COLUMBIA BANK

THE BEST PACIFIC NORTHWEST REGIONAL COMMUNITY BANK

NASDAQ: COLB

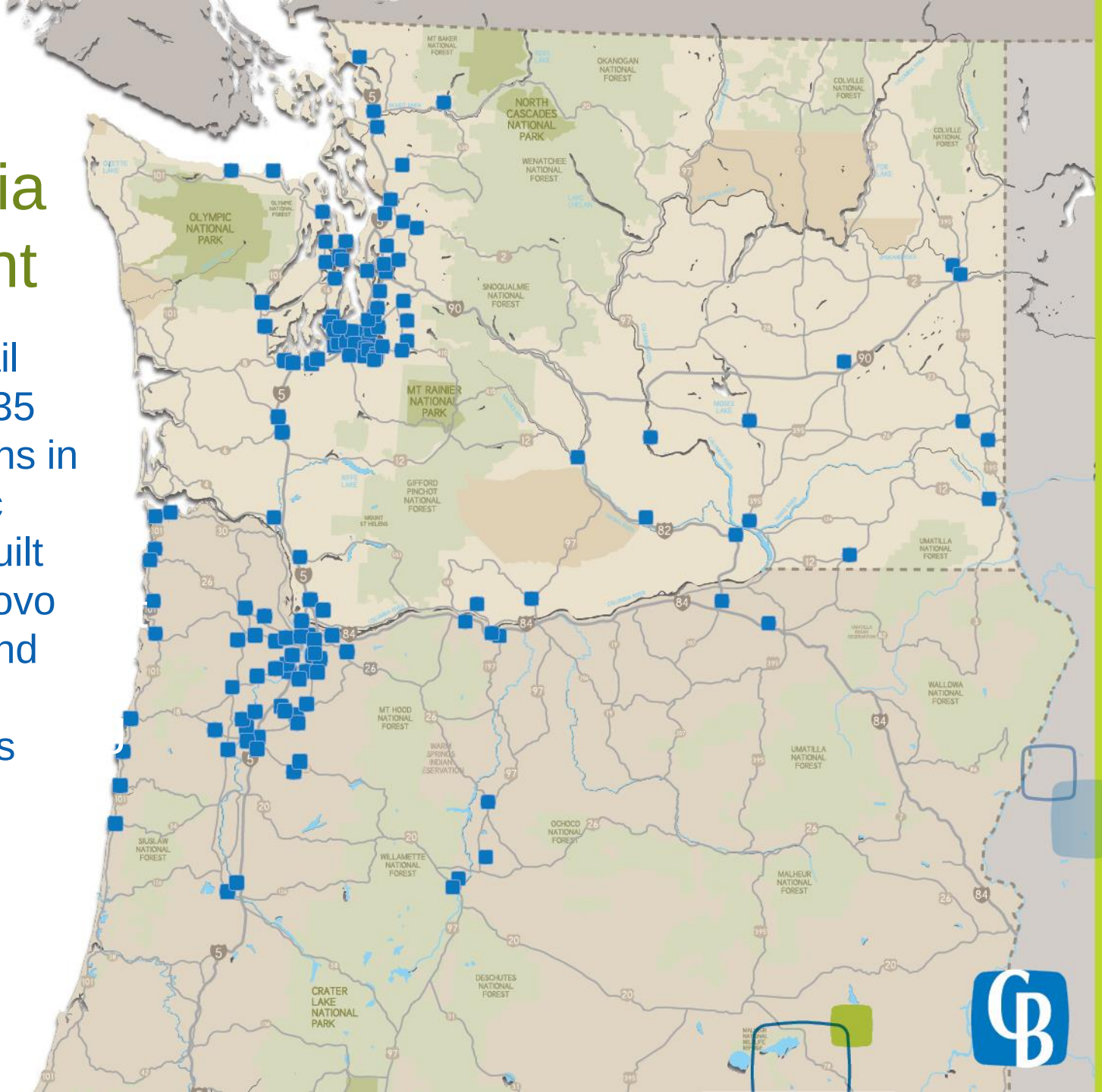
Columbia Banking System Inc.

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.

Columbia Footprint

Strong retail system of 135 branch locations in the Pacific Northwest built through de novo branching and strategic acquisitions



Positive Business Climate & Economic Outlook

- **Economic growth continues** in the Pacific Northwest, led by Seattle, Washington (the fastest growing big city in the U.S.) and Portland, Oregon metro areas .

- **Unemployment** trends improving in Washington & Oregon, with net gain in jobs
  July 2014: WA: 5.6% unemployment rate (5.8% July 2014; 7.0% July 2013)
  OR: 6.9% unemployment rate (6.8% June 2014; 7.8% July 2013)

- **Portland, Tacoma and Seattle ports** rank #4, #5 and #6, respectively, in the west coast top 10 in terms of cargo tonnage.

- **Pacific Northwest businesses** feeling more optimistic.

- **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. Limited new-home construction, but building permits rise.

- **Export-driven, diversified economy** steadily improving in the Pacific Northwest, with world-class companies and a well-educated workforce.

Attractive Pacific Northwest Markets

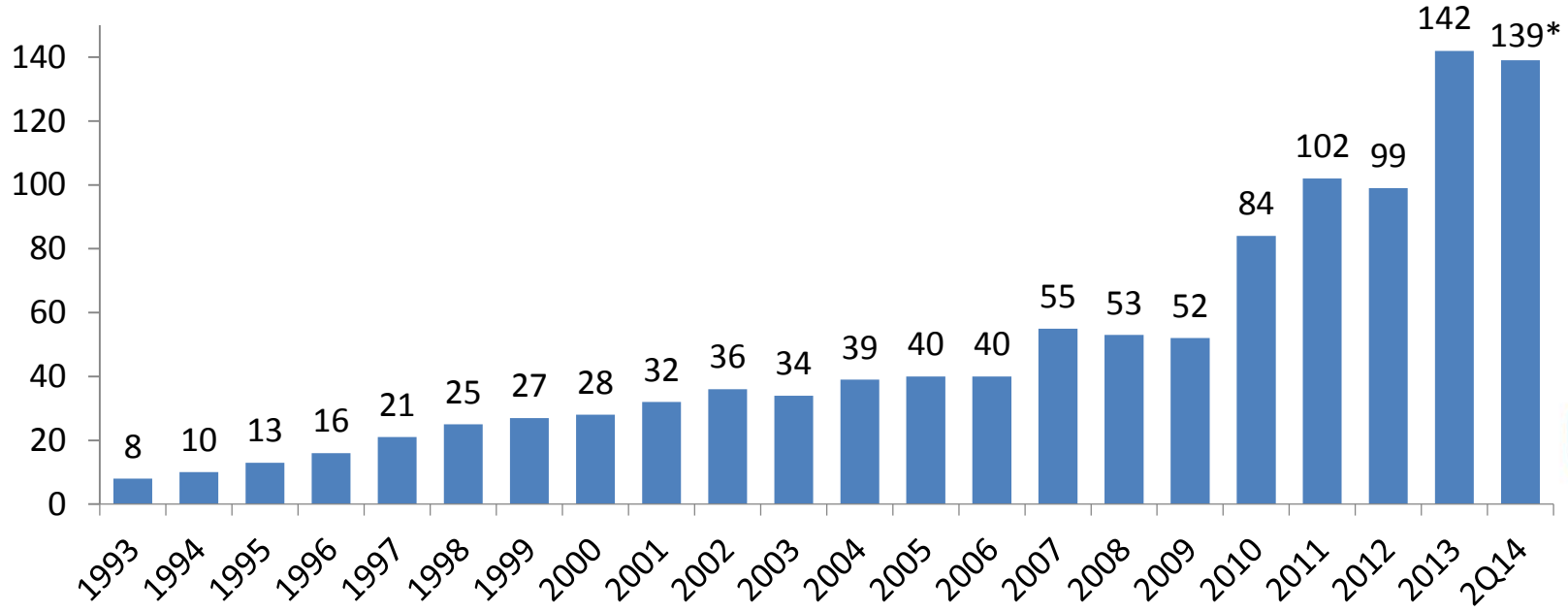
✓ *Better Than U.S. Average*

		Seattle/ Tacoma/ Bellevue	Portland/ Vancouver	Washington	Oregon	Idaho	United States
Demographics	Population as of 2014 *(in millions)*	3.61	2.32	7.01	3.94	1.61	317.20
	Population Increase *(2010 – 2014)*	4.85%✓	4.28%✓	4.18%✓	2.93%✓	2.91%✓	2.74%
	Projected Population Change *(2014-2019)*	5.86%✓	5.03%✓	5.28%✓	3.75%✓	3.69%✓	3.50%
	Median Household Income *(2014)*	$66,130✓	$55,113✓	$58,935✓	$47,111	$44,225	$51,579
	Projected HH Income Change *(2014-2019)*	5.74%✓	1.65%	6.09%✓	0.75%	(0.45%)	4.05%
Economics	Unemployment Rate *(May 2014)*	5.20%✓	6.10%✓	6.10%✓	6.90%	4.90%✓	6.30%
	12 month net change - Unemployment Rate *(May 2013 – May 2014)*	-0.5%	-1.0%	-0.9%	-0.9%	-1.5%✓	-1.2%
	Home Price Index Change *(Low in 1Q2012 – April 2014)*	28.5%✓	28.0%✓	n/a	n/a	n/a	26.2%

