

COLUMBIA BANKING SYSTEM INC

Form 424B3

April 24, 2017

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**Filed Pursuant to Rule 424(b)(3)
Registration Statement No. 333-216039**

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Shareholders of Columbia Banking System, Inc. and Pacific Continental Corporation,

Columbia Banking System, Inc. which we refer to as Columbia, and Pacific Continental Corporation, which we refer to as Pacific Continental, have entered into a definitive merger agreement, which we refer to as the merger agreement, that provides for the combination of the two companies. Under the merger agreement, a to-be-formed Oregon corporation and wholly owned subsidiary of Columbia will merge with and into Pacific Continental, with Pacific Continental as the surviving corporation, which we refer to as the first merger. Immediately following the first merger and as part of a single integrated transaction, Pacific Continental will merge with and into Columbia, with Columbia as the surviving entity, which we refer to as the subsequent merger. Immediately following the subsequent merger, Pacific Continental Bank, an Oregon state-chartered bank and wholly owned subsidiary of Pacific Continental, will merge with and into Columbia State Bank, a Washington state-chartered bank and wholly owned subsidiary of Columbia, which we refer to as Columbia Bank, with Columbia Bank as the surviving bank, which we refer to as the bank merger, and collectively, with the first merger and the subsequent merger, the mergers. Before we complete the mergers, the shareholders of Columbia must approve the issuance of Columbia common shares and the shareholders of Pacific Continental must approve the merger agreement. Columbia and Pacific Continental shareholders will vote to issue Columbia common shares and approve the merger agreement, respectively, at their special meetings of shareholders, each of which will be held on June 8, 2017.

Under the terms of the merger agreement, Pacific Continental shareholders will have the right, with respect to each of their Pacific Continental common shares, to receive a number of Columbia common shares equal to the exchange ratio as set forth in the merger agreement, which we refer to as the exchange ratio, subject to any adjustment set forth in the merger agreement, which we refer to as the merger consideration. As of January 9, 2017, the date the mergers were announced, based on the expected issuance of 14,535,729 Columbia common shares in the first merger, the total merger consideration payable to holders of Pacific Continental common shares was valued at approximately \$629.5 million. As of the date of this joint proxy statement/prospectus, based on the expected issuance of 14,535,729 Columbia common shares in the first merger, the total merger consideration payable to holders of Pacific Continental common shares is valued at approximately \$583.5 million. We expect the transactions to be tax-free for Pacific Continental shareholders. After completion of the first merger, based on the current issued and outstanding Columbia common shares and the 14,535,729 Columbia common shares expected to be issued to Pacific Continental shareholders, Pacific Continental shareholders would own approximately 20% of Columbia's common shares (ignoring any shares of Columbia common shares they may already own).

The value of the consideration to be received for each Pacific Continental common share exchanged in the first merger will be determined based on to the exchange ratio, which depends on the average daily closing price of Columbia common shares on the Nasdaq Global Select Market, which we refer to as Nasdaq, on the 20 consecutive Nasdaq trading days ending on and including the trading day that is five trading days prior to the closing of the transaction, which period we refer to as the determination period and which price we refer to as the Columbia average closing price. The exchange ratio, which may be adjusted for transaction expenses as described in this joint proxy

statement/prospectus, means the following:

If the Columbia average closing price for the determination period is greater than or equal to \$27.76 and less than or equal to \$37.56, then the exchange ratio will be 0.6430;

If the Columbia average closing price for the determination period is greater than \$37.56, and the Columbia average closing price for the determination period outperforms the Keefe Bruyette & Woods Regional Banking Index, which we refer to as the KBW Index, by greater than 15%, then the exchange ratio will be the quotient, rounded to the nearest ten-thousandth, obtained by dividing (a) \$24.151 by (b) the Columbia average closing price for the determination period;

If the Columbia average closing price for the determination period is greater than \$37.56, and the Columbia average closing price for the determination period does not outperform the KBW Index by greater than 15%, then the exchange ratio will be 0.6430;

