | (752) | (1,248) | (3,362) | (3,149) | (2,249) |
| Impact of Acctg on Other Acquired Loans | 5,615 | 6,540 | 10,025 | 9,635 | -- |
| Impact of Acq Securities Premium Amort | (1,625) | (1,828) | (2,427) | (3,054) | -- |
| Gain/(Loss) on Sale of Assets | 233 | 1,662 | 832 | 2,933 | 2,996 |
| West Coast Merger Expense | (966) | (7,910) | (7,621) | (9,234) | (723) |
| Other Nonrecurring Items | -- | 1,025 | -- | (1,547) | -- |
| Tax Provision/(Benefit) | 8,796 | 7,911 | 6,734 | 7,414 | 4,935 |
| **Net Income** | **$19,844** | **$19,973** | **$13,276** | **$14,591** | **$12,176** |
| Earnings per Share | $0.37 | $0.38 | $0.25 | $0.28 | $0.31 |

# Balance Sheet Highlights

| $ in Millions | 1Q14 | 4Q13 | 3Q13 | 2Q13 | 1Q13 |
|---|---|---|---|---|---|
| Total Assets | $7,237 | $7,162 | $7,150 | $7,070 | $4,905 |
| Noncovered Loans, net | $4,297 | $4,219 | $4,194 | $4,181 | $2,621 |
| Covered Assets, net | $275 | $290 | $315 | $352 | $377 |
| Core Deposits | $5,768 | $5,696 | $5,663 | $5,468 | $3,797 |
| Total Deposits | $6,044 | $5,959 | $5,949 | $5,748 | $4,047 |
| Nonperforming Assets/ Noncovered Assets | 0.75% | 0.84% | 0.87% | 1.01% | 0.99% |
| Return on Average Assets | 1.11% | 1.11% | 0.75% | 0.82% | 1.02% |
| Return on Average Common Equity | 7.45% | 7.57% | 5.13% | 5.56% | 6.43% |

