Columbia Banking System Inc.

Enters California through the Acquisition of

bank of commerce HOLDINGS


Sacramento, CA


Mt. Shasta, CA


Redding, CA

Investor Presentation

June 23, 2021

Cautionary Note: Forward-Looking Statements

This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause Columbia Banking System, Inc.'s ("COLB") or Bank of Commerce Holdings' ("BOCH") performance or achievements to be materially different from any expressed, implied or projected future results, performance, or achievements.

Forward-looking statements speak only as of the date they are made and neither COLB nor BOCH assumes, and does not undertake, any duty to update forward looking statements, except as required by law. We caution readers that a number of important factors could cause actual results to differ materially from those expressed in, or implied or projected by, such forward-looking statements. Such forward-looking statements include, but are not limited to, statements with respect to COLB's and BOCH's beliefs, goals, intentions and expectations about the benefits of the business combination transaction involving COLB and BOCH, including future financial and operating results, the combined company's plans, objectives, expectations and intentions and other statements that are not historical facts. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: (i) the possibility that the merger does not close when expected or at all because required regulatory, shareholder or other approvals and other conditions to closing are not received or satisfied on a timely basis or at all or regulatory approvals are obtained subject to conditions that are not anticipated; (ii) changes in COLB's stock price before closing, including as a result of the financial performance of BOCH prior to closing, or more generally due to broader stock market movements, and the performance of financial companies and peer group companies; (iii) the risk that the benefits from the transaction may not be fully realized when expected or at all or may take longer to realize than expected, including as a result of changes in general economic and market conditions, interest and exchange rates, monetary policy, laws and regulations and their enforcement, and the degree of competition in the geographic and business areas in which COLB and BOCH operate; (iv) the ability to promptly and effectively integrate the businesses of COLB and BOCH within the expected timeframes or at all; (v) the reaction to the transaction of the companies' customers, employees and counterparties; (vi) diversion of management time on merger-related issues from ongoing business operations and opportunities; (vii) lower than expected revenues, credit quality deterioration or a reduction in real estate values or a reduction in net earnings; (viii) the risk that any announcements relating to the merger could have adverse effects on the market price of the common stock of either or both parties to the merger; (ix) certain restrictions during the pendency of the proposed transaction that may impact the parties' ability to pursue certain business opportunities or strategic transactions; and (x) other risks that are described in COLB's and BOCH's public filings with the Securities and Exchange Commission (the "SEC"). For more information, see the risk factors described in each of COLB's and BOCH's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and other filings with the SEC.

Annualized, pro forma, projected and estimated numbers and percentages are used for illustrative purposes only, are not forecasts and may not reflect actual results.

ADDITIONAL INFORMATION

Shareholders are urged to carefully review and consider each of COLB's and BOCH's public filings with the SEC, including but not limited to their Annual Reports on Form 10-K, their proxy statements, their Current Reports on Form 8-K and their Quarterly Reports on Form 10-Q. In connection with the proposed transaction, COLB will file with the SEC a Registration Statement on Form S-4 that will include a Proxy Statement of BOCH and a Prospectus of COLB, as well as other relevant documents concerning the proposed transaction. Shareholders of BOCH are urged to carefully read the Registration Statement and the Proxy Statement/Prospectus regarding the transaction in their entirety when they become available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. A definitive Proxy Statement/Prospectus will be sent to the shareholders of BOCH seeking any required shareholder approvals. The Proxy Statement/Prospectus and other relevant materials (when they become available) filed with the SEC may be obtained free of charge at the SEC's website at http://www.sec.gov. BOCH shareholders are urged to read the Proxy Statement/Prospectus and the other relevant materials before voting on the transaction.

Investors will also be able to obtain these documents, free of charge, from BOCH by accessing its website at www.bankofcommerceholdings.com (under the tab "Investor Services" and then under the heading "Corporate Profile") or from COLB at www.columbiabank.com under the tab "About Us" and then under the heading "Investor Relations." Copies can also be obtained, free of charge, by directing a written request to Columbia Banking System, Inc., Attention: Corporate Secretary, 1301 A Street, Suite 800, Tacoma, Washington 98401-2156 or to Bank of Commerce Holdings, Attention: Corporate Secretary 555 Capitol Mall, Suite 1255, Sacramento, California 95814-4606.