If the Columbia average closing price for the determination period is less than \$27.76, and the Columbia average closing price for the determination period underperforms the KBW Index by greater

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than 15%, then the exchange ratio will be (a) the quotient, rounded to the nearest ten-thousandth, obtained by dividing \$17.850 by the Columbia average closing price for the determination period if Columbia chooses not to adjust the merger consideration in accordance with the merger agreement, or (b) 0.6430 if Columbia does choose to adjust the merger consideration as set forth in the merger agreement and described below; and

If the Columbia average closing price for the determination period is less than \$27.76 and the Columbia average closing price for the determination period does not underperform the KBW Index by greater than 15%, then the exchange ratio will be 0.6430.

If Columbia chooses to adjust the merger consideration as set forth in the fourth bullet above, which it may do in its sole discretion, the merger consideration will include an amount in cash equal to (a) \$17.850 minus (b) (x) 0.6430 multiplied by (y) the Columbia average closing price for the determination period, and the exchange ratio will be 0.6430.

If the Columbia average closing price for the determination period is less than \$26.13 (with a proportionate adjustment in the event that outstanding Columbia common shares are changed into a different number of shares by reason of any stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or similar transaction between the date of the merger agreement and the end of the determination period), either party may terminate the merger agreement; provided, however, if Columbia elects to exercise such termination right, Pacific Continental will have the option of reinstating the first merger by adjusting the exchange ratio to 0.6430, as may be adjusted for transaction expenses, and adding to the merger consideration an amount in cash equal to \$1.048 per share.

You should obtain current price quotations for Columbia common shares and Pacific Continental common shares. Columbia common shares are traded on Nasdaq under the symbol COLB, and Pacific Continental common shares are traded on Nasdaq under the symbol PCBK.

The Columbia board of directors has determined that the combination of Columbia and Pacific Continental is in the best interests of Columbia and its shareholders based upon its analysis, investigation and deliberation, and the Columbia board of directors recommends that Columbia shareholders vote FOR the issuance of Columbia common shares as set forth in the merger agreement and FOR the approval of the other proposals described in this joint proxy statement/prospectus.

The Pacific Continental board of directors has determined that the combination of Pacific Continental and Columbia is in the best interests of Pacific Continental and its shareholders based upon its analysis, investigation and deliberation, and the Pacific Continental board of directors recommends that the Pacific Continental shareholders vote FOR the approval of the merger agreement and FOR the approval of the other proposals described in this joint proxy statement/prospectus.

You should read this entire joint proxy statement/prospectus, including the appendices and the documents incorporated by reference into the document, carefully because it contains important information about the mergers and the related transactions. **In particular, you should read carefully the information under the section entitled Risk Factors beginning on page 19 for a discussion of the risks you should consider in evaluating the proposed mergers and how they will affect you.**

The Columbia common shares to be issued to Pacific Continental shareholders in the first merger are not deposits or savings accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

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Sincerely,

Hadley S. Robbins

Executive Vice President and Interim Chief Executive Officer

Columbia Banking System, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the mergers described in this joint proxy statement/prospectus or the Columbia common shares to be issued in the first merger, or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated April 24, 2017, and is first being mailed to the shareholders of Columbia and Pacific Continental on or about April 28, 2017.

Roger S. Busse

President & Chief Executive Officer

Pacific Continental Corporation

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1301 A STREET

TACOMA, WASHINGTON 98402-4200

NOTICE OF THE SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD JUNE 8, 2017

Notice is hereby given that a special meeting of shareholders of Columbia Banking System, Inc., which we refer to as Columbia, will be held at 1301 A Street, Suite 800, Tacoma, Washington 98402, at 10:00 a.m., Pacific Time, on June 8, 2017, which we refer to as the Columbia special meeting, for the following purposes:

To approve the issuance of Columbia common shares, which we refer to as the Columbia share issuance proposal, in the merger of a to-be-formed wholly owned subsidiary of Columbia with and into Pacific Continental Corporation, an Oregon corporation, which we refer to as the first merger; and

To approve one or more adjournments of the Columbia special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the Columbia share issuance proposal, which we refer to as the Columbia adjournment proposal.