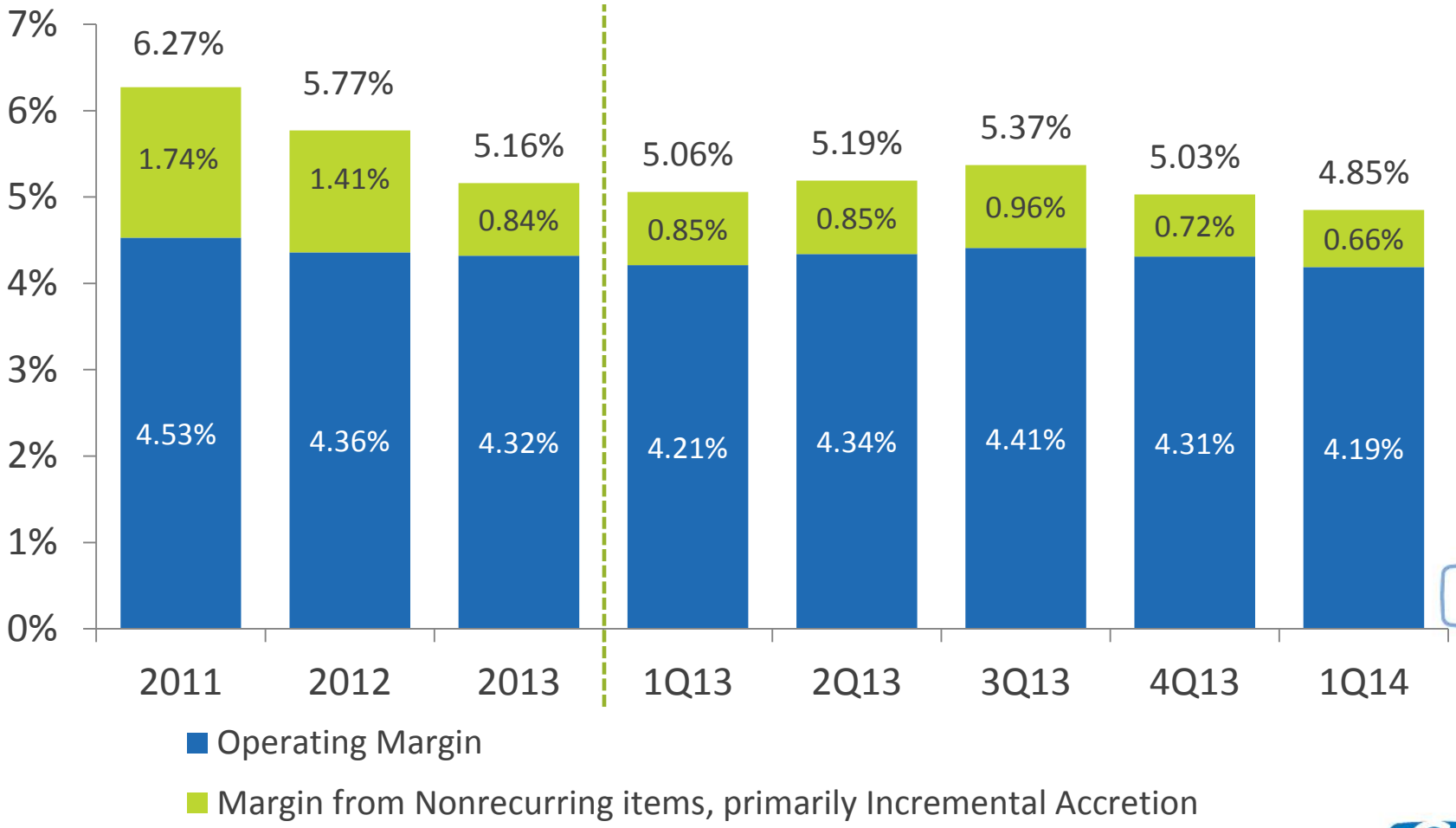
# Growth of Total Assets 1993 - 2014



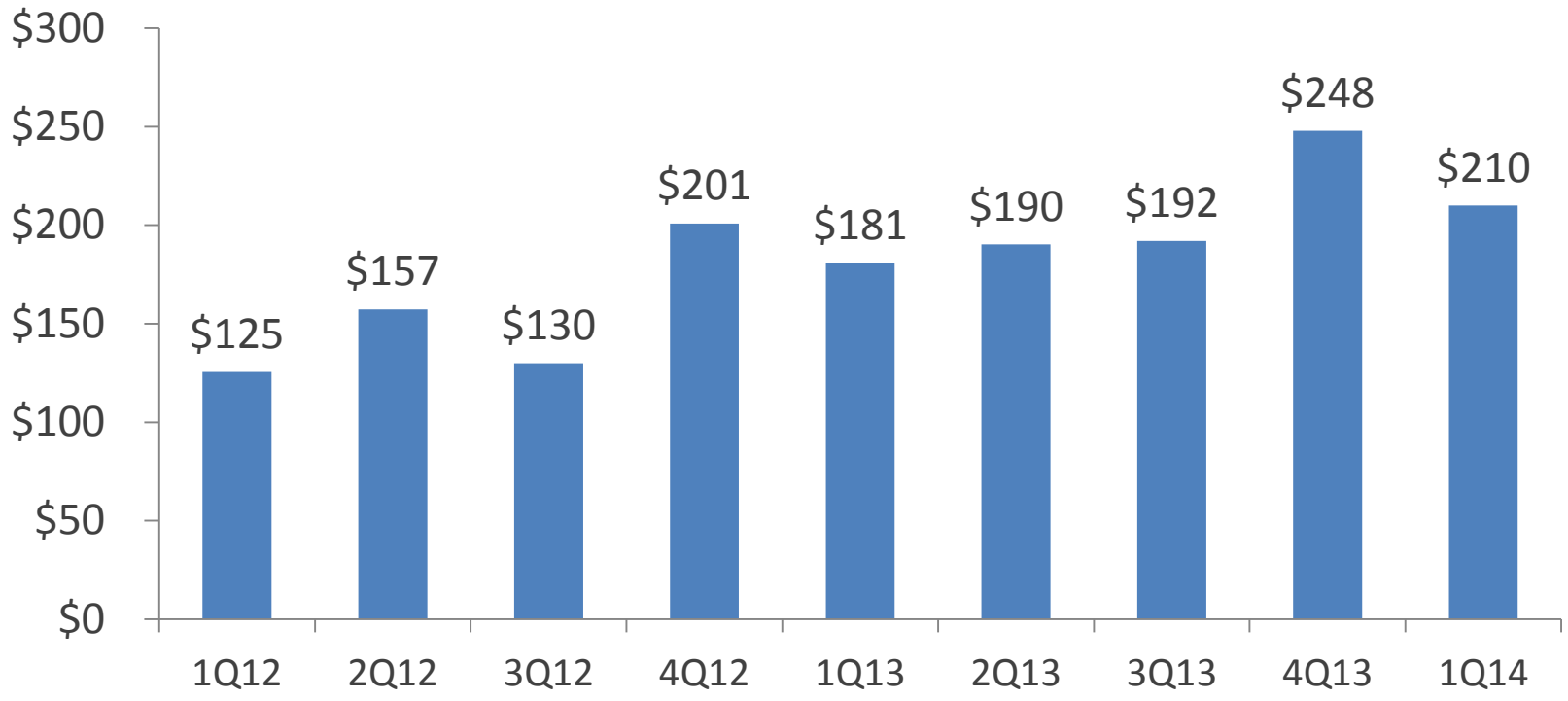

$ Millions

* FDIC Assisted Acquisition