COLB and BOCH's directors and executive officers and certain other persons may be deemed to be participants in the solicitation of proxies from the shareholders of BOCH in connection with the merger. Information about the directors and executive officers of BOCH and their ownership of BOCH common stock is set forth in the proxy statement for BOCH's 2021 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on April 6, 2021. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement/Prospectus regarding the merger when it becomes available. Free copies of this document may be obtained as described in the preceding paragraph.

Transaction Overview

Transaction Overview

- Columbia Banking System Inc. ("COLB") (NASDAQ: COLB) will acquire Bank of Commerce Holdings ("BOCH") (NASDAQ: BOCH), the bank holding company for Merchants Bank of Commerce (the "Bank"), a community bank headquartered in Sacramento, California
  - Represents COLB's 11th acquisition since 2007
- BOCH shareholders will receive 0.400 of a COLB share for each BOCH common share outstanding
  - Based on the closing price of $39.30 for COLB shares on June 23, 2021, the transaction would result in an aggregate deal value of $266 million, or $15.72 per BOCH share

Strategic Rationale

- Impactful Northern California entry with $1.8 billion of assets and 12 branch locations(1) along the I-5 corridor from the Oregon border south to the Greater Sacramento area
- Strong organizational fit driven by complementary business models and culture created by experienced management teams
- Attractive deposit franchise with 38% non-interest-bearing deposits and cost of deposits of 0.12% as of Q1 2021
- Well-positioned and diversified loan portfolio with a strong loan yield of 4.70% as of Q1 2021
- Positions COLB to continue to expand in Northern California

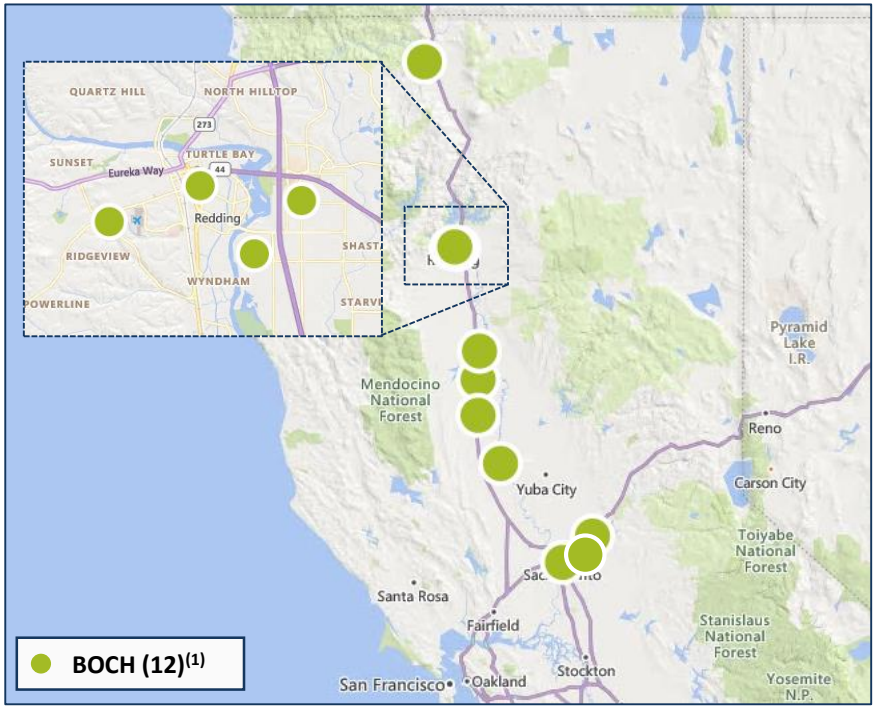
Financially Attractive

- 3% accretive to 2022e earnings per share
- 4% accretive to 2023e earnings per share
- 0.3% tangible book value accretion
- >15% internal rate of return
- Strong pro forma capital ratios

(1) Includes 10 full service branches, 1 internet banking branch and 1 limited service branch.