Sources: SNL Financial, Bureau of Labor Statistics, Case-Schiller

Columbia Overview – A Historical Look Back

- Opened in Tacoma, Washington in August 1993
- Average annual organic growth rate for first five years: 38.9%
- Organic asset growth exceeded 75% for first 15 years
- Number of branch locations (at year-end):



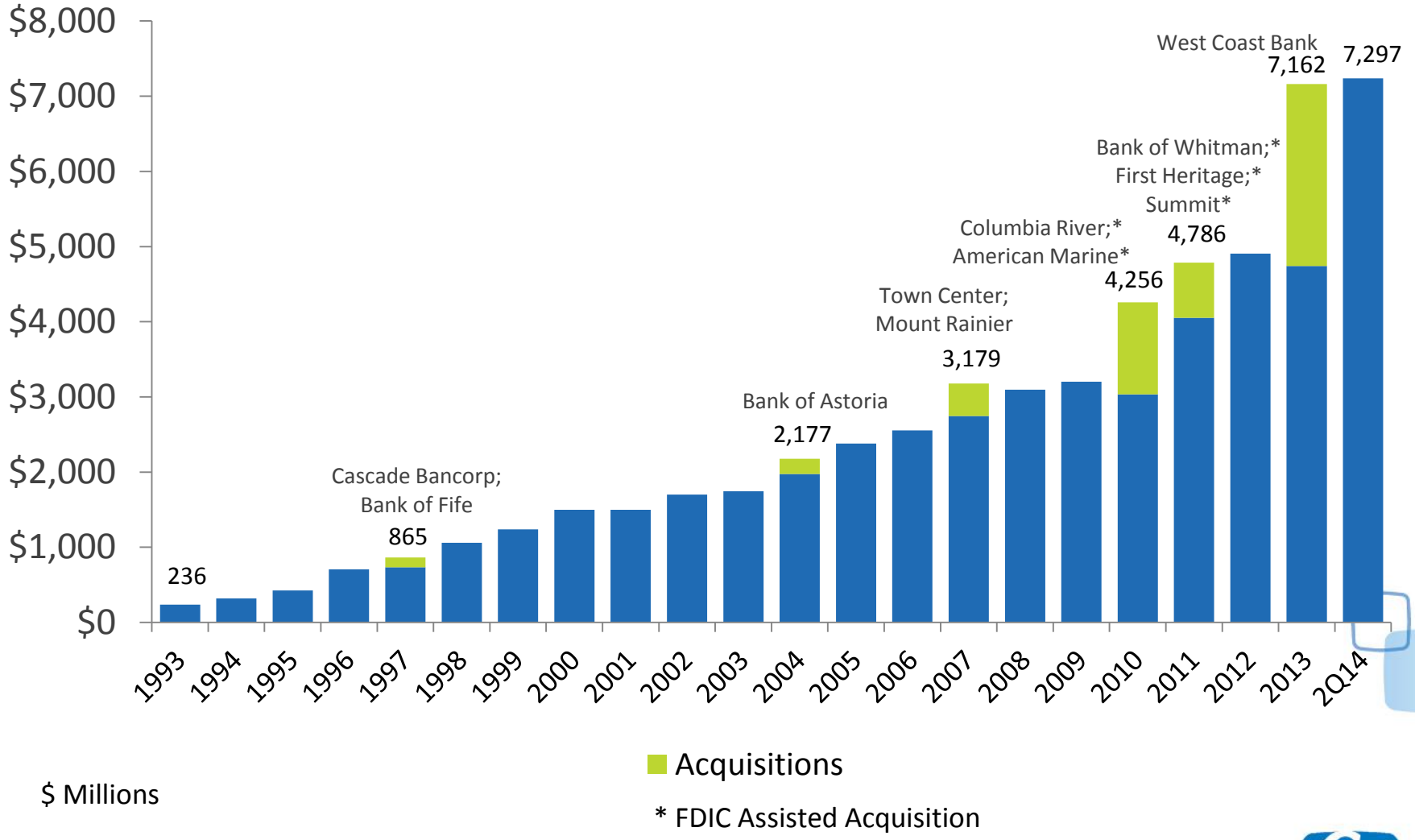
- Current total (August 31, 2014): 76 branches in Washington; 59 in Oregon

*6/30/2014

Seasoned Acquirer with Proven Integration Track Record

Acquisition (Completion Date)	Assets
Cascade Bancorp (December 1997)	$ 97 million
Bank of Fife (December 1997)	$ 34 million
Bank of Astoria (October 2004)	$203 million
Mount Rainier Bank (July 2007)	$266 million
Town Center Bank (July 2007)	$166 million
FDIC-assisted acquisitions:	
Columbia River Bank (January 2010)	$913 million
American Marine Bank (January 2010)	$308 million
Summit Bank (May 2011)	$131 million
First Heritage Bank (May 2011)	$165 million
Bank of Whitman (August 2011)	$438 million
West Coast Bancorp (April 2013)	$ 2.6 billion
Intermountain Community Bancorp (pending)	$920 million (6/30/2014)

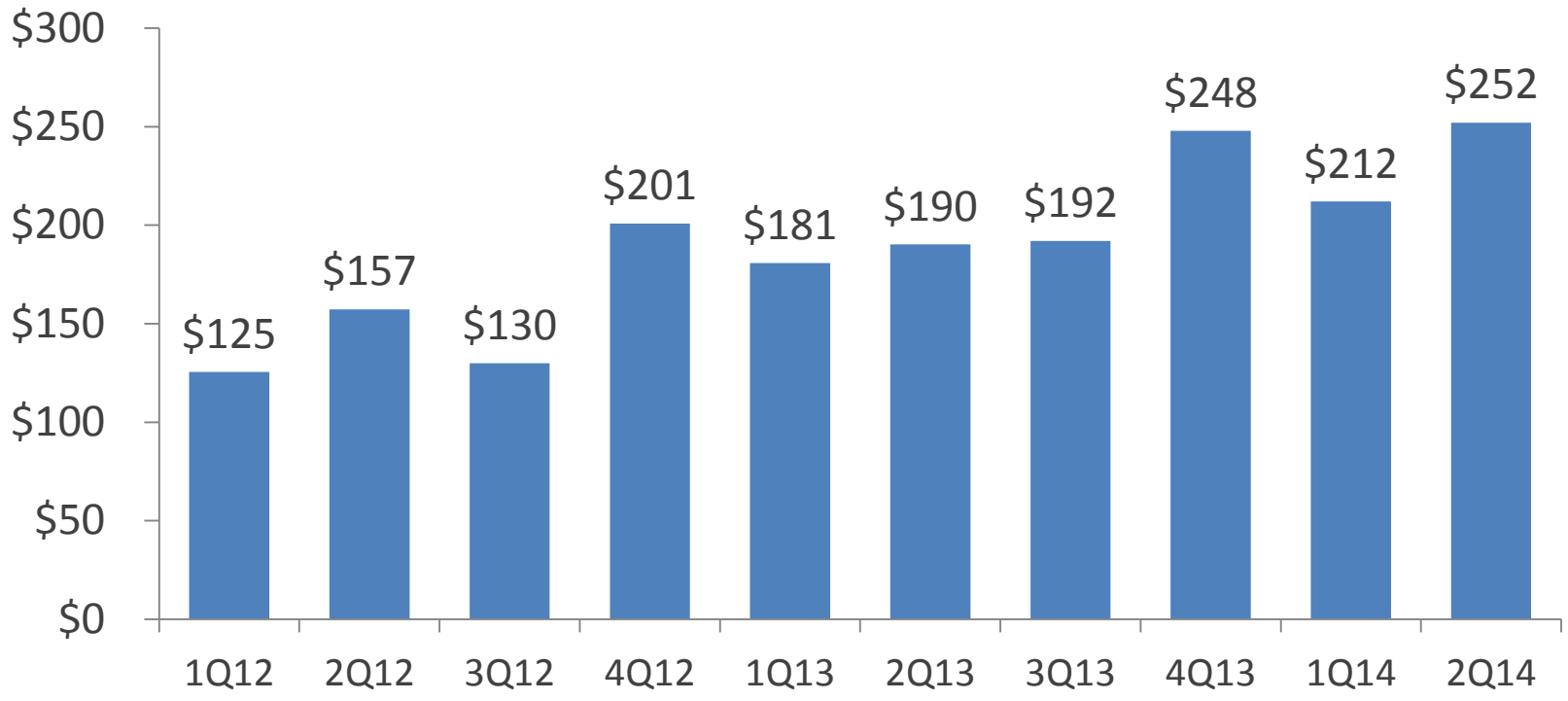
Growth of Total Assets 1993 - 2014



$ Millions

* FDIC Assisted Acquisition

New Loan Originations



Solid new loan production continues in 2014 with $252 million generated during the second quarter.