# Stable Operating Net Interest Margin



# New Loan Originations



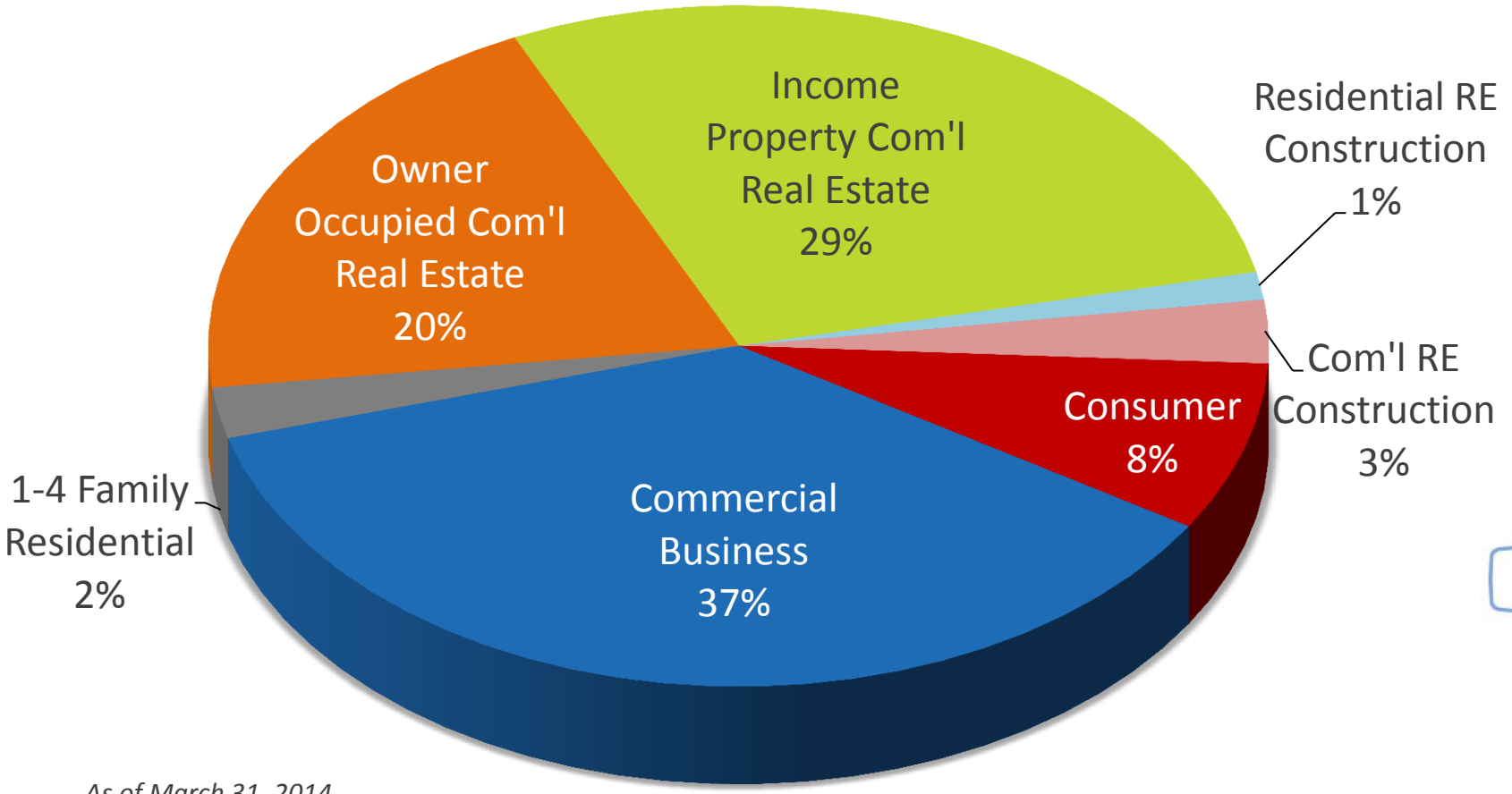

Solid new loan production continues in 2014 with $210 million generated during the quarter.

