



**COLUMBIA BANK**  
BUILDING A  
**PREMIER**  
REGIONAL  
**COMMUNITY BANK**

NASDAQ:COLB

 Columbia Banking System Inc.

**Q4** 2018

# Fourth Quarter 2018 Highlights



- Record quarterly net income of \$44.7 million; diluted earnings per share of \$0.61 which included \$0.01 per share negative impact from acquisition-related expenses
- Quarterly loan production of \$388.4 million second only to third quarter 2018 of \$409 million. New annual record of \$1.4 billion.
- Quarterly net interest margin of 4.40%, net of -7 basis points due to tax reform, but a decrease of 1 basis point on a linked quarter basis and an increase of 20 basis points from the prior year period
- Nonperforming assets to period end assets ratio decreased to 0.46%
- Return on Average Tangible Equity<sup>(1)</sup> for the quarter of 16.00%
- Honored as one of Oregon's Most Admired Companies by the Portland Business Journal in 2018
- Increased regular quarterly dividend to \$0.28 in addition to special cash dividend of \$0.14

## **Hadley Robbins**

President & Chief Executive Officer

## **Andy McDonald**

Chief Credit Officer

## **Gregory Sigrist**

Chief Financial Officer

## **Clint Stein**

Chief Operating Officer

## **Columbia Bank Center**

1301 A Street, Suite 900

P.O. Box 2156

Tacoma, WA 98401-2156

## **Investor Relations:**

253-305-1921

# Forward Looking Statements

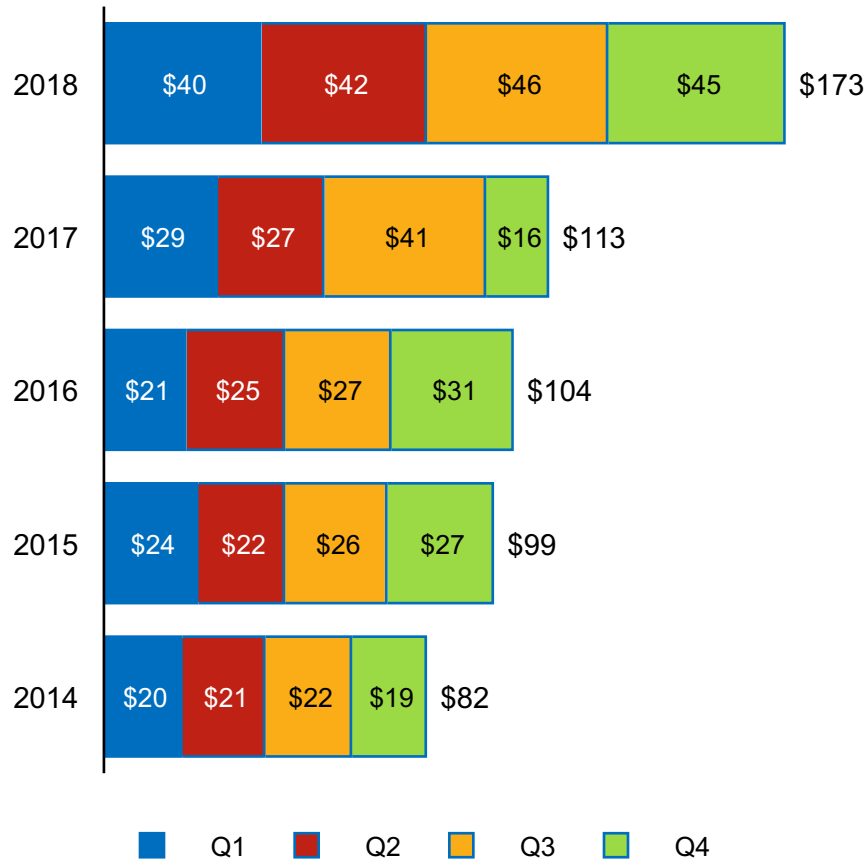


This presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which can be identified by words such as “may,” “expected,” “anticipate”, “continue,” or other comparable words. In addition, all statements other than statements of historical facts that address activities that Columbia expects or anticipates will or may occur in the future are forward-looking statements. Readers are encouraged to read the SEC reports of Columbia, particularly its most recently filed form 10-K, for meaningful cautionary language discussing why actual results may vary materially from those anticipated by management.