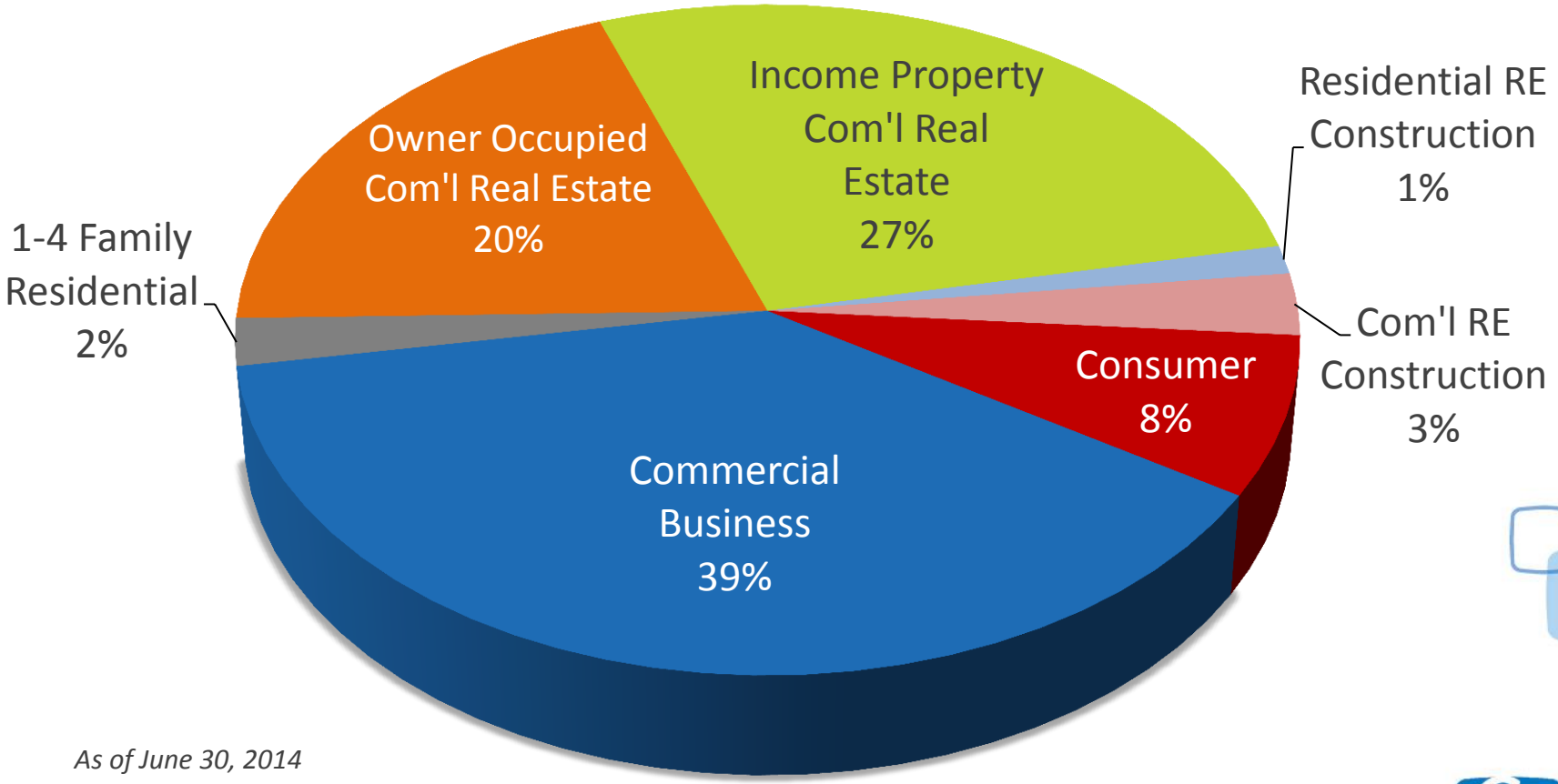
$ in Millions

Balanced Non-covered Loan Portfolio

Total Portfolio = $4.5 Billion

An increase of 5.7% over the past 12 months

Annualized 2nd quarter growth of 14%



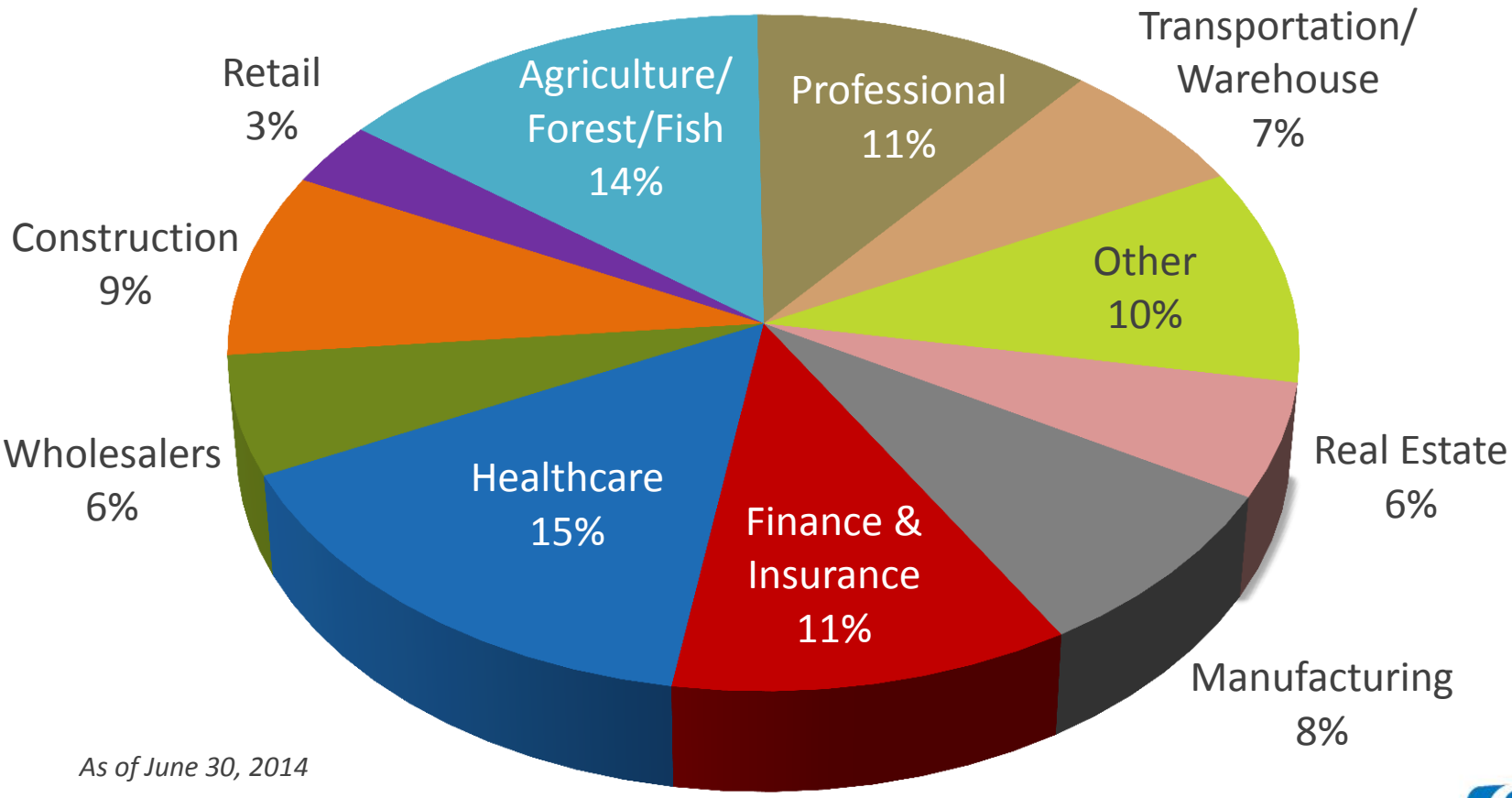
As of June 30, 2014

Non-covered Commercial Business Portfolio

Total Portfolio = $1.7 Billion

An increase of 9% over the past 12 months

Annualized 2nd quarter growth of 33%



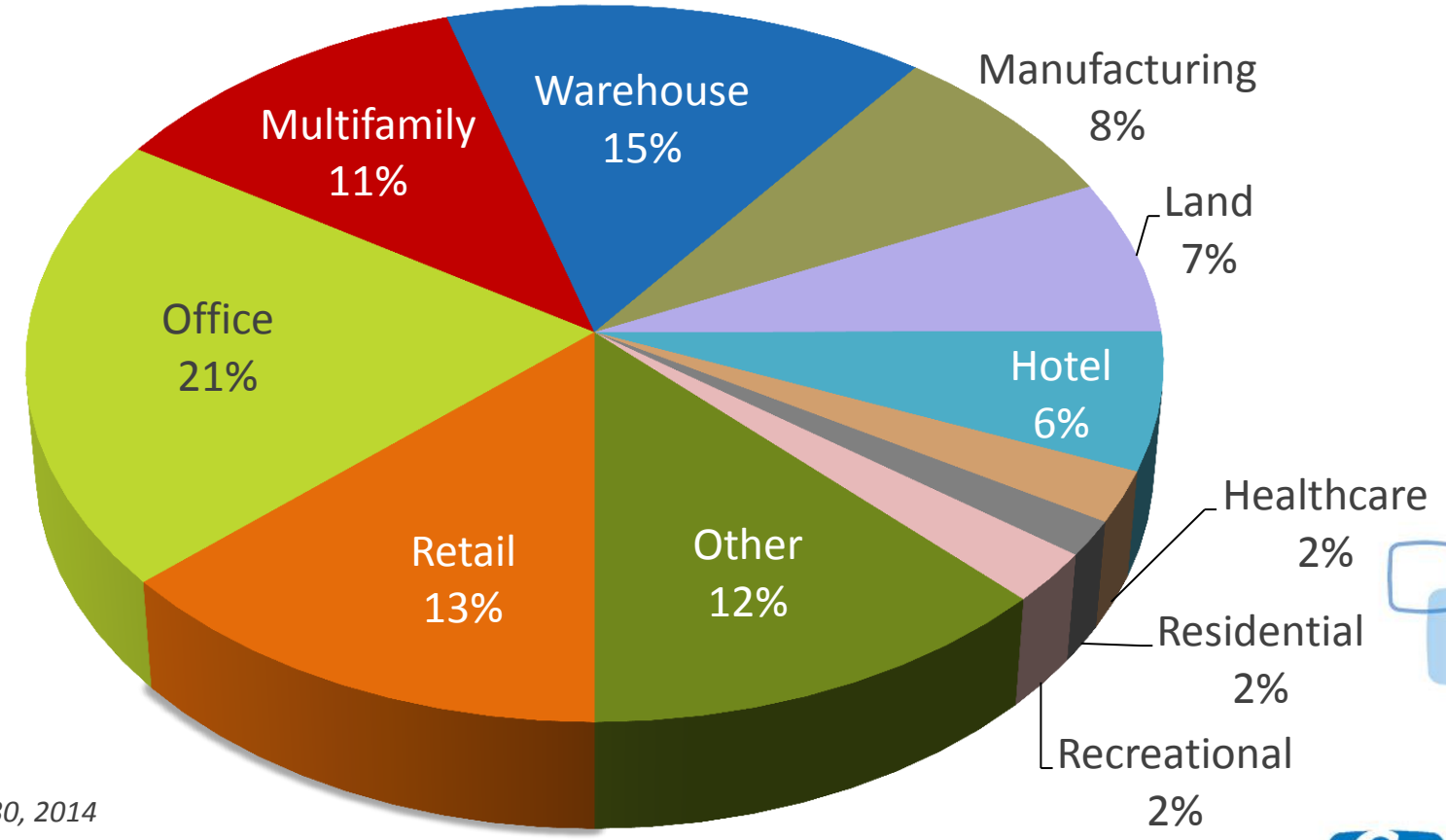