Bank of Commerce Holdings (NASDAQ: BOCH) Overview

Branch Locations



Deposit Market Share

Market	Market Pop. (#)	Median HH Income ($)	Deposits ($mm)	Branches (#)	Deposit Mkt. Share (%)	Deposit Mkt. Rank (#)
MSA:						
Sacramento-Roseville-Folsom, CA	2,383,795	79,604	751.0	3	1.2	14
Redding, CA[2]	178,955	60,887	582.5	4	15.1	2
Red Bluff, CA	65,433	47,298	19.5	1	2.0	10
Counties not in an MSA:						
Glenn, CA	28,719	53,177	82.5	2	15.0	3
Siskiyou, CA	43,457	49,275	40.0	1	5.3	6
Colusa, CA	21,843	61,392	23.3	1	5.0	5
Total / Aggregate	**2,722,202**	**75,011**	**1,498.7**	**12**	-	-

Company Description

- BOCH is the bank holding company for Merchants Bank of Commerce
- BOCH operates out of 10 full service branches, 1 internet banking branch, 1 limited service branch and 1 loan production office in Northern California along the interstate 5 corridor and in the wine region north of San Francisco
- Headquarters: Sacramento, CA
- Year Established: 1982

bank of commerce HOLDINGS

Financial Highlights

	FY 2019	FY 2020	Q1 2021
BALANCE SHEET			
Total Assets ($M)	1,480	1,764	1,829
Gross Loans ($M)	1,035	1,140	1,146
PPP Loans ($M)	-	131	118
Total Deposits ($M)	1,267	1,543	1,614
Gross Loans / Deposits (%)	81.7	73.9	71.0
INCOME STATEMENT			
Net Income ($M)	15.0	14.2	4.9
ROAA (%)	1.03	0.86	1.10
ROATCE (%)	10.4	9.5	12.5
Net Interest Margin (%)	3.94	3.60	3.46
Efficiency Ratio (%)	59.9	56.9	57.1
Yield on Loans (%)	4.95	4.57	4.70
Cost of Deposits (%)	0.37	0.26	0.16
CAPITAL RATIOS			
TCE / TA (%)	10.80	9.27	8.91
Leverage Ratio (%)	11.30	9.46	9.61
Common Equity Tier 1 Ratio (%)	13.19	13.12	12.99
Total Risk-based Capital Ratio (%)	15.97	16.06	15.87
ASSET QUALITY			
NPAs / Total Assets (%)	0.71	0.63	0.44
Loan Loss Reserves / Gross Loans (%)	1.18	1.48	1.49

Source: S&P Global and FDIC Summary of Deposits. Deposit market share data as of 6/30/2020.
(1) Includes 10 full service branches, 1 internet banking branch and 1 limited service branch.
(2) Includes BOCH's internet banking branch with $3.1 million in deposits.

BOCH's Market Highlights

Establishes COLB's presence in the attractive California market

BOCH's Market Highlights

BOCH allows COLB to establish its presence in the attractive California market and instantly become a leader across the Northern California region

Sacramento MSA

$751M in deposits (Rank: 14)

6.6%	$153B	13.0%
Unemployment in April 2021 (CA statewide: 8.3%)	*2019 GDP*	*2021 – 2026 proj. growth in household income*

- Ranked the **top U.S. migration destination** for homebuyers looking to relocate
- Nonfarm payrolls increased by **82,000** from April 2020 – April 2021, or 9.0%, led by gains in leisure and hospitality, retail, trade, and construction
- **Over $6 billion** invested into urban Sacramento infrastructure since 2016

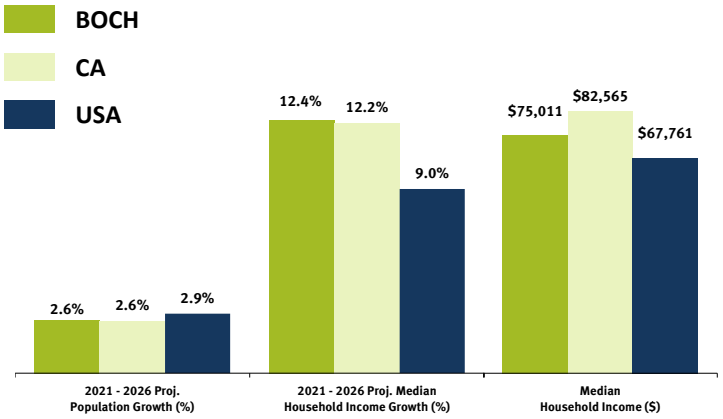
Redding MSA

$582M in deposits (Rank: 2)