Columbia will transact no other business at the Columbia special meeting, except for business properly brought before the Columbia special meeting or any adjournment or postponement of such meeting.

The approval by Columbia's shareholders of the Columbia share issuance proposal is required for the completion of the first merger described in this joint proxy statement/prospectus.

All shareholders are invited to attend the Columbia special meeting. Only those shareholders of record at the close of business on April 12, 2017, will be entitled to notice of the Columbia special meeting and to vote at the Columbia special meeting.

Please refer to the attached joint proxy statement/prospectus with respect to the business to be transacted at the Columbia special meeting.

Your vote is very important. To ensure your representation at the Columbia special meeting, please complete and return the enclosed proxy card or submit your proxy by telephone or through the Internet. Please vote promptly whether or not you expect to attend the Columbia special meeting. Submitting a proxy now will not prevent you from being able to vote in person at the Columbia special meeting.

The Columbia board of directors unanimously recommends that you vote FOR each of the Columbia proposals.

BY ORDER OF THE BOARD OF DIRECTORS

Hadley J. Robbins

Executive Vice President and

Interim Chief Executive Officer

Tacoma, Washington

April 24, 2017

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111 WEST 7TH AVENUE

EUGENE, OREGON 97401

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 8, 2017

To the Shareholders of Pacific Continental Corporation:

Pacific Continental Corporation, which we refer to as Pacific Continental, will hold a special meeting of shareholders at The Inn at the 5th, Maple Room, 1st Floor, 205 East 6th Avenue, in Eugene, Oregon, at 10:00 a.m., Pacific Time, on June 8, 2017, which we refer to as the Pacific Continental special meeting, to consider and vote upon the following matters:

a proposal to approve the Agreement and Plan of Merger, dated as of January 9, 2017, by and between Columbia Banking System, Inc. and Pacific Continental, pursuant to which Pacific Continental will merge with and into Columbia Banking System, Inc., as more fully described in the attached joint proxy statement/prospectus, which we refer to as the merger proposal;

a proposal to approve, on a non-binding, advisory basis, the compensation that may be paid or become payable to Pacific Continental's named executive officers in connection with the mergers, and the agreements or understandings pursuant to which such compensation may be paid or become payable, discussed under the section entitled "The Mergers - Interests of Pacific Continental's Directors and Executive Officers in the Mergers," which we refer to as the merger-related named executive officer compensation proposal; and

a proposal to approve one or more adjournments of the Pacific Continental special meeting, if necessary or appropriate, including adjournments to solicit additional proxies in favor of the merger proposal, which we refer to as the Pacific Continental adjournment proposal.

Pacific Continental will transact no other business at the Pacific Continental special meeting, except for business properly brought before the Pacific Continental special meeting or any adjournment or postponement of such meeting.

The approval by Pacific Continental's shareholders of the merger proposal is required for the completion of the first merger described in this joint proxy statement/prospectus.

We have fixed the close of business on April 12, 2017, as the record date for the Pacific Continental special meeting. Only Pacific Continental common shareholders of record at that time are entitled to notice of, and to vote at, the Pacific Continental special meeting, or any adjournment or postponement of the Pacific Continental special meeting. Approval of the merger proposal requires the affirmative vote of a majority of all the votes entitled to be cast by the holders of outstanding Pacific Continental common shares. Approval of the merger-related named executive officer compensation proposal and the Pacific Continental adjournment proposal requires that the number of votes cast favoring each such proposal by holders of Pacific Continental common shares exceeds the number of votes cast in opposition by such holders of Pacific Continental common shares.

Your vote is very important. To ensure your representation at the Pacific Continental special meeting, please complete and return the enclosed proxy card or submit your proxy by telephone or through the Internet. Please vote promptly whether or not you expect to attend the Pacific Continental special meeting. Submitting a proxy now will not prevent you from being able to vote in person at the Pacific Continental special meeting.