As of June 30, 2014

Non-covered Commercial Real Estate Portfolio

Total Portfolio = $2.1 Billion

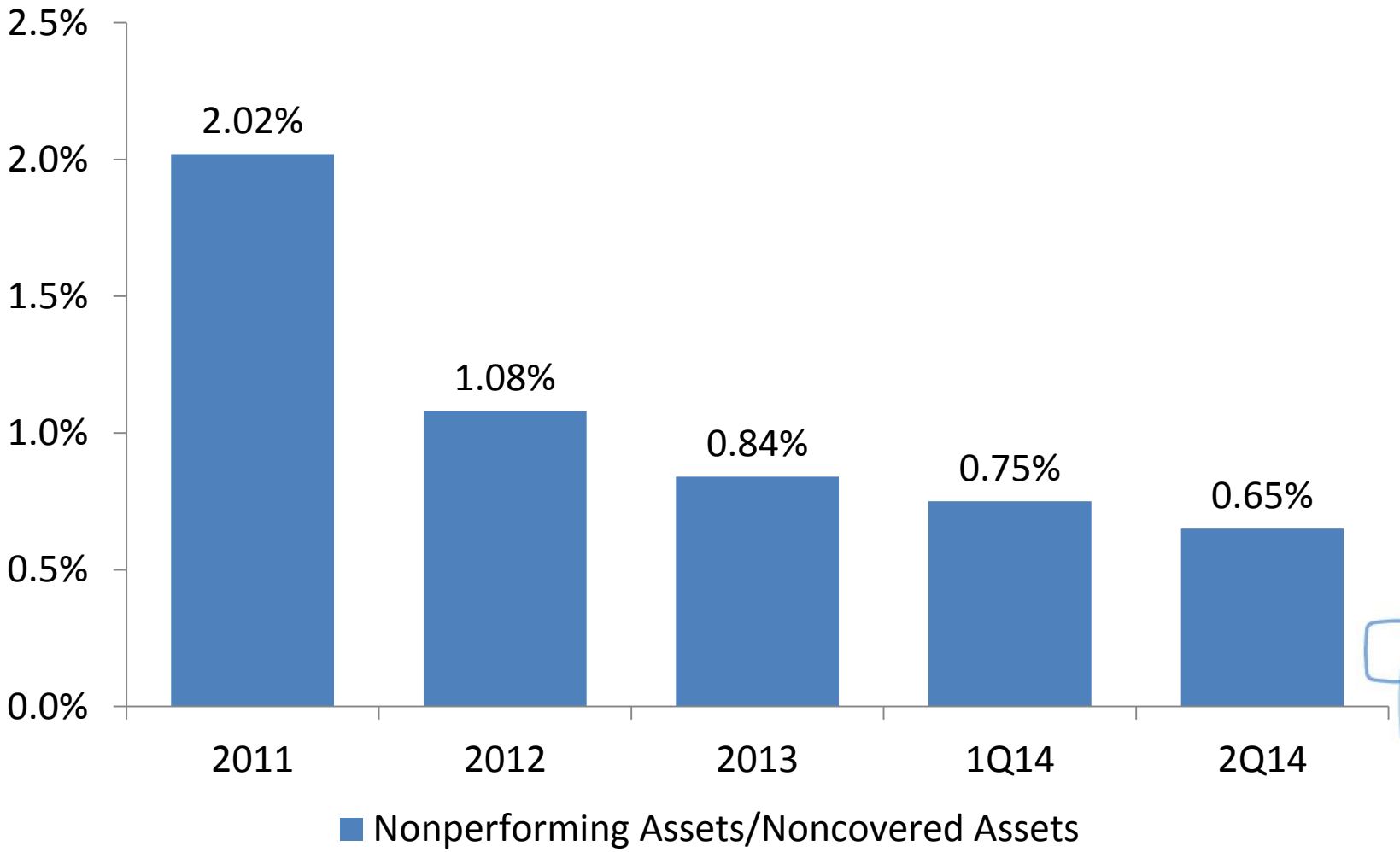
An increase of 4% over the past 12 months

Annualized 2nd quarter growth of 3%



As of June 30, 2014

Effective Management of Nonperforming Assets



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

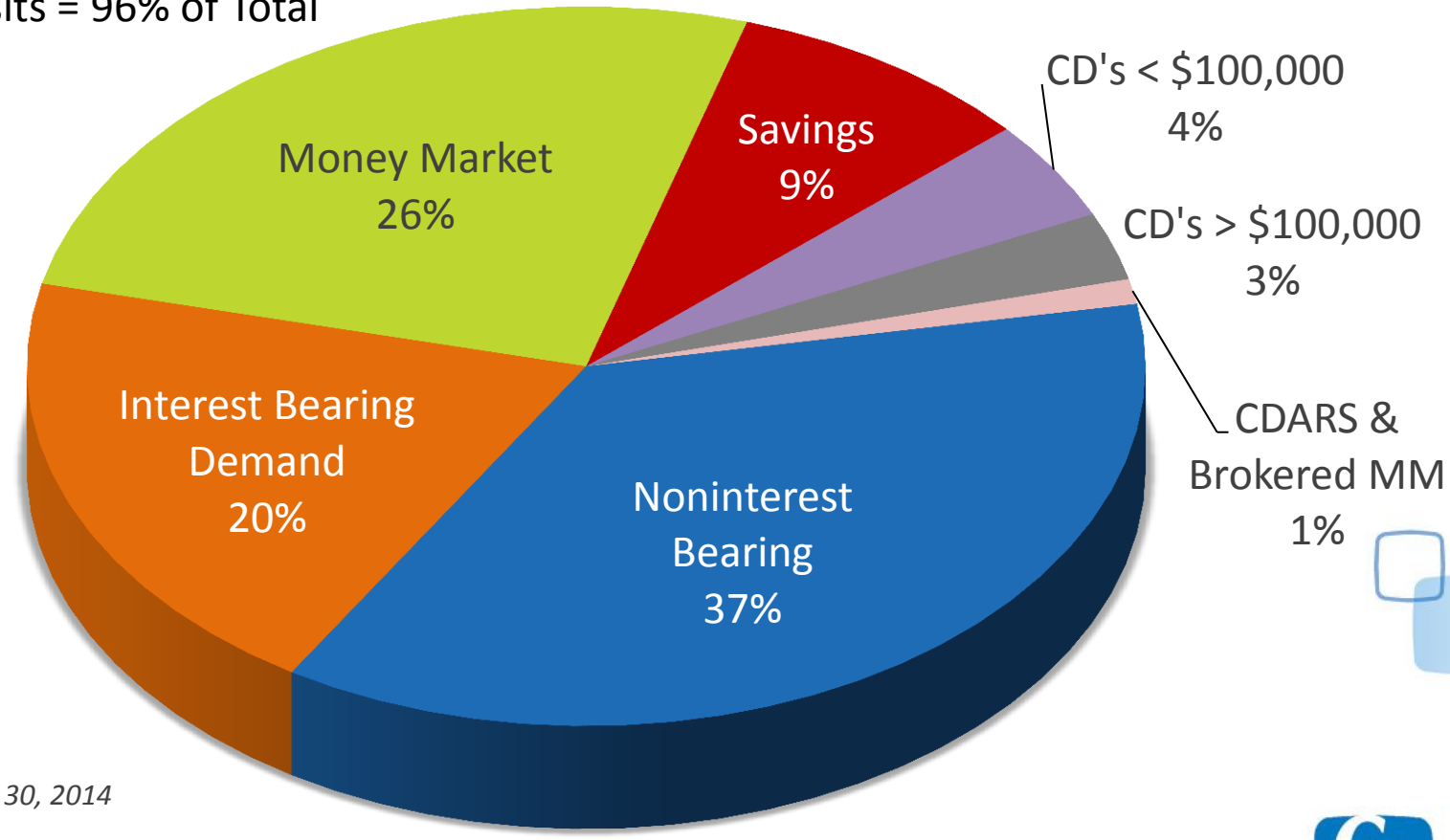
Diversified, Relationship Based Deposit Base