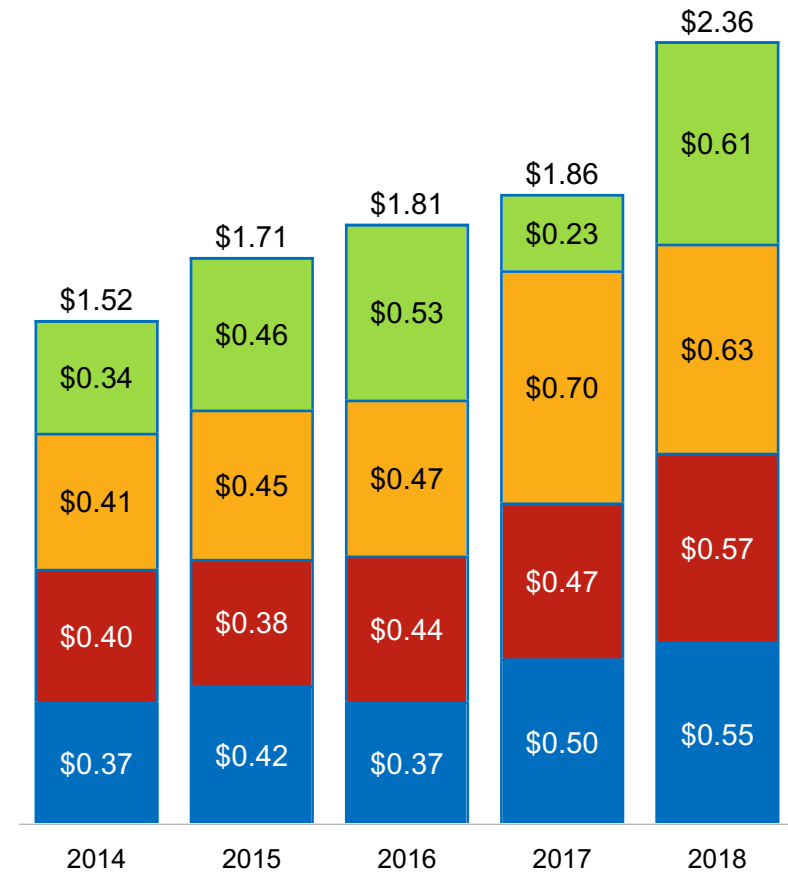
# Favorable Trend of Earnings



**Net Income  
(\$ Millions)**



**Earnings per Share (Diluted)**



Due to averaging of shares, 2017 quarterly earnings per share does not add up to the total reported for the full year.

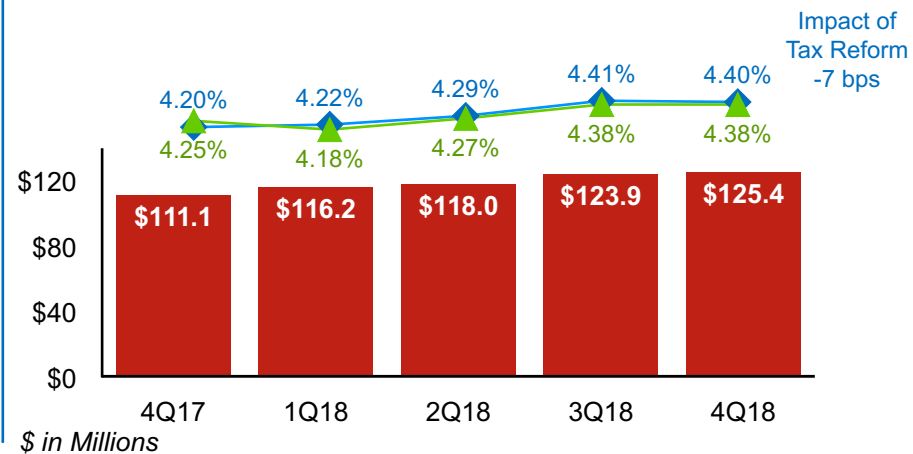
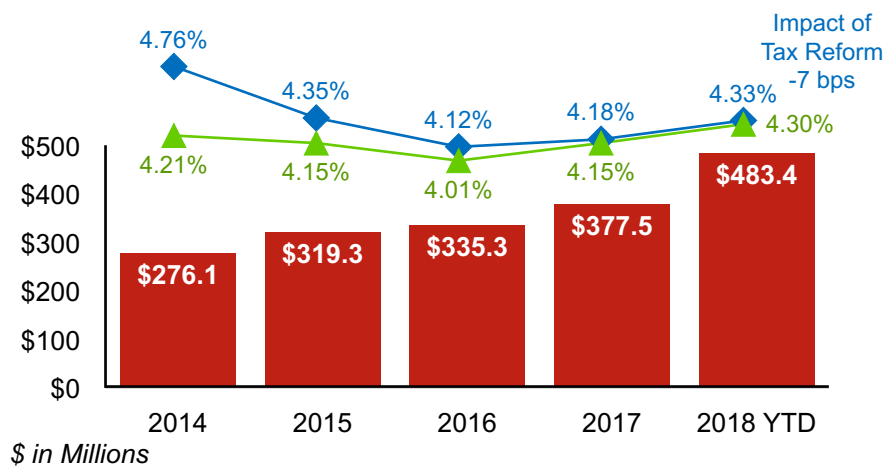
# Summary Income Statement