The Pacific Continental board of directors has adopted and approved the merger agreement and the transactions contemplated thereby, and unanimously recommends that you vote FOR each of the proposals.

**BY ORDER OF THE BOARD OF
DIRECTORS**

Roger S. Busse
Chief Executive Officer
Pacific Continental Corporation

Eugene, Oregon

April 24, 2017

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Both Columbia Banking System, Inc., which we refer to as Columbia, and Pacific Continental Corporation, which we refer to as Pacific Continental, file annual, quarterly and special reports, proxy statements and other business and financial information with the Securities and Exchange Commission, which we refer to as the SEC. You may read and copy any materials that either Columbia or Pacific Continental files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) SEC-0330 ((800) 732-0330) for further information on the public reference room. In addition, Columbia and Pacific Continental file reports and other business and financial information with the SEC electronically, and the SEC maintains a website located at <http://www.sec.gov> containing this information. You can also obtain, free of charge, documents that Columbia files with the SEC at www.columbiabank.com under the tab "About Us" and then under the heading "Investor Relations" or documents that Pacific Continental files with the SEC at www.therightbank.com under the link "Investor Relations." The information provided on the Columbia and Pacific Continental websites is not part of this joint proxy statement/prospectus and is not incorporated herein by reference. Copies of the documents that Columbia or Pacific Continental, respectively, files with the SEC 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 98402 or to Pacific Continental Corporation, Attention: Investor Relations, 111 West Seventh Avenue, Eugene, Oregon 97401.

Columbia has filed a registration statement on Form S-4 to register with the SEC Columbia common shares as specified therein. This joint proxy statement/prospectus is a part of that registration statement. As permitted by SEC rules, this document does not contain all of the information included in the registration statement or in the exhibits or schedules to the registration statement. You may read and copy the registration statement, including any amendments, schedules and exhibits, at the addresses set forth below. Statements contained in this document as to the contents of any contract or other documents referred to in this document are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to the registration statement. This document incorporates important business and financial information about Columbia and Pacific Continental that is not included in or delivered with this document, including incorporating by reference documents that Columbia and Pacific Continental have previously filed with the SEC. These documents contain important information about the companies and their financial condition. See "Documents Incorporated by Reference." These documents are available without charge to you upon written or oral request to the applicable company's principal executive offices. The respective addresses and telephone numbers of such principal executive offices are listed below:

Columbia Banking System, Inc.
1301 A Street, Suite 800
Tacoma, Washington 98402
Attention: Corporate Secretary
Telephone: (253) 305-1900

Pacific Continental Corporation
111 West 7th Avenue
Eugene, OR 97401
Attention: Investor Relations
Telephone: (541) 686-8685

To obtain timely delivery of these documents, you must request the information no later than June 1, 2017, in order to receive them before the special meeting of Columbia shareholders, which we refer to as the Columbia special meeting, and the special meeting of Pacific Continental shareholders, which we refer to as the Pacific Continental special meeting.

Columbia common shares, no par value per share, which we refer to as Columbia common shares, are traded on the Nasdaq Global Select Market, which we refer to as Nasdaq, under the symbol COLB, and Pacific Continental common shares, no par value, which we refer to as Pacific Continental common shares, are traded on Nasdaq under

the symbol PCBK.

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| Appendix A | <u>Agreement and Plan of Merger, dated as of January 9, 2017, by and between Columbia Banking System, Inc. and Pacific Continental Corporation.</u> |
| Appendix B | <u>Form of Voting and Non-Competition Agreement by and among Columbia Banking System, Inc., Pacific Continental Corporation and certain directors of Pacific Continental Corporation, dated January 9, 2017.</u> |
| Appendix C | <u>Form of Voting Agreement by and among Columbia Banking System, Inc., Pacific Continental Corporation and certain directors of Columbia Banking System, Inc., dated January 9, 2017.</u> |
| Appendix D | <u>Opinion of Keefe, Bruyette & Woods, Inc.</u> |
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QUESTIONS AND ANSWERS

The following questions and answers briefly address some commonly asked questions about the transactions and the respective shareholder meetings. They may not include all the information that is important to the shareholders of Columbia or Pacific Continental. Shareholders of Columbia and Pacific Continental should each carefully read this entire joint proxy statement/prospectus, including the appendices and other documents referred to in this document.