Total Deposits = $6.0 Billion

2nd Quarter 2014 Cost of Interest Bearing Deposits = 8 bps

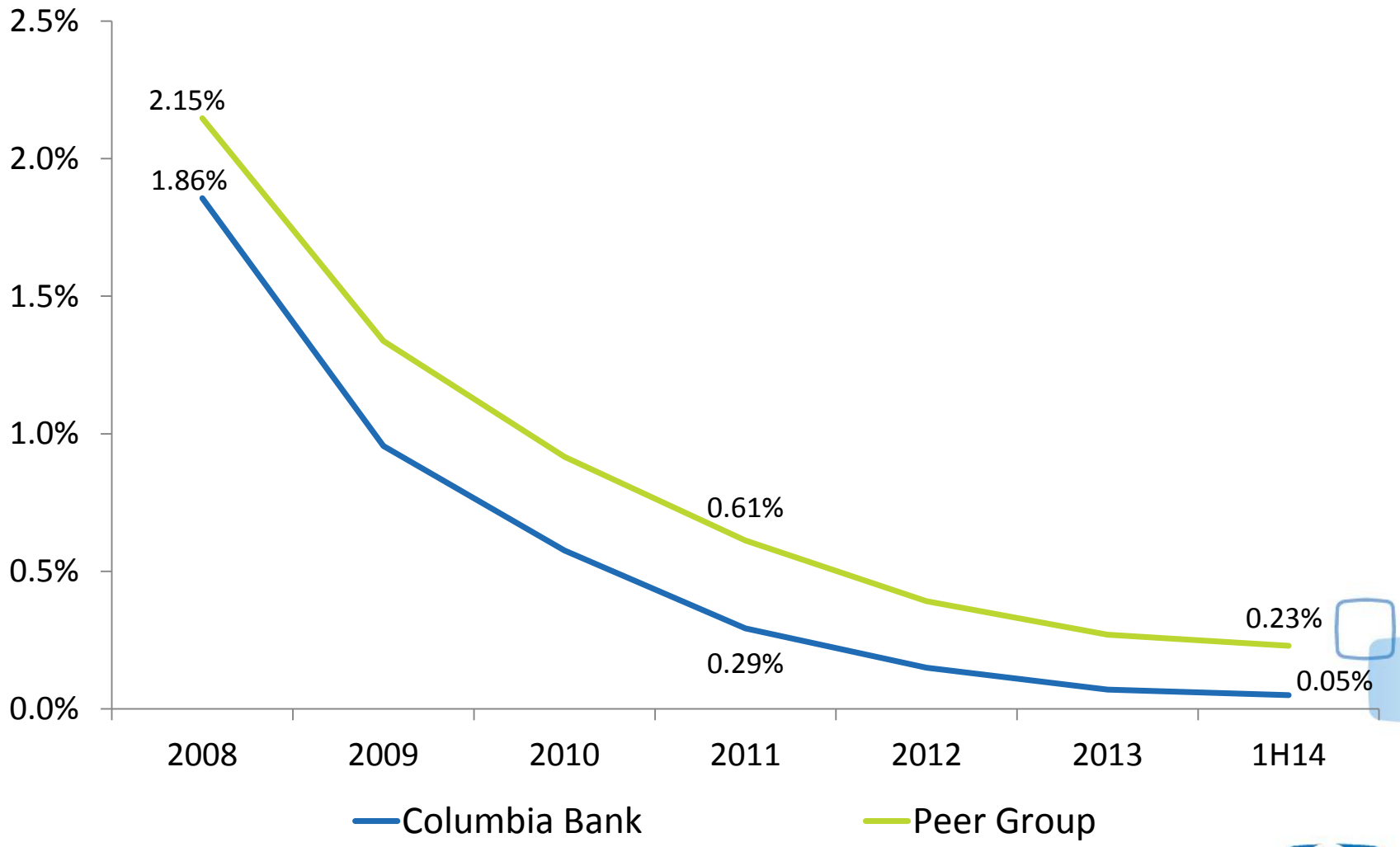
Nearly even split between Business (51%) and Personal (49%)