$ in Millions

# Balanced Non-covered Loan Portfolio

## Total Loan Portfolio = $4.3 Billion

*Annualized 1st quarter growth of 7.4%*

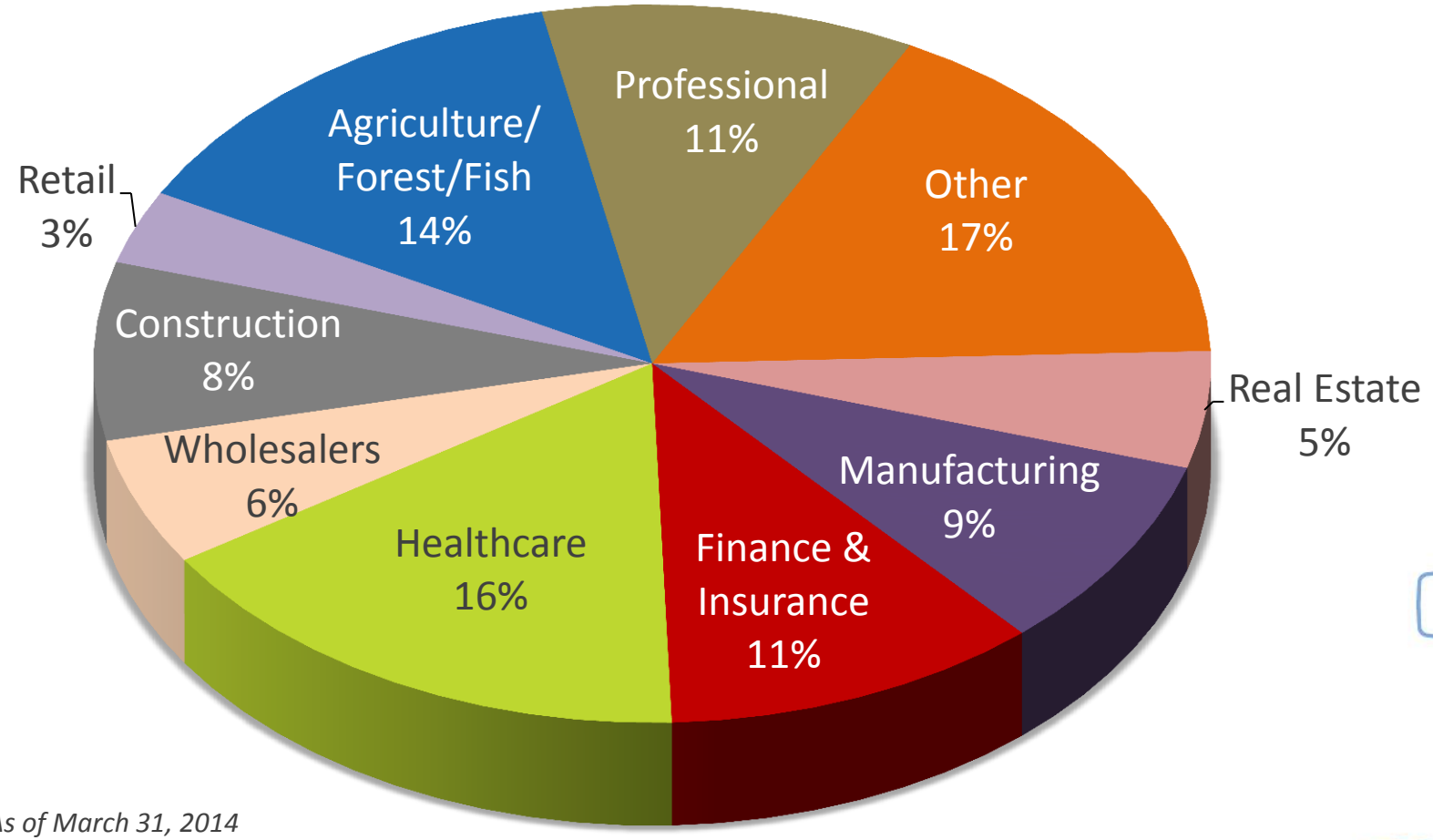



*As of March 31, 2014*

# Non-covered Commercial Business Portfolio

## Total Portfolio = $1.6 