Q: What are the transactions?

A: Columbia and Pacific Continental have entered into an agreement and plan of merger, which we refer to as the merger agreement, pursuant to which, subject to the terms and conditions of the merger agreement, a to-be-formed Oregon corporation and a wholly owned subsidiary of Columbia, which we refer to as Merger Sub, will merge with and into Pacific Continental, with Pacific Continental continuing as the surviving corporation, which we refer to as the first merger. A copy of the merger agreement is attached as Appendix A to this document. Immediately following the first merger and as a part of a single integrated transaction, Pacific Continental will merge with and into Columbia, with Columbia as the surviving entity, which we refer to as the subsequent merger. Immediately following the subsequent merger, Pacific Continental Bank, an Oregon state-chartered bank and wholly owned subsidiary of Pacific Continental, which we refer to as Pacific Continental Bank, will merge with and into Columbia State Bank, a Washington state-chartered bank and wholly owned subsidiary of Columbia, which we refer to as Columbia Bank, with Columbia Bank as the surviving bank, which we refer to as the bank merger, and together with the first merger and the subsequent merger, the mergers. In order to complete the transaction, Columbia needs the approval of its shareholders as to the issuance of Columbia common shares in the first merger, Pacific Continental needs the approval of its shareholders of the merger agreement and each party needs the approval of the mergers by the applicable banking regulators of Columbia, Columbia Bank, Pacific Continental and Pacific Continental Bank.

Q: Why am I receiving these materials?

A: Each of Columbia and Pacific Continental is sending these materials to its shareholders to help them decide how to vote their shares of Columbia or Pacific Continental with respect to the proposed merger and other matters to be considered at the special meetings, described below.

The merger cannot be completed unless Columbia shareholders approve the issuance of Columbia common shares in the first merger and Pacific Continental shareholders approve the merger agreement. Each of Columbia and Pacific Continental is holding a special meeting of shareholders to vote on the proposals necessary to complete the first merger. Information about the special meetings and the mergers is contained in this joint proxy statement/prospectus.

This document constitutes both a joint proxy statement of Columbia and Pacific Continental and a prospectus of Columbia. It is a joint proxy statement because each of the boards of directors of Columbia and Pacific Continental is soliciting proxies from their respective shareholders. It is a prospectus because Columbia will issue Columbia common shares in exchange for Pacific Continental common shares in the first merger.

Q: What will Pacific Continental shareholders receive in the first merger?

A: Under the terms of the merger agreement, Pacific Continental shareholders will have the right, with respect to each of their Pacific Continental shares, to receive a number of Columbia common shares equal to the exchange ratio. The exchange ratio will be determined as described below. In addition, we include the following tables which are intended to be illustrative of the approximate aggregate consideration that would be payable in the first merger as of the date of this joint proxy statement/prospectus based on different Columbia average closing prices. The tables do not reflect the fact that cash will be paid in lieu of fractional shares or in respect of certain equity awards as further described herein, and do not account for any

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adjustments that might be necessary in respect of transaction expenses exceeding the threshold amount, as further described herein.

- I.** If the average daily closing price of Columbia common shares, which we refer to as the Columbia average closing price, on Nasdaq for the 20 consecutive trading days prior to the fifth business day immediately prior to the closing date, which we refer to as the determination period, is greater than or equal to \$27.76 and less than or equal to \$37.56, then the exchange ratio will be 0.6430.