Core Deposits = 96% of Total

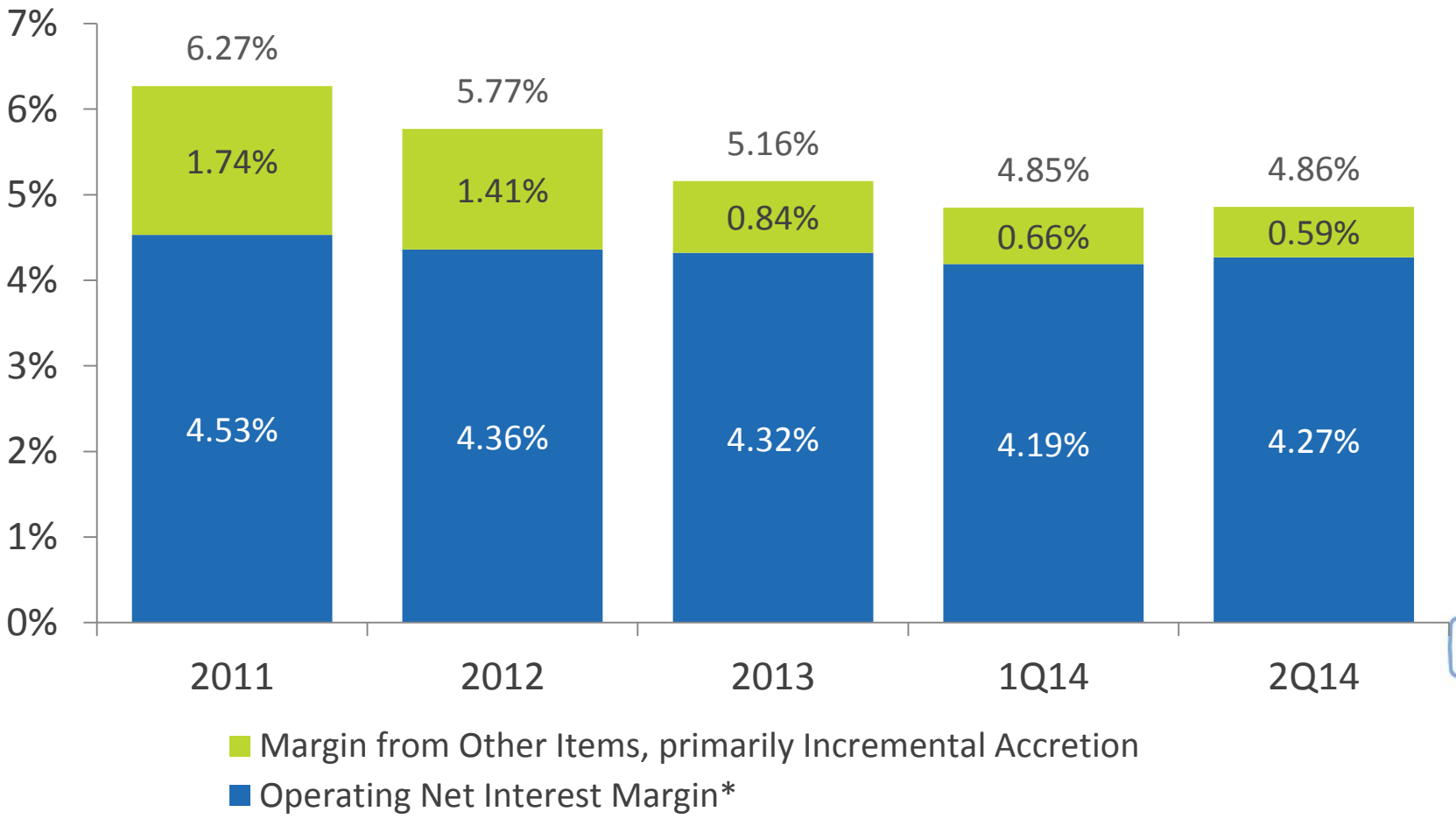


As of June 30, 2014

Total Cost of Deposits



Stable Operating Net Interest Margin*



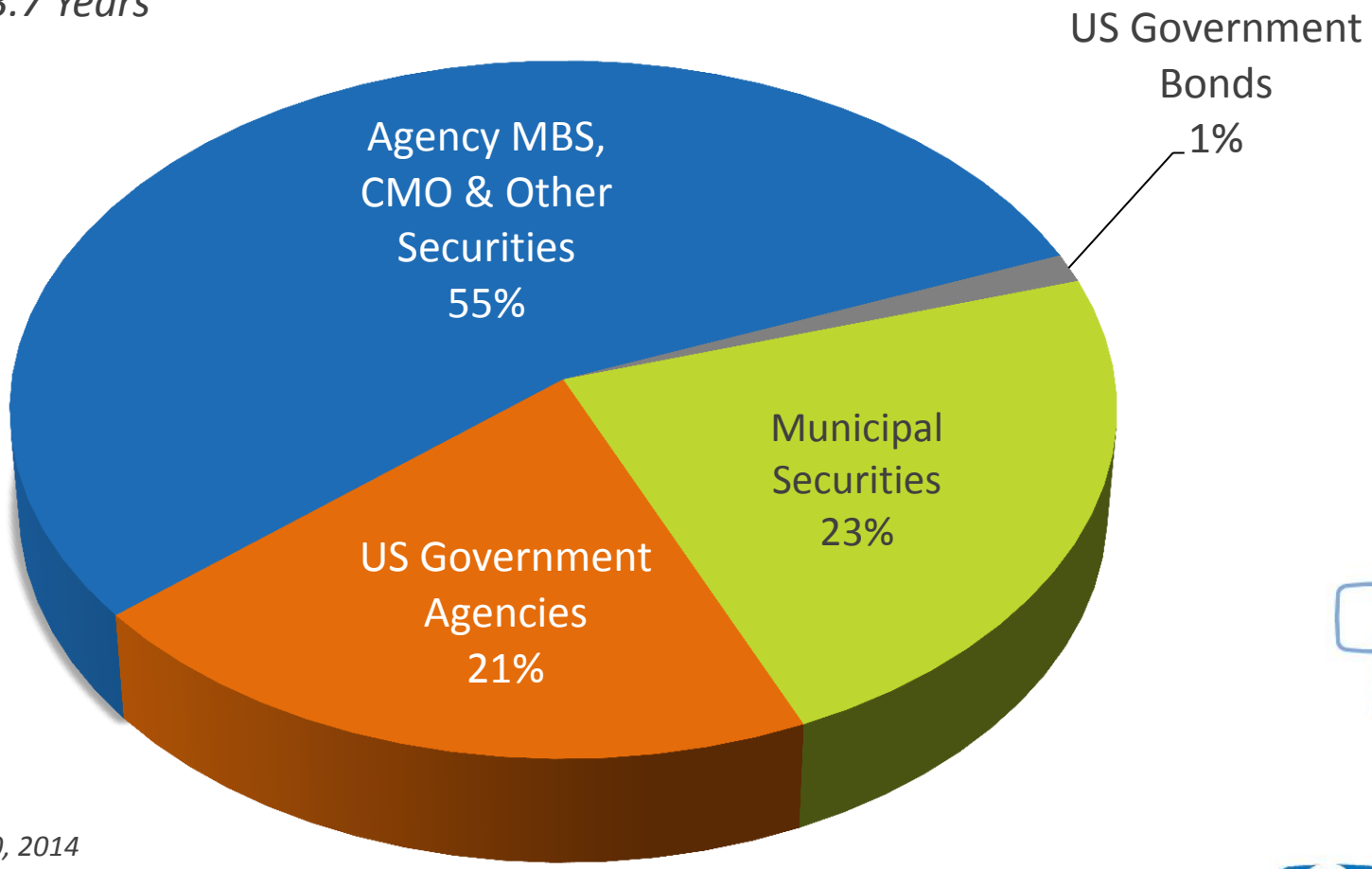
* Operating Net Interest Margin is a non-GAAP financial measure. Refer to appendix for additional information.

Conservative Investment Portfolio

Total Book Value = $1.6 Billion

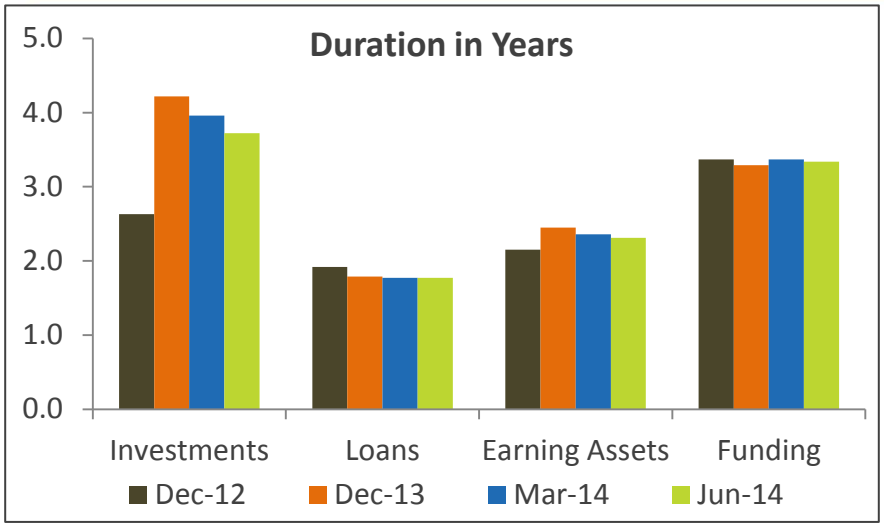
2014 YTD Yield = 2.58%

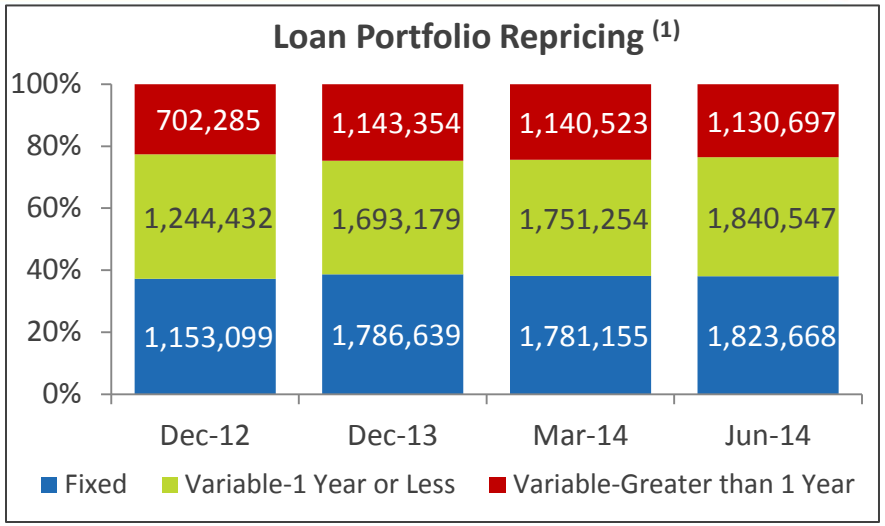
Duration = 3.7 Years



As of June 30, 2014

Interest Rate Sensitivity





- Asset durations stable for the past 12+ months
- Investment durations under 4 years
- Mix of tax exempt muni bonds ,mortgage, Agency and Treasury securities
- Loan durations < 2 years years as about 38% reprice in one year or less (most monthly)
- Another 24% is variable rate with most repricing in 5 years or less
- The fixed rate book generally matures in < 10 years
- Interest rate floors within the loan portfolio total $1.9 billion with about 50% in the money

Loan Repricing Detail (1)	Jun-14	
Fixed	$1,823,668	38%
Prime	1,152,949	24%
Libor	612,635	13%
1Y FHLB/UST/Libor	74,963	2%
Variable-1 Year or Less	1,840,547	38%
2Y FHLB	0	0%
3Y FHLB/SWAP/UST	182,761	4%
5Y FHLB/SWAP/UST	919,825	19%
OVER 5Y FHLB/SWAP	28,110	1%
Variable-Greater than 1 Year	1,130,697	24%
Total	**$4,794,911**	**100%**

(1) Loan balances exclude deferred fees/costs and premiums/discounts.

Operating Highlights

$ in Thousands	2Q14	1Q14	4Q13	3Q13	1H14	1H13
Operating Net Interest Income*	$65,760	$63,544	$65,880	$65,815	$129,305	$110,912
Provision/(Recap) for Loan Losses	600	(500)	(2,100)	4,260	100	1,000
Operating NII after Provision*	**65,160**	**64,044**	**67,980**	**61,555**	**129,205**	**109,912**
Operating Noninterest Income*	19,363	18,572	18,804	19,422	37,935	31,583
Operating Noninterest Expense*	54,429	53,519	54,308	55,057	107,949	92,381
Pre-tax Operating Income*	**30,094**	**29,097**	**32,476**	**25,920**	**59,191**	**49,114**
Pre-tax Op Inc (before LL Prov)*	**30,694**	**28,597**	**30,376**	**30,180**	**59,291**	**50,114**
Non-Operating Adjustments:						
FDIC Acquired Loan Acctg Impact	(635)	(752)	(1,248)	(3,362)	(1,387)	(5,398)
Impact of Acctg on Other Acq Loans	5,481	5,615	6,540	10,025	11,096	9,635
Impact of Acq Sec Premium Amort	(1,554)	(1,625)	(1,828)	(2,427)	(3,179)	(3,054)
Core Deposit Intangible Amort	(1,480)	(1,580)	(1,657)	(1,667)	(3,060)	(2,722)
Washington State B&O Taxes	(972)	(1,075)	(908)	(1,363)	(2,047)	(2,455)
Acquisition Related Costs	(672)	(966)	(7,910)	(7,621)	(1,638)	(9,957)
Other Non-operating Items	(392)	(74)	2,419	505	(467)	3,955
Tax Provision	8,643	8,796	7,911	6,734	17,439	12,349
Net Income	**$21,227**	**$19,844**	**$19,973**	**$13,276**	**$41,070**	**$26,769**
Earnings per Share (Diluted)	$0.40	$0.37	$0.38	$0.25	$0.77	$0.58

* A non-GAAP financial measure. Refer to appendix for additional information.