Billion

*Annualized 1st quarter growth of 10.2%*

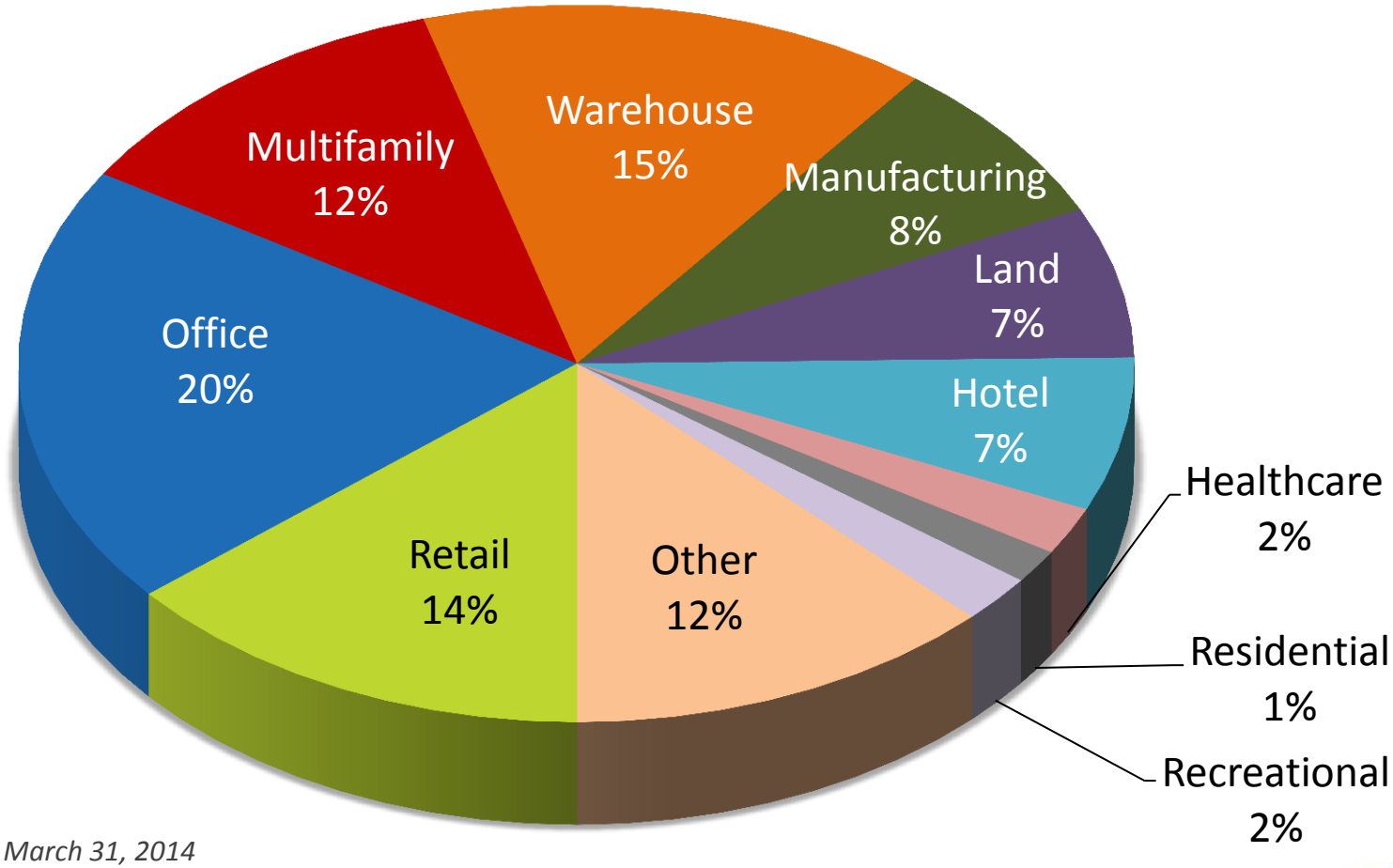



*As of March 31, 2014*

# Non-covered Commercial Real Estate Portfolio

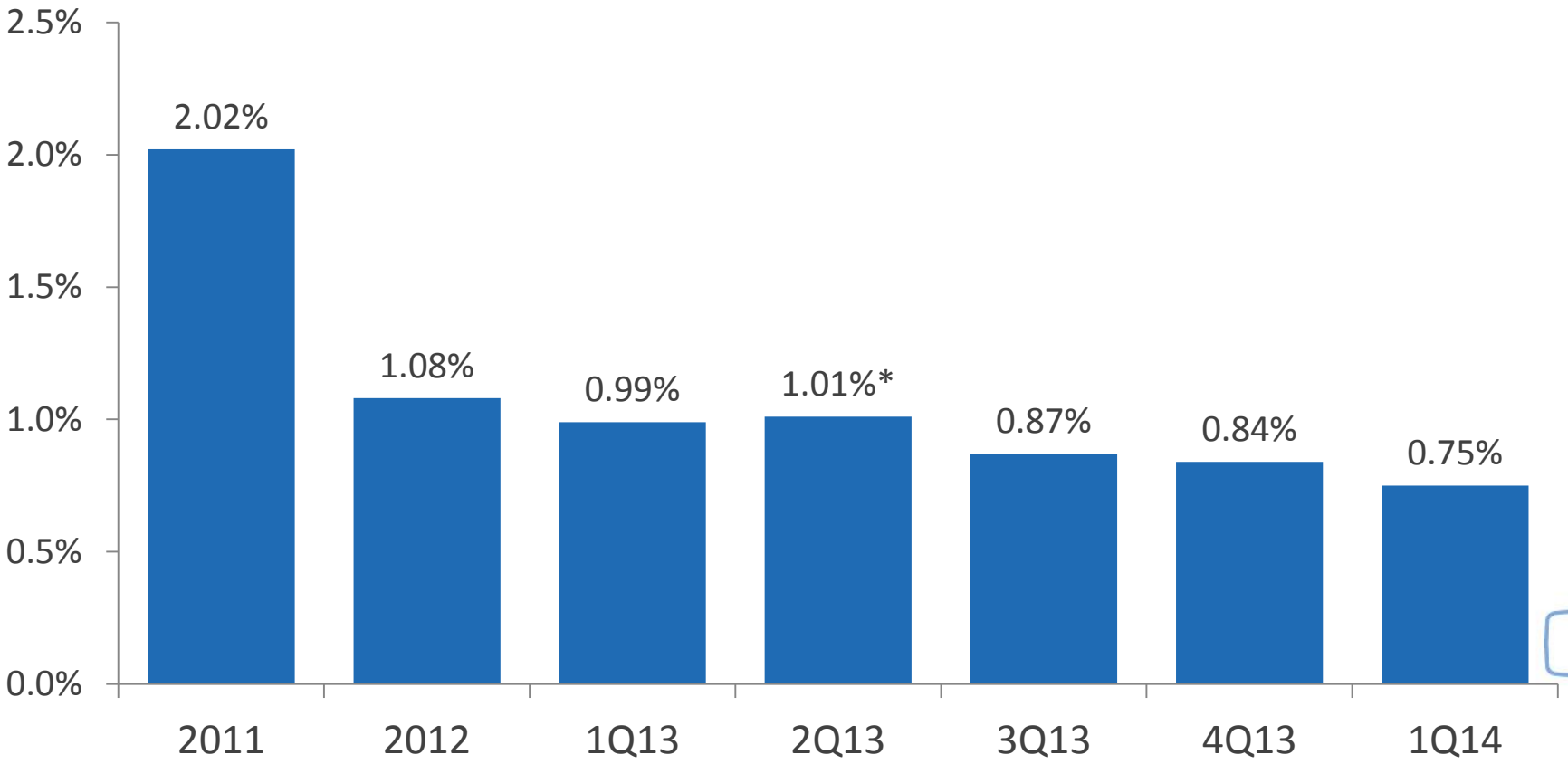
## Total Portfolio = $2.1 Billion

*Annualized 1st quarter growth of 6.4%*