7.0%	7.5%	12.7%
Unemployment in April 2021 (CA statewide: 8.3%)	*YoY Growth in GDP (2018 – 2019)*	*2021 – 2026 proj. growth in household income*

- **8.4%** YoY increase in nonfarm payrolls from April 2020 – April 2021
- Redding, CA was ranked the **#35** best-performing small city in the United States for jobs and **#29** for wage growth by the Milken Institute in 2020

Market Demographics



Major Employers in BOCH's Footprint

Aerojet Rocketdyne · City of Eureka · hp · intel · Kaiser Permanente · Sutter Health · UC Davis Health

Source: S&P Global, FDIC Summary of Deposits, California Employment Development Department, U.S. Bureau of Labor Statistics, Federal Reserve Economic Data (FRED), Sacramento Business Journals, Milken Institute, Greater Sacramento Economic Council, Beacon Economics, and Zippia.
Note: Deposit data as of 6/30/2020.

Pro Forma Company Overview

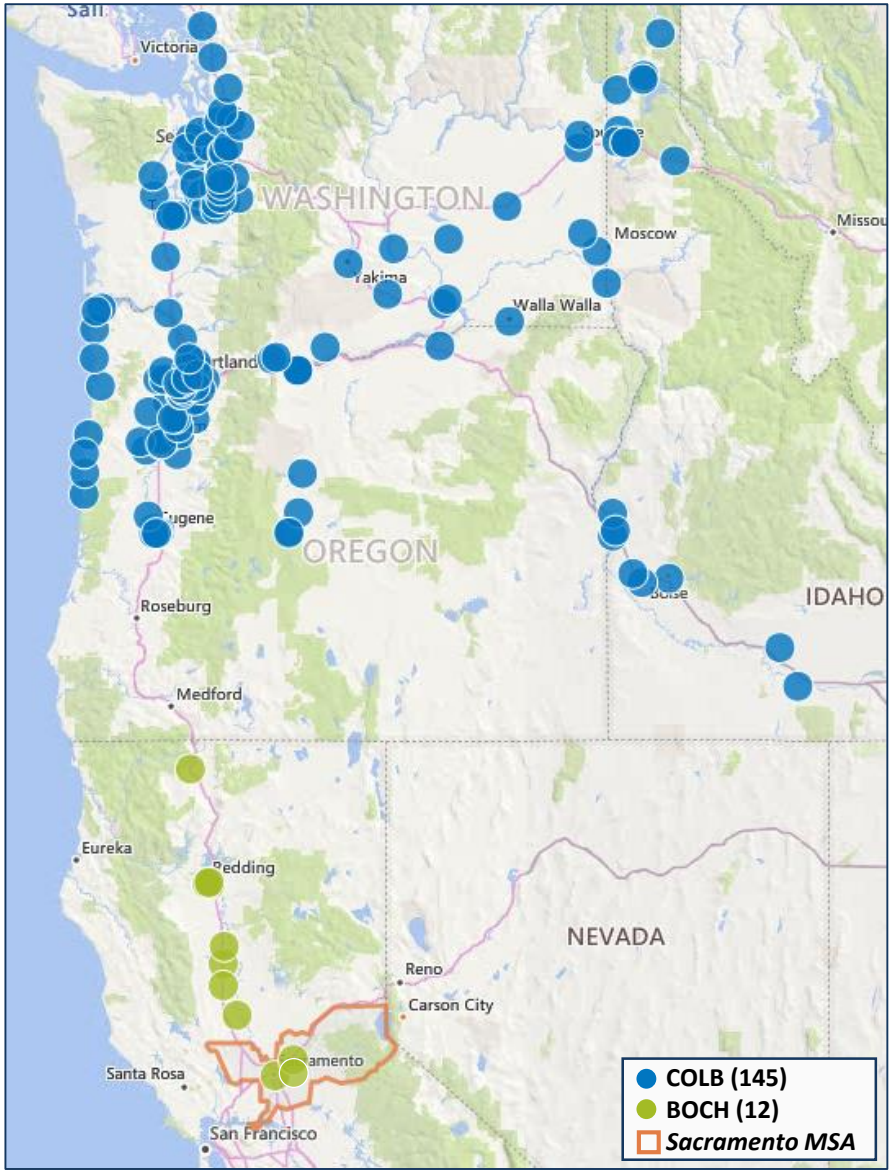
Top 5 MSAs by Pro Forma Deposits[1]