\$ in Thousands (except EPS)						Full Year	
	4Q18	3Q18	2Q18	1Q18	4Q17	2018	2017
Net Interest Income	\$123,888	\$122,796	\$116,674	\$115,481	\$106,224	\$478,839	\$367,989
Provision for Loan Losses	1,789	3,153	3,975	5,852	3,327	14,769	8,631
<b>Net Interest Income after Provision</b>	<b>122,099</b>	<b>119,643</b>	<b>112,699</b>	<b>109,629</b>	<b>102,897</b>	<b>464,070</b>	<b>359,358</b>
Noninterest Income	20,402	21,019	23,692	23,143	23,581	88,256	109,642
Noninterest Expense	87,019	82,841	84,643	85,987	85,627	340,490	291,017
<b>Pre-tax Net Income</b>	<b>55,482</b>	<b>57,821</b>	<b>51,748</b>	<b>46,785</b>	<b>40,851</b>	<b>211,836</b>	<b>177,983</b>
Provision for Income Taxes	10,734	11,406	9,999	6,815	25,123	38,954	65,155
<b>Net Income</b>	<b>\$44,748</b>	<b>\$46,415</b>	<b>\$41,749</b>	<b>\$39,970</b>	<b>\$15,728</b>	<b>\$172,882</b>	<b>\$112,828</b>
EPS (Diluted)	\$0.61	\$0.63	\$0.57	\$0.55	\$0.23	\$2.36	\$1.86
Weighted Avg # of Diluted Shares Outstanding	72,438	72,432	72,390	72,305	67,125	72,390	59,888
Acquisition Related Costs <sup>(1)</sup>	\$493	\$1,081	\$2,822	\$4,265	\$13,638	\$8,661	\$17,196

<sup>(1)</sup> Acquisition Related Costs are included in Noninterest Expense, above.