Balance Sheet Highlights

$ in Millions	2Q14	2013	2012	2011	2010
Total Assets	$7,297	$7,162	$4,906	$4,786	$4,256
Noncovered Loans, net	$4,453	$4,219	$2,526	$2,348	$1,916
Covered Assets, net	$255	$290	$408	$560	$532
Core Deposits	$5,735	$5,696	$3,802	$3,510	$2,998
Total Deposits	$5,985	$5,959	$4,042	$3,816	$3,327
Nonperforming Assets/ Noncovered Assets	0.65%	0.84%	1.08%	2.02%	3.23%
Return on Average Assets	1.17%	0.92%	0.96%	1.07%	0.72%
Return on Average Common Equity	7.83%	6.14%	6.06%	6.57%	4.15%

Acquisition of Intermountain Community Bancorp/ Panhandle State Bank

IMCB Transaction Highlights

Transaction Rationale

- Natural extension into Idaho, a neighboring state
- IMCB, with 19 branches, is the 3rd largest community bank headquartered in Idaho
- Bolsters COLB's position as the premier regional community bank in the Pacific Northwest
- Complementary community-focused banking models built around strong core deposit bases
  - Noninterest bearing deposits of 36.8% and 33.4% for COLB and IMCB, respectively
- Enhances loan portfolio diversification
- Delivers COLB's expanded product suite and higher lending capacity to IMCB customer base
- Opportunity to expand in Boise, 3rd largest deposit MSA in the Pacific Northwest

Risk Management

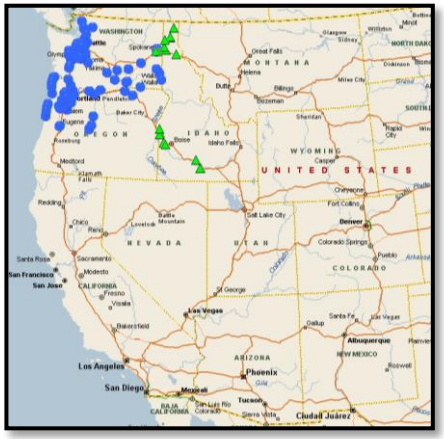
- Pro forma assumptions driven by significant due diligence
- Track record of 9 successfully integrated acquisitions over the last 10 years
- Continued, strong pro-forma capital ratios position COLB well for potential future acquisitions

Attractive Financial Returns

- ~2% earnings accretion / ~22% incremental earnings accretion in 2016(1)
- > 15% IRR
- Tangible Book Value Earnback of ~3 years
- ~1% TBV Dilution at Close

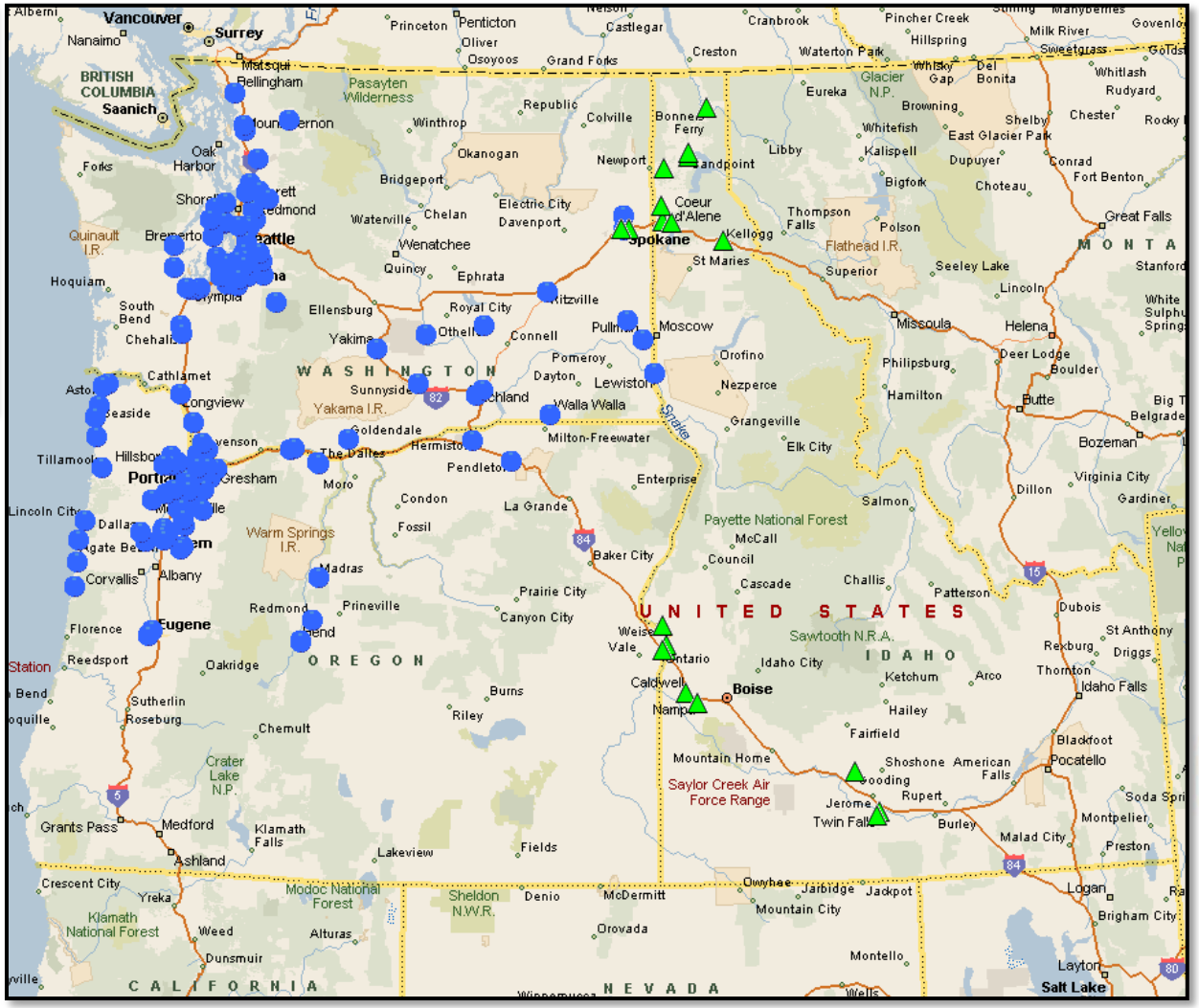
(1) Incremental earnings accretion is the percentage increase of earnings per share attributable to the shares issued.

Entry into the Idaho Market



COLB (138 branches)

IMCB (19 branches)



Transaction Assumptions and Pro Forma Adjustments

Transaction Value	$121.5 million
Cost Savings	Estimated at approximately $8.6 million or 27.1% of IMCB's 2015e NIE Expected to be phased 50% in 2015 and 100% in 2016+
Revenue Enhancements	Not included
Deal Related Expenses	Approximately $18 million, pre-tax
Loan Mark	Estimated gross loan mark of $19.6 million or 3.63% of loans(1)
Estimated Fair Value and Pro Forma Adjustments	Estimated Core Deposit Intangible equaling 1.5% of IMCB's core deposits(2) Estimated Investment Securities markup of $5.0 million Estimated Fixed Asset markdown of $13.7 million Estimated Deposit markup of $1.5 million related to CDs Trust Preferred Redemption of $16.5 million

(1) Per 3rd party loan review.

(2) Core deposits equal all deposits less CDs ≥ $100k.

Pro Forma Financial Impact

Transaction Multiples (based on 3/31/2014 data)	Acquisition of IMCB	Comparable Deal Medians[1]
Price / Tangible Book Value Per Share:	1.23x	1.51x
Price / LTM Earnings Per Share[2]:	NM	15.6x
Core Deposit Premium:	3.9%	11.0%
One-Day Market Premium:	11.7%	16.3%

Transaction Metrics	
2016 Estimated EPS / Incremental EPS Accretion:	1.67% / 22.41%
Internal Rate of Return:	> 15%
Tangible Book Value Per Share Earnback[3]:	~ 3 years
TBV Dilution at Close	~ 1%

Consolidated Capital Ratios (Estimated as of 12/31/2014)			
			Pro Forma
TCE / TA:	10.27%	10.66%	9.83%
Leverage Ratio:	10.30%	10.31%	9.86%
Tier 1 Common Ratio:	13.53%	13.78%	13.13%
Tier 1 Ratio:	13.57%	16.55%	13.16%
Total Risk-based Capital Ratio:	14.82%	17.80%	14.40%

(1) Includes 4 whole bank transactions announced since 12/31/11, with targets headquartered in the Pacific Northwest region of ID, OR, and WA, with reported deal values > $100 million.

(2) Based on reported GAAP EPS of $1.50, the P/E would have been 12.1x. Based on Core LTM EPS of $0.75 as of 3/31/14, the P/E would have been 24.3x. Core income is net income after taxes, less nonrecurring items such as one-time tax credits, restricted stock exercises, and OREO expenses. Earnings in all 4 quarters are taxed at 28%.

(3) Incremental Tangible Book Value Earnback represents the number of years to eliminate tangible book value dilution at closing utilizing incremental earnings created in the merger including earnings from IMCB, cost savings and purchase accounting adjustments.