*As of March 31, 2014*

# Effective Management of Nonperforming Assets



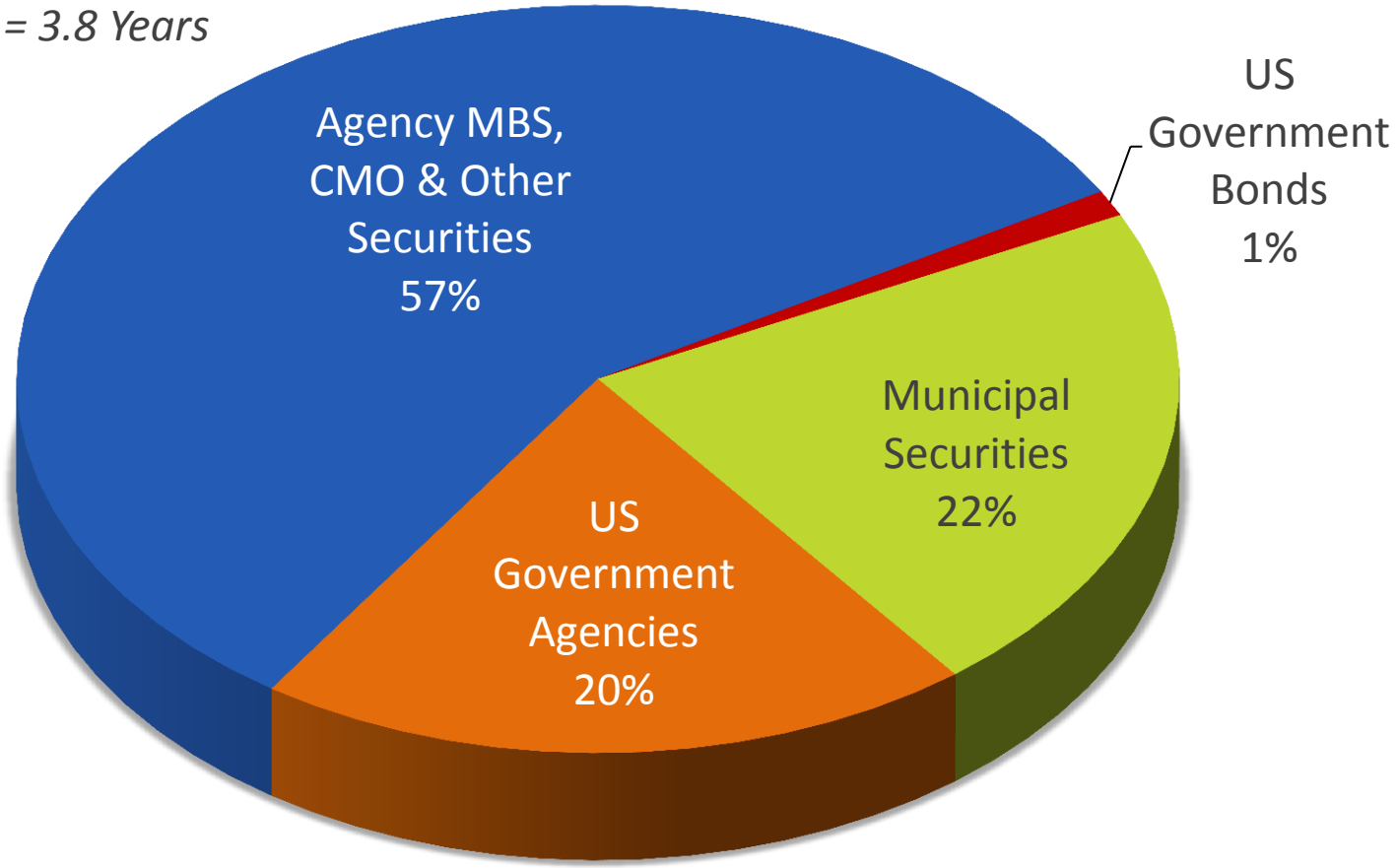

* Includes NPA's from West Coast Acquisition

# Conservative Investment Portfolio

## Total Book Value = $1.6 Billion

*1st Quarter 2014 Yield = 2.58%*