# Operating Net Interest Margin \*

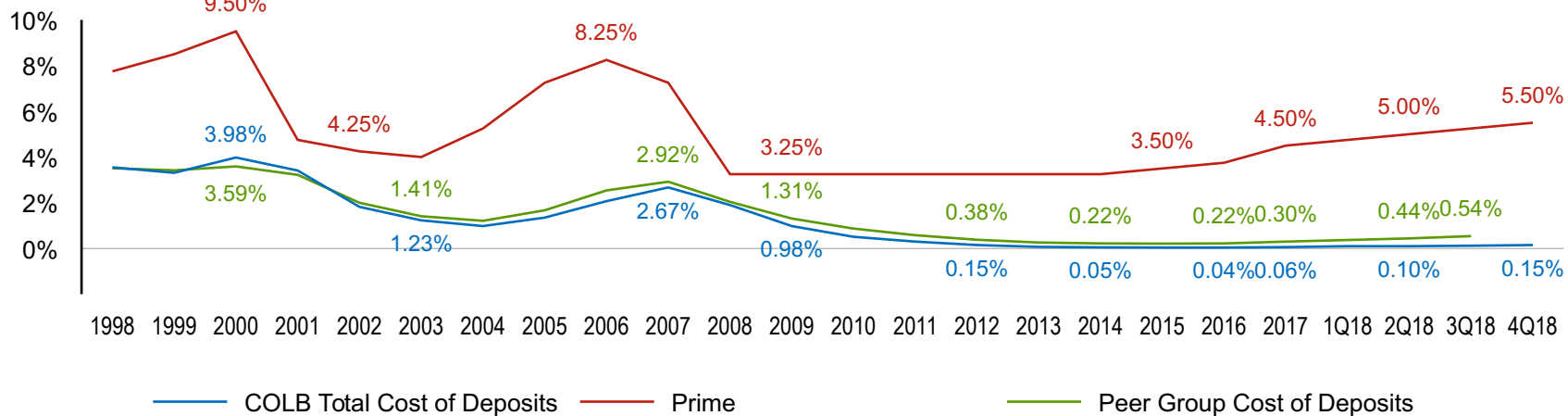


Operating Net Interest Income (tax equivalent)

Operating Net Interest Margin (tax equiv)\*

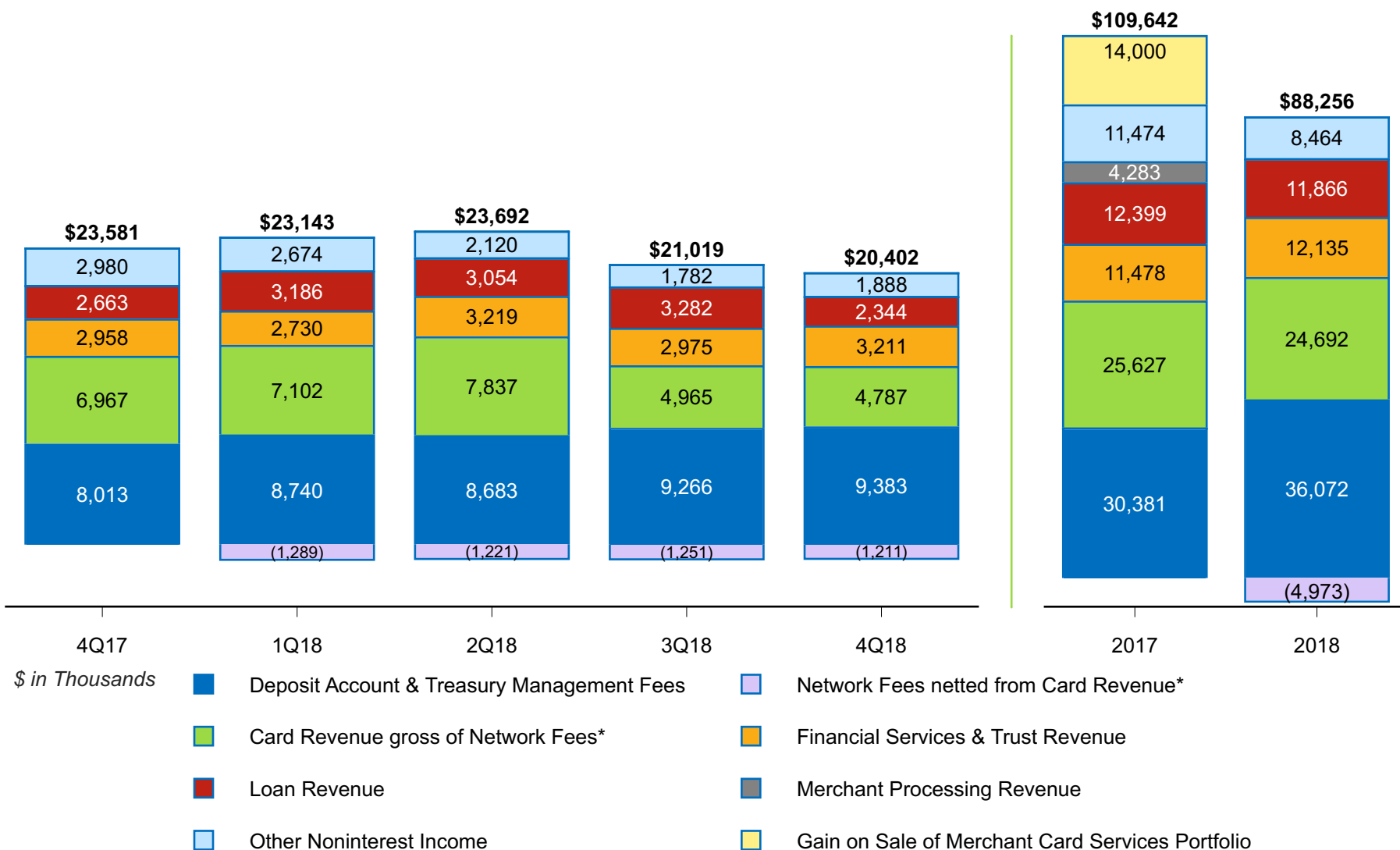
Reported Net Interest Margin (tax equiv)