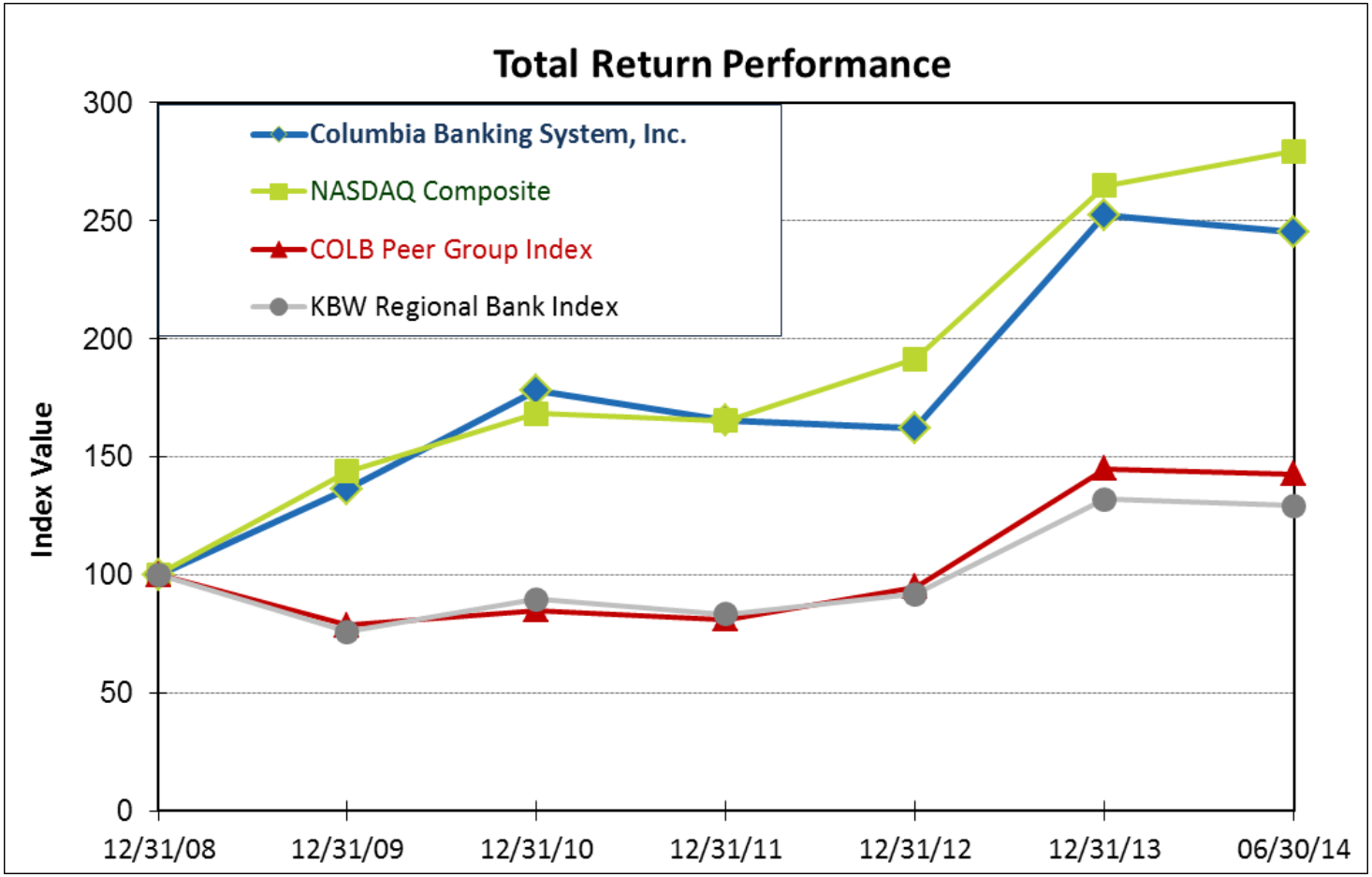
Priorities Moving Forward

- Continue to increase market share through organic growth
  - Focus on core deposits; developing and deepening new and existing customer relationships
  - Emphasis on high quality, diversified loan growth
- Emphasize expense control and growth in non-interest income
- Move forward on IMCB closing and integration
- Continue effective deployment of capital
- Maintain fundamental commitment to remain a true community bank

Columbia – An Award-Winning Company

- Ranked **Best Bank Headquartered in Washington State** for the 3rd year by the *Forbes* list of *America's Best Banks,* based on safety and soundness measures. Ranked 2nd in the Pacific Northwest, and 31st in the United States.
- For the 6th consecutive year, voted by readers as the **Best of 2013** by *South Sound Magazine*
- Received the **2013 Integrity Award** as one of the *Business Examiner's* 2013 Top Places to Work
- For 8th consecutive year, named in 2014 as one of *Puget Sound Business Journal*'s "**Washington's Best Workplaces**"
- President & CEO Melanie Dressel honored in 2013 for the 5th time as one of the **"25 Most Powerful Women in Banking"** by *American Banker Magazine*

COLB: Total Return Performance



Source: Keefe, Bruyette & Woods

Attractive Investment Opportunity

- Acquisition is in line with COLB's strategic plan, and meets COLB's investment criteria
- Entry into Idaho provides COLB a solid foothold in a contiguous state with strong growth potential
- Culturally compatible banks with similar core deposit bases and commercial banking orientation
- Increased size and scale favorably positions COLB for further acquisitions and growth strategies
- Pacific Northwest considered a "region to watch" for brightest economic future(1)
- Transaction should enhance COLB's long-term shareholder value

(1) Source: "The U.S. Economy: Regions To Watch in 2012" per www.forbes.com, published on 1/4/2012.

Appendix

Non-GAAP Financial Measures – Net Interest Margin

$ in Thousands	2011	2012	2013	1Q14	2Q14
Net interest margin (tax equivalent)	**6.27%**	**5.77%**	**5.16%**	**4.85%**	**4.86%**
Adjustments to net interest margin to arrive at operating net interest margin:					
Incremental accretion income on FDIC acquired impaired loans	-1.37%	-1.30%	-0.52%	-0.41%	-0.36%
Incremental accretion income on other FDIC acquired loans	-0.37%	-0.14%	-0.04%	-0.01%	-0.01%
Incremental accretion income on other acquired loans	0.00%	0.00%	-0.46%	-0.36%	-0.34%
Premium amortization on acquired securities	0.00%	0.00%	0.13%	0.10%	0.10%
Interest reversals on nonaccrual loans	0.00%	0.02%	0.02%	0.02%	0.02%
Prepayment charges on FHLB advances	0.00%	0.01%	0.03%	0.00%	0.00%
Operating net interest margin (tax equivalent)	**4.53%**	**4.36%**	**4.32%**	**4.19%**	**4.27%**

Non-GAAP Financial Measures - Operating Results

$ in Thousands	2Q14	1Q14	4Q13	3Q13	1H14	1H13
Reported Net Interest Income	**$75,124**	**$73,940**	**$77,209**	**$80,415**	**$149,064**	**$133,471**
- FDIC Loan Accretion	(5,829)	(6,693)	(6,778)	(7,328)	(12,522)	(17,920)
- WCB Loan Discount Accretion	(5,481)	(5,615)	(6,540)	(10,025)	(11,096)	(9,635)
+ WCB Securities Premium Amort	1,554	1,625	1,828	2,427	3,179	3,054
+ Reversed Interest	392	287	161	326	680	394
+ FHLB Prepayment Expense	-	-	-	-	-	1,548
Operating Net Interest Income	**$65,760**	**$63,544**	**$65,880**	**$65,815**	**$129,305**	**$110,912**

Non-GAAP Financial Measures - Operating Results

$ in Thousands	2Q14	1Q14	4Q13	3Q13	1H14	1H13
Reported Noninterest Income	**$14,627**	**$14,008**	**$10,612**	**$7,622**	**$28,635**	**$8,466**
+ Change in FDIC Loss Sharing Asset	5,050	4,819	9,571	11,826	9,869	23,620
- Net Gain on Sale of Inv Securities	(296)	(223)	-	-	(519)	(462)
- Gain on Disposal of Assets	(18)	(32)	(354)	(26)	(50)	(41)
- Other Nonrecurring Items	-	-	(1,025)	-	-	-
Operating Noninterest Income	**$19,363**	**$18,572**	**$18,804**	**$19,422**	**$37,935**	**$31,583**
Reported Noninterest Expense	**$57,764**	**$57,386**	**$63,619**	**$64,714**	**$115,150**	**$102,553**
- FDIC Clawback Expense/(Recap)	103	(204)	(36)	188	(101)	(430)
- Acquisition Related Costs	(672)	(966)	(7,910)	(7,621)	(1,638)	(9,957)
- OREO Expense, Net	97	(146)	1,295	777	(49)	5,329
- OPPO Expense, Net	20	124	13	29	144	96
- Core Deposit Intangible Amort	(1,480)	(1,580)	(1,657)	(1,667)	(3,060)	(2,722)
- Washington State B&O Taxes	(972)	(1,075)	(908)	(1,363)	(2,047)	(2,455)
- Loss on Disposal of Assets	(431)	(20)	(108)	-	(450)	(33)
Operating Noninterest Expense	**$54,429**	**$53,519**	**$54,308**	**$55,057**	**$107,949**	**$92,381**