*Duration = 3.8 Years*



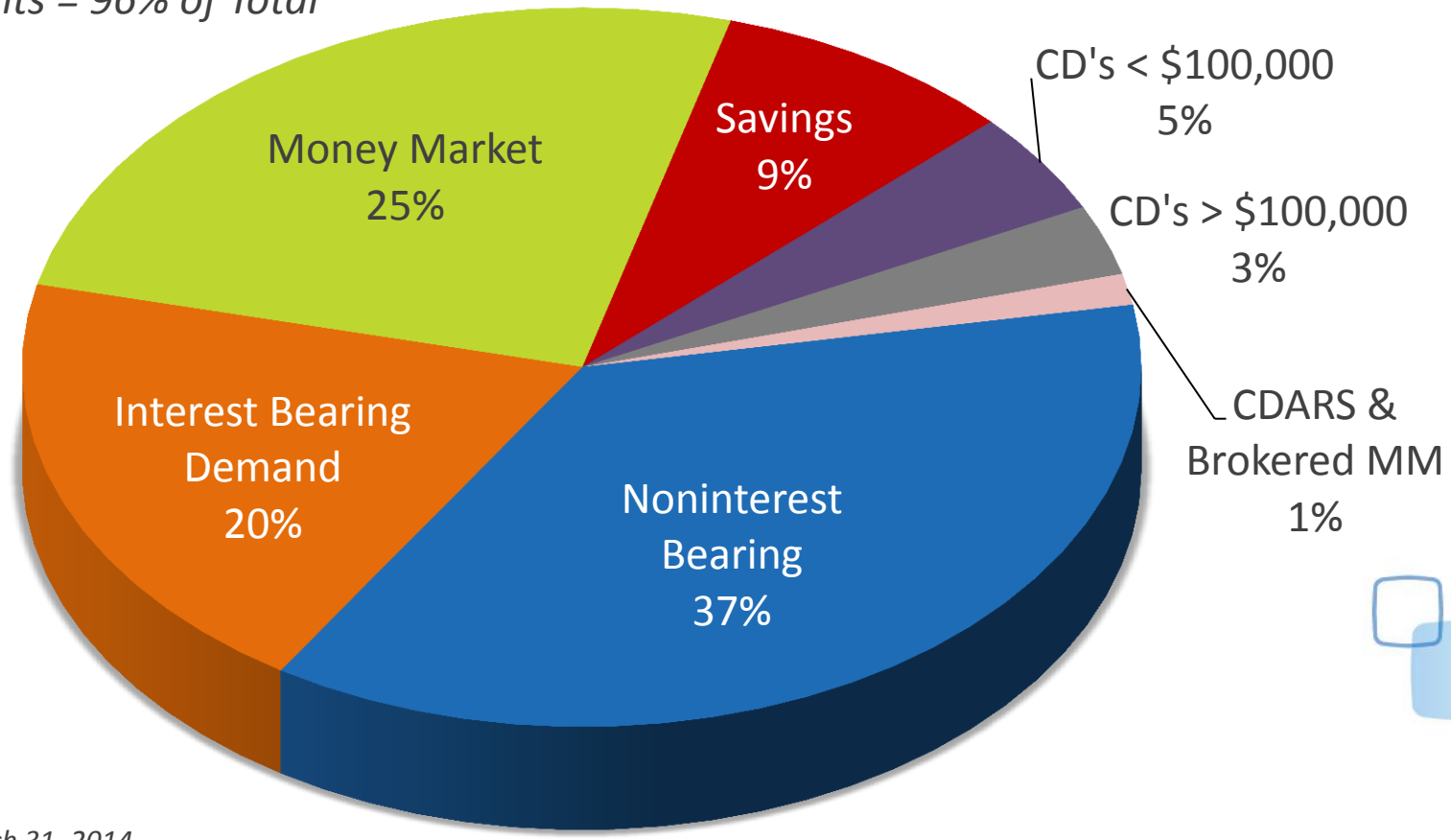

*As of March 31, 2014*

# Diversified, Relationship Based Deposit Base

## Total Deposits = $6.0 Billion

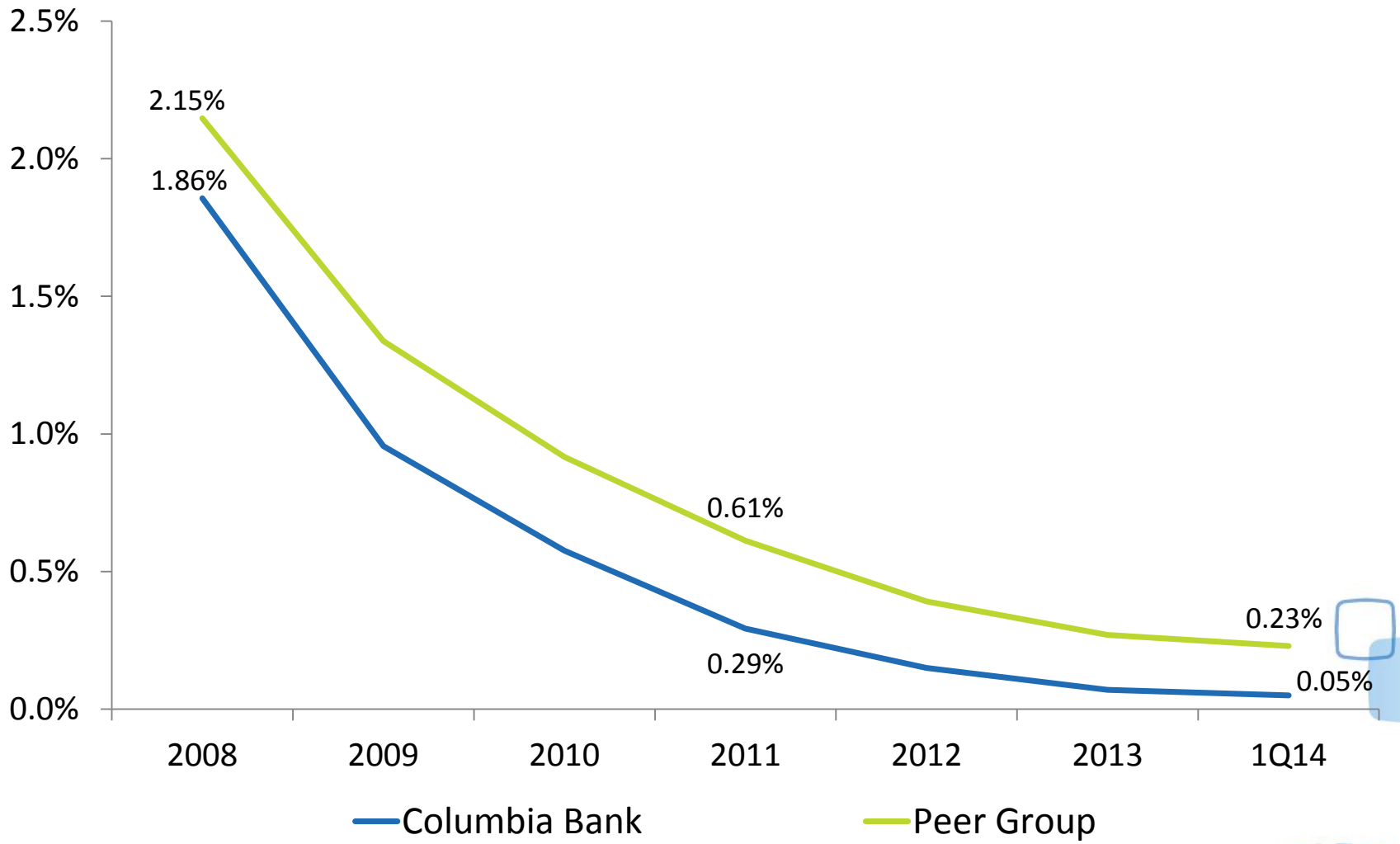
*1st Quarter 2014 Cost of Interest Bearing Deposits = 8bps*