## Historically, Deposit Costs Lag Market in Rising Rate Environment



\*Operating net interest margin is a non-GAAP measure. Refer to end of presentation for additional information.

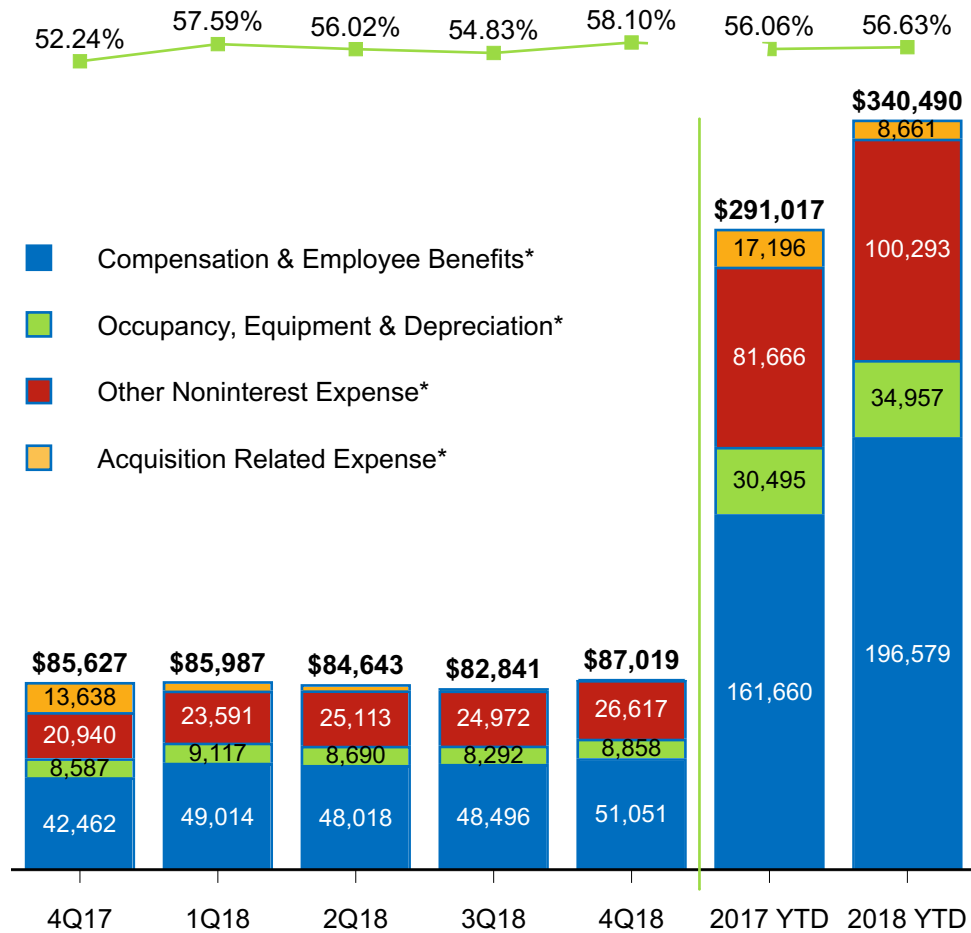
# Non-Interest Income



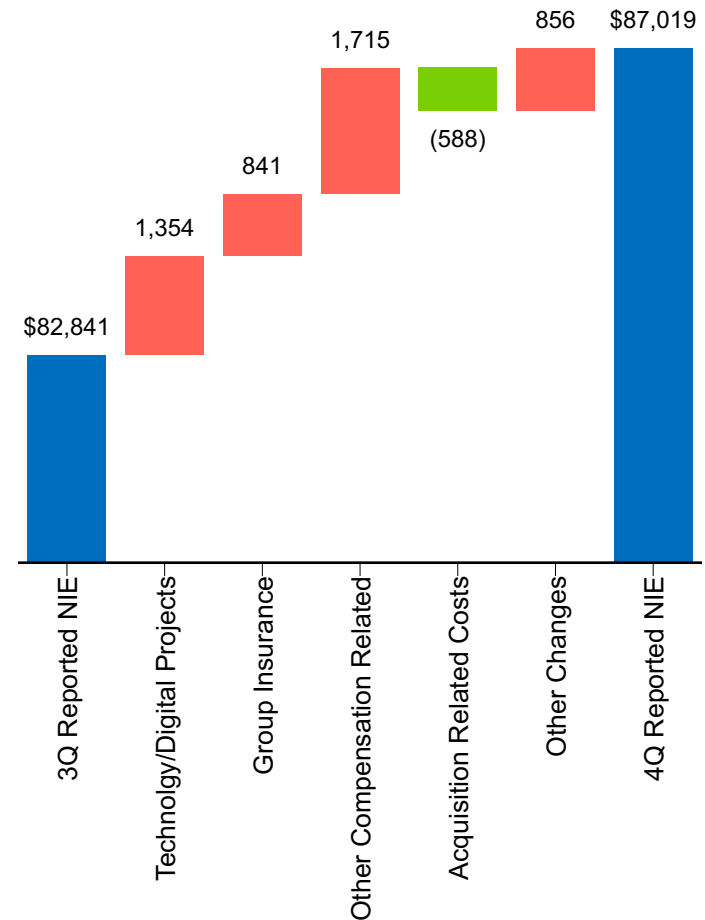
\*Beginning in 2018, network fees are netted against Card Revenue in noninterest income. Prior to 2018, network fees were presented in noninterest expense.