	Market	Deposits	Market Share
1	Seattle-Tacoma-Bellevue, WA	$5.1bn	3.8%
2	Portland-Vancouver-Hillsboro, OR-WA	$2.3bn	3.5%
3	Salem, OR	$1.0bn	13.3%
4	Olympia-Lacey-Tumwater, WA	$0.8bn	15.0%
5	Sacramento-Roseville-Folsom, CA	$0.8bn	1.2%

Pro Forma Financial Highlights[2]

$19.0bn	Total Assets	**$16.2bn**	Total Deposits
$10.7bn	Total Loans	**$1.7bn**	Tang. Equity
9.5%	TCE / TA	**13.9%**	CET1 Ratio
9.4%	Leverage Ratio	**15.5%**	TRBC Ratio

Attractive West Coast Footprint



Source: S&P Global, FactSet, and FDIC Summary of Deposits.
(1) Deposit market share data as of 6/30/2020.
(2) Pro forma financial metrics at close include purchase accounting adjustments.

Transaction Structure

Fixed Exchange Ratio	▪ 0.400 of a COLB share issued for each BOCH common share outstanding
Consideration Mix	▪ 100% stock-for-stock outstanding ▪ In-the-money options will receive cash consideration
Pro Forma Ownership	▪ 91% COLB | 9% BOCH
Local Leadership Retention	▪ Randy Eslick, current CEO of BOCH, will continue to lead the California franchise
Due Diligence	▪ Completed, including extensive loan and compliance review
Required Approvals	▪ BOCH shareholder approval, and other customary regulatory approvals
Expected Closing	▪ Q4 2021

Key Assumptions

Earnings Estimates	▪ Consensus earnings estimates for both companies
Cost Savings / Other Earnings Adjustments	▪ Estimated $10.6 million of pre-tax run-rate savings, or 30.0% of BOCH's non-interest expense (excluding amortization of intangibles) – Phased in 70% in 2022, and 100% thereafter ▪ Estimated $0.7 million (pre-tax) annual reduction in BOCH's interchange income in compliance with the Durbin Amendment
Transaction Expenses	▪ Pre-tax one-time merger costs of $19.1 million (7.2% of deal value)
Fair Market Value Adjustments	▪ Total gross loan credit mark of $16.6 million, or 1.61% of BOCH's gross loans excl. PPP loans – $1.7 million, or 11% of the total mark, allocated to purchase credit deteriorated (PCD) loans – $14.8 million, or 89% of the total mark, allocated to non-PCD loans, recorded as a net of loan discount; amortized into earnings over 4 years using sum-of-the-years-digits accelerated method – Establishment of new reserve, equal to 1.00x non-PCD mark ▪ Interest rate marks: – Loan portfolio write-up of 1.10% or $11.3 million, amortized over 4 years – Deposit portfolio write-up of 0.07% or $1.2 million, accreted over 3 years – Amortization of AOCI of $2.8 million over 4 years ▪ Fixed asset write-up of $3.1 million; 50% depreciated straight line over 25 years
Core Deposit Intangible	▪ Core deposit intangible of $14.4 million, or 0.97% of non-time deposits, amortized sum-of-the-years-digits over 10 years

Pro Forma Financial Impact

$266mm	$15.72
TRANSACTION VALUE	PER SHARE PURCHASE PRICE

Valuation Metrics		Financial Impact[2]	
1.64x	Price / Tangible Book Value Per Share	3%	2022e Earnings Per Share Accretion
0.86x	Pay-to-Trade Ratio[1]	4%	2023e Earnings Per Share Accretion
10.5x	Price / 2022e Earnings Per Share (including fully phased-in cost savings)	0.3%	Tangible Book Value Accretion
6.9%	Core Deposit Premium	Accr.	Tangible Book Value Earnback
12.2%	One-Day Market Premium	>15%	Internal Rate of Return

Market data as of 6/23/2021.

(1) Pay-to-trade ratio is defined as the transaction P/TBV multiple divided by the buyer's standalone P/TBV multiple.

(2) Financial impact metrics assume purchase accounting adjustments and other assumptions as highlighted on page 8.



