

Intermountain Community Bancorp (NASDAQ: IMCB; Sandpoint, ID) has agreed to merge with Columbia Banking System, Inc. (NASDAQ: COLB; Tacoma, WA)

Deal Value: Approximately \$121.5 million

Sandler O'Neill served as financial advisor and provided a fairness opinion to Intermountain Community Bancorp in this transaction. This transaction represents Sandler O'Neill's 139th bank or thrift transaction nationwide since January 1, 2011. Sandler O'Neill has served as a financial advisor on more bank and thrift transactions than any other investment bank during that time period.¹

Since January 1, 2011, Sandler O'Neill has advised on 27 bank or thrift transactions in the western region, more than any other investment bank. These transactions have an aggregate deal value of \$5.5 billion.¹

Columbia Banking System, Inc. (NASDAQ: COLB, "Columbia") and Intermountain Community Bancorp (NASDAQ: IMCB, "Intermountain") today jointly announced the signing of a definitive agreement to merge Intermountain into Columbia in a stock and cash transaction valued at approximately \$121.5 million or approximately \$18.22 per share based on Columbia's July 23, 2014 stock price. The combined company will have approximately \$8.2 billion in assets with over 150 branches throughout Washington, Oregon and Idaho.

Under the terms of the merger agreement, Intermountain shareholders are entitled to receive 0.6426 shares of Columbia common stock and \$2.2930 in cash for each share of Intermountain stock. Based on Columbia's closing stock price as of July 23, 2014, the merger consideration is valued at \$18.22 per share. The value of the merger consideration will fluctuate based on the value of Columbia's stock until closing. Subject to proration procedures, Intermountain shareholders can elect to receive consideration consisting of all stock, all cash or a combination of stock and cash. At closing, Intermountain shareholders will own approximately 7.4% of the combined company.

Closing of the transaction is contingent on the approval of Intermountain shareholders and receipt of necessary regulatory approvals along with satisfaction of other typical closing conditions. The agreement was approved by the Board of Directors of each company. In addition, the two largest shareholders of Intermountain, among others, have already agreed to vote in favor of the merger.

Contingent upon receipt of regulatory approvals the acquisition is expected to close in the fourth quarter of 2014 and to be immediately accretive to Columbia's earnings per share. At closing, Columbia anticipates tangible book value per share dilution of approximately 1% which is expected to be earned back in approximately three years, and current financial modeling of the merger indicates an internal rate of return in excess of 15%.

Financial Highlights

	<u>COLB</u>	<u>IMCB</u>
Total Assets	\$7,237	\$910
Net Loans	\$4,507	\$508
Deposits	\$6,044	\$711
Equity	\$1,074	\$96
MRQ ROAA (%)	1.11%	0.45%

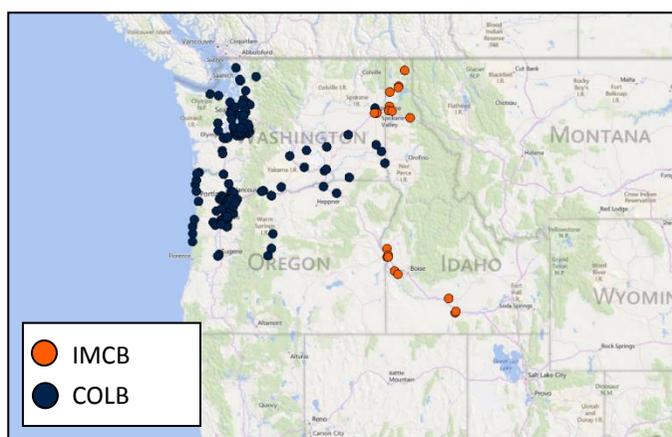
Notes:

¹Includes bank & thrift transactions since January 1, 2011; Excludes terminated transactions and self-advisory roles

Dollars in millions; financial data as of March 31, 2014

Source: SNL Financial

Pro Forma Branch Network



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