Table I.

| Assumed Columbia Average Closing Price | Exchange Ratio | Aggregate Number of Columbia Shares to be Issued as Merger Consideration | Value of Aggregate Number of Columbia Shares to be Issued as Merger Consideration(1) | Aggregate Cash to be Issued as Merger Consideration(1) | Aggregate Merger Consideration(1) |
|--|----------------|--|--|--|-----------------------------------|
| \$37.56 | 0.6430 | 14,535,729 | \$ 545,962 | \$ | \$ 545,962 |
| 35.93 | 0.6430 | 14,535,729 | 522,269 | | 522,269 |
| 34.29 | 0.6430 | 14,535,729 | 498,430 | | 498,430 |
| 32.66 | 0.6430 | 14,535,729 | 474,737 | | 474,737 |
| 31.03 | 0.6430 | 14,535,729 | 451,044 | | 451,044 |
| 29.39 | 0.6430 | 14,535,729 | 427,205 | | 427,205 |
| 27.76 | 0.6430 | 14,535,729 | 403,512 | | 403,512 |

(1) In thousands.

- II.** If the Columbia average closing price for the determination period is greater than \$37.56, and the Columbia average closing price for the determination period outperforms the Keefe, Bruyette & Woods Regional Banking Index, which we refer to as the KBW Index, by greater than 15%, then the exchange ratio will be the quotient, rounded to the nearest ten-thousandth, obtained by dividing (A) \$24.151 by (B) the Columbia average closing price for the determination period.

Table II.

| Assumed Columbia Average Closing Price | Exchange Ratio | Aggregate Number of Columbia Shares to be Issued as Merger Consideration | Value of Aggregate Number of Columbia Shares to be Issued as Merger Consideration(1) | Aggregate Cash to be Issued as Merger Consideration(1) | Aggregate Merger Consideration(1) |
|--|----------------|--|--|--|-----------------------------------|
|--|----------------|--|--|--|-----------------------------------|

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| | | | | | | | |
|---------|--------|------------|----|---------|----|----|---------|
| \$45.07 | 0.5359 | 12,113,645 | \$ | 545,962 | \$ | \$ | 545,962 |
| 43.19 | 0.5592 | 12,640,935 | | 545,962 | | | 545,962 |
| 41.32 | 0.5845 | 13,213,020 | | 545,962 | | | 545,962 |
| 39.44 | 0.6123 | 13,842,850 | | 545,962 | | | 545,962 |
| 37.56 | 0.6430 | 14,535,729 | | 545,962 | | | 545,962 |

(1) In thousands.

- III.** If the Columbia average closing price for the determination period is greater than \$37.56, and the Columbia average closing price for the determination period does not outperform the KBW Index by greater than 15%, then the exchange ratio will be 0.6430.

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Table of Contents**Table III.**

| Assumed Columbia Average Closing Price | Exchange Ratio | Aggregate Number of Columbia Shares to be Issued as Merger Consideration | Value of Aggregate Number of Columbia Shares to be Issued as Merger Consideration(1) | Aggregate Cash to be Issued as Merger Consideration(1) | Aggregate Merger Consideration(1) |
|---|-------------------|---|--|---|---|
| \$45.07 | 0.6430 | 14,535,729 | \$ 655,125 | \$ | \$ 655,125 |
| 43.19 | 0.6430 | 14,535,729 | 627,798 | | 627,798 |
| 41.32 | 0.6430 | 14,535,729 | 600,616 | | 600,616 |
| 39.44 | 0.6430 | 14,535,729 | 573,289 | | 573,289 |
| 37.94(2) | 0.6430 | 14,535,729 | 551,486 | | 551,486 |
| 37.56 | 0.6430 | 14,535,729 | 545,962 | | 545,962 |

(1) In thousands.

(2) As of April 20, 2017, the Columbia average closing price was \$38.07 and was not outperforming the KBW Index by greater than 15%.

IV. If the Columbia average closing price for the determination period is less than \$27.76, and the Columbia average closing price for the determination period underperforms the KBW Index by greater than 15%, then the exchange ratio will be (A) the quotient, rounded to the nearest ten-thousandth, obtained by dividing \$17.850 by the Columbia average closing price for the determination period if Columbia chooses not to adjust the merger consideration in accordance with the merger agreement, or (B) 0.6430 if Columbia does choose to adjust the merger consideration as set forth in the merger agreement and described below.

Table IV. A. *The exchange ratio will be the q*