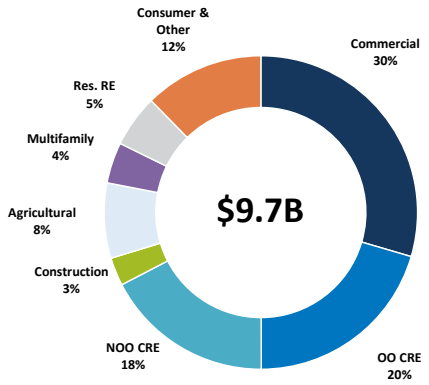
Appendix

Mt. Shasta, CA

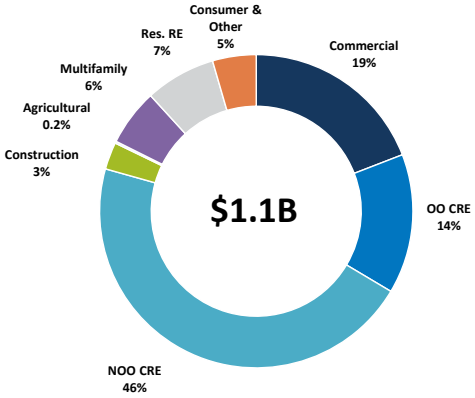
Pro Forma Loan and Deposit Composition

COLB	BOCH[(1)]	Pro Forma

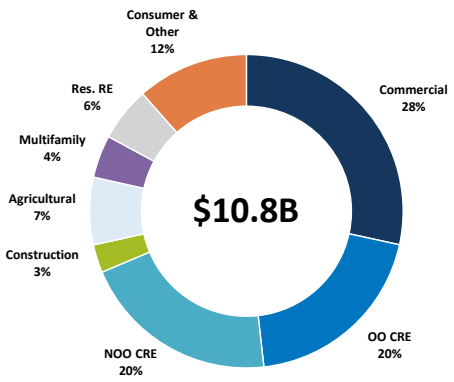
Regulatory Loan Portfolio Composition:



GAAP Yield on Loans: 4.29%

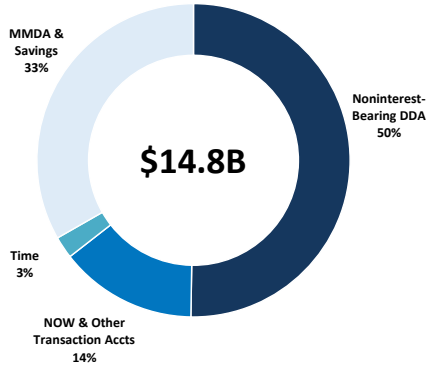


GAAP Yield on Loans: 4.70%

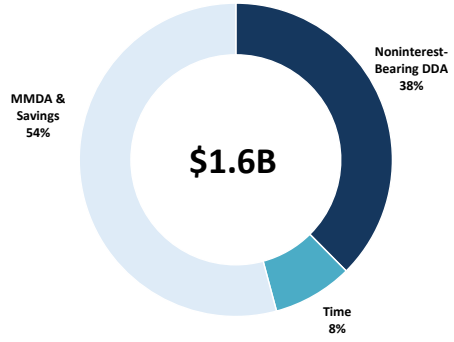


GAAP Yield on Loans: 4.34%

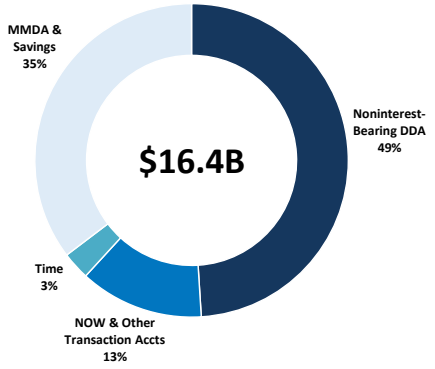
Regulatory Deposit Portfolio Composition:



GAAP Cost of Deposits: 0.04%
Loans / Deposits: 65.5%



GAAP Cost of Deposits: 0.16%
Loans / Deposits: 71.0%



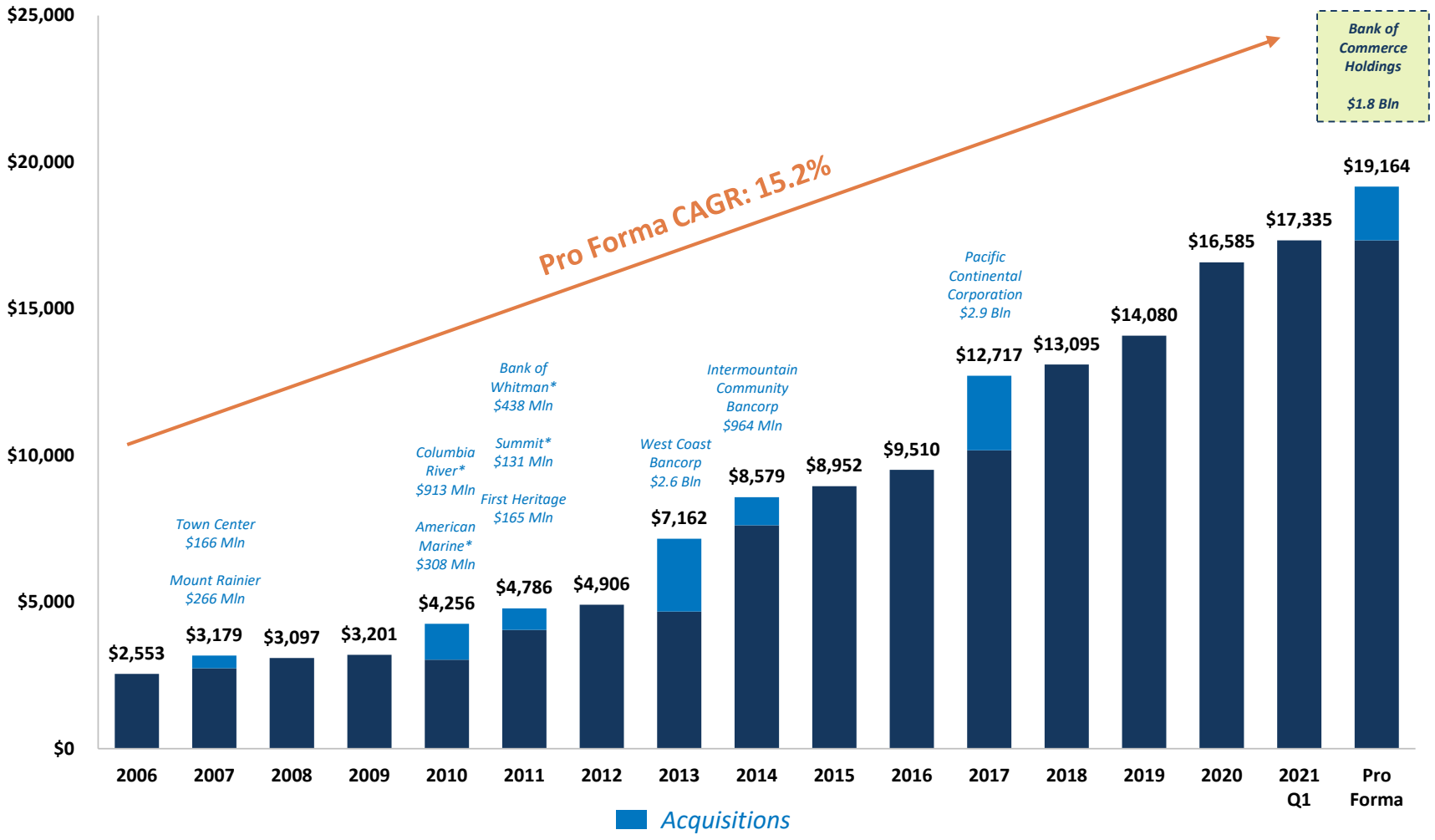
GAAP Cost of Deposits: 0.05%
Loans / Deposits: 66.1%

Regulatory loan and deposit composition as of 3/31/2021. Pro forma excludes purchase accounting adjustments.
(1) Data shown for Merchants Bank of Commerce.

Growth and Acquisition History Since 2006

Columbia is a seasoned acquiror with a proven integration track record

Total Assets ($M)



* Indicates FDIC-assisted acquisition.

Note: Pro forma assets as of 3/31/2021 exclude purchase accounting adjustments.

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