*Core Deposits = 96% of Total*

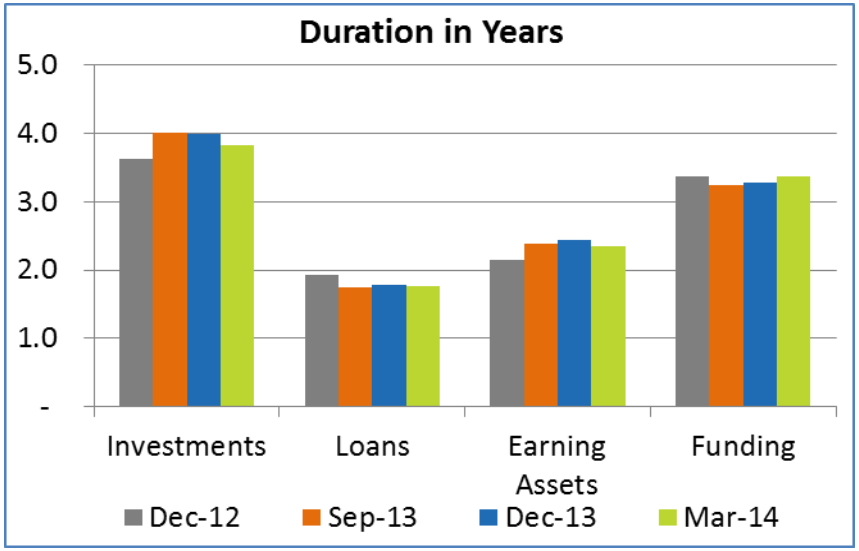


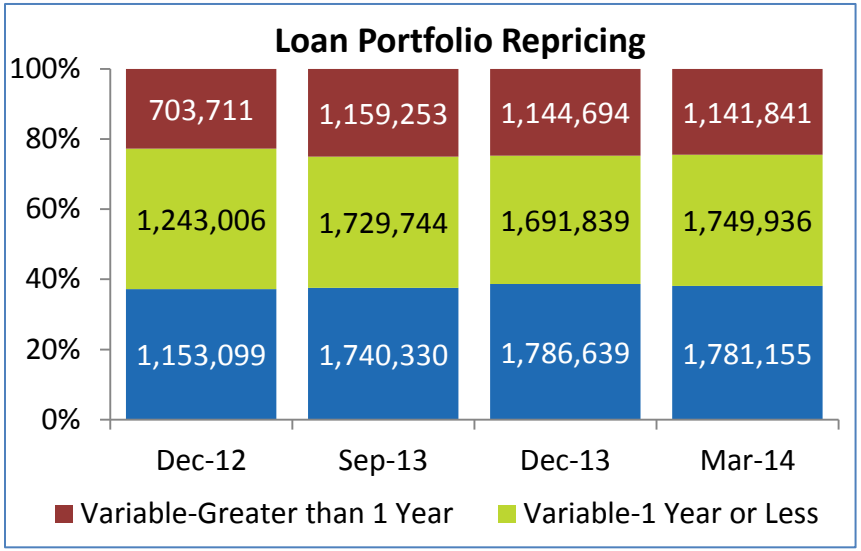

*As of March 31, 2014*

# Total Cost of Deposits



# Interest Rate Sensitivity

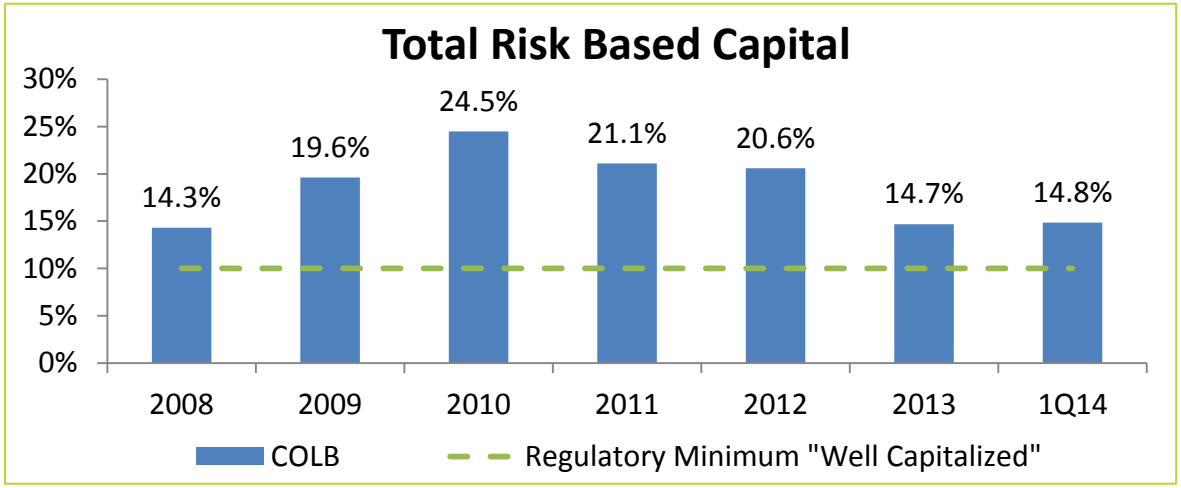


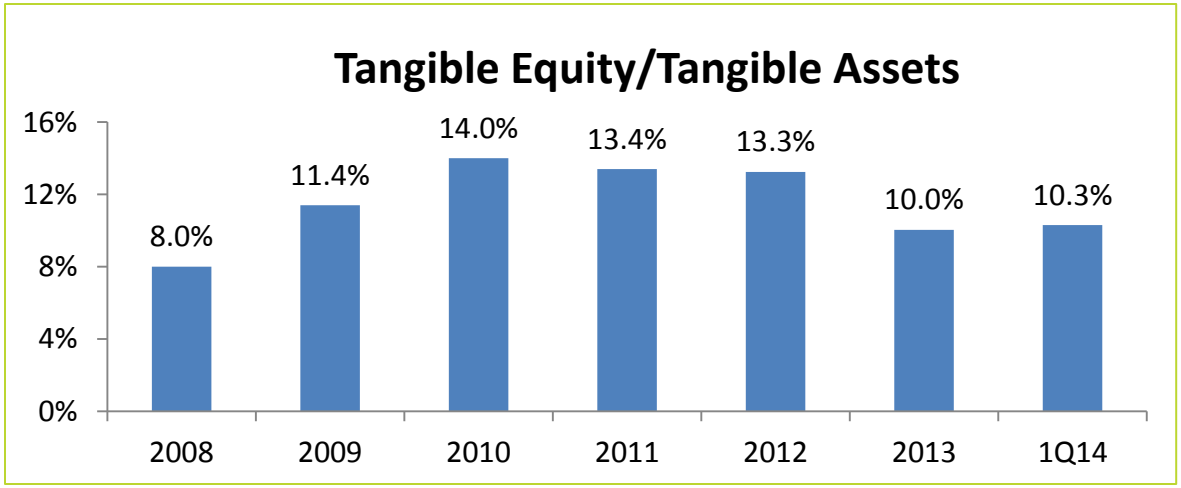

- Stable asset duration
  - 37% of the loan portfolio reprices in one year or less (most monthly)
  - 38% of the loan portfolio is fixed rate and 25% is variable rate that reprices in over 1 year
  - 97% of all variable rate loans reprice in 5 years or less
  - The fixed rate book has a weighted average maturity of 6.5 years
- Interest rate floors within the loan portfolio total $1.9 billion, with about 50% in-the-money
  - $586 million and $843 million move off their floors in up 100 bps and 200 bps scenarios, respectively.

| Loan Repricing Detail | Mar-14 | |
|---|---|---|
| Fixed | $1,781,155 | 38% |
| Prime | 1,098,954 | 24% |
| Libor | 580,515 | 12% |
| 1Y FHLB/UST/Libor | 70,467 | 2% |
| Variable-1 Year or Less | 1,749,936 | 37% |
| 2Y FHLB | 5,782 | 0% |
| 3Y FHLB/SWAP/UST | 182,540 | 4% |
| 5Y FHLB/SWAP/UST | 919,419 | 20% |
| OVER 5Y FHLB/SWAP | 34,100 | 1% |
| Variable-Greater than 1 Year | 1,141,841 | 25% |
| **Total** | **$4,672,932** | **100%** |

# Strong Capital Measures




Columbia Bank's capital is well in excess of regulatory minimums.



# Priorities Moving Forward

- Continue business development and sales management efforts to increase market share
- Emphasis on high quality loan growth
- Continue emphasis on expense control and growth in non-interest income
- Focus on core deposits; developing new and existing customer relationships
- Continued commitment to remain a true community bank

# COLB: Total Return Performance