# Non-Interest Expense and Operating Efficiency Ratio\*\*



## Quarterly NIE Change

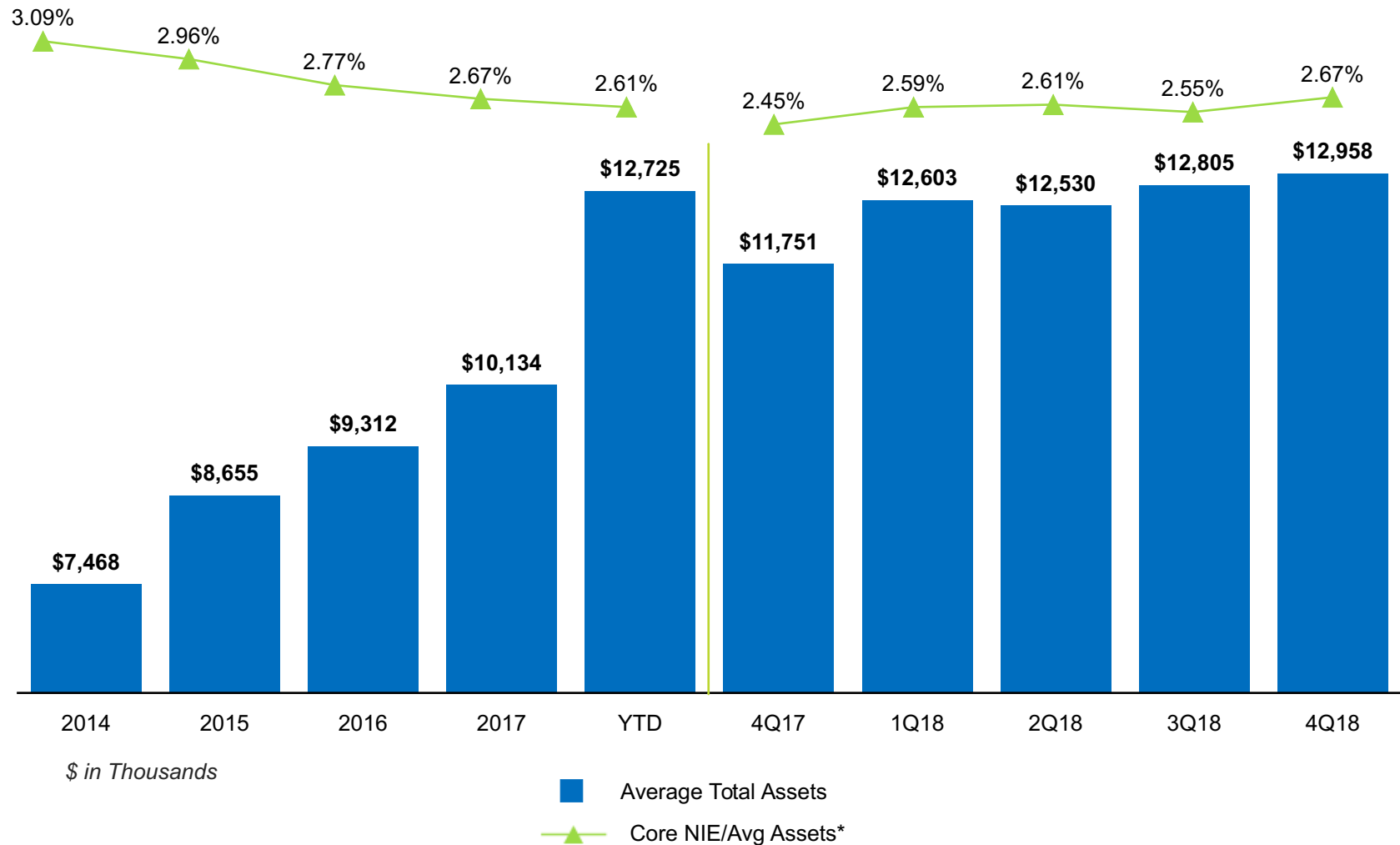


\$ in Thousands

\*Acquisition Related Expense is excluded from individual expense groups and shown in aggregate. Individual expense groups excluding acquisition expenses are non-GAAP measures. Refer to end of presentation for more information.

\*\*Operating Efficiency Ratio is a non-GAAP measure. Refer to end of presentation for more information.

# Favorable Trend in Expense Management



\*Core NIE/Average Total Assets is a non-GAAP measure. Refer to end of presentation for more information.

# Acquisition Related Expense



<i>\$ in Thousands</i>	4Q18	3Q18	2Q18	1Q18	4Q17	Full Year	
						2018	2017
Compensation and employee benefits	\$210	\$923	\$931	\$1,556	\$8,011	\$3,620	\$8,014
Occupancy	—	29	586	1,004	967	1,619	1,912
Advertising and promotion	3	—	22	512	266	537	467
Data processing	22	20	634	287	1,016	963	1,555
Legal and professional fees	135	102	216	575	3,031	1,028	4,618
Other	123	7	433	331	347	894	630
<b>Total Acquisition Related Expense</b>	<b>\$493</b>	<b>\$1,081</b>	<b>\$2,822</b>	<b>\$4,265</b>	<b>\$13,638</b>	<b>\$8,661</b>	<b>\$17,196</b>

# Selected Balance Sheet & Ratios



<i>\$ in Millions</i>	4Q18	3Q18	2Q18	1Q18	4Q17
Total Assets	\$ 13,095	\$ 12,957	\$ 12,629	\$ 12,531	\$ 12,717
Securities, Including Equity Securities & FHLB Stock	3,193	2,943	2,665	2,641	2,753
Loans, Net of unearned Income	8,392	8,514	8,454	8,340	8,359
Allowance for Loan & Leases Losses	83	84	80	80	76
Goodwill & Other Intangibles	812	815	818	821	824
Core Deposits	9,974	10,085	9,889	9,897	10,040
Deposits	10,458	10,604	10,384	10,396	10,532
Total Shareholders' Equity	2,034	1,981	1,965	1,948	1,950
<u>Ratios:</u>					
ROAA	1.38%	1.45%	1.33%	1.27%	0.54%
ROAE	9.00%	9.36%	8.54%	8.2%	3.59%
ROATCE*	16.00%	16.74%	15.57%	15.08%	6.37%
Loans/Deposits	80%	80%	81%	80%	79%
Core Deposit Ratio	95%	95%	95%	95%	95%
Tangible Common Equity*	9.95%	9.61%	9.71%	9.63%	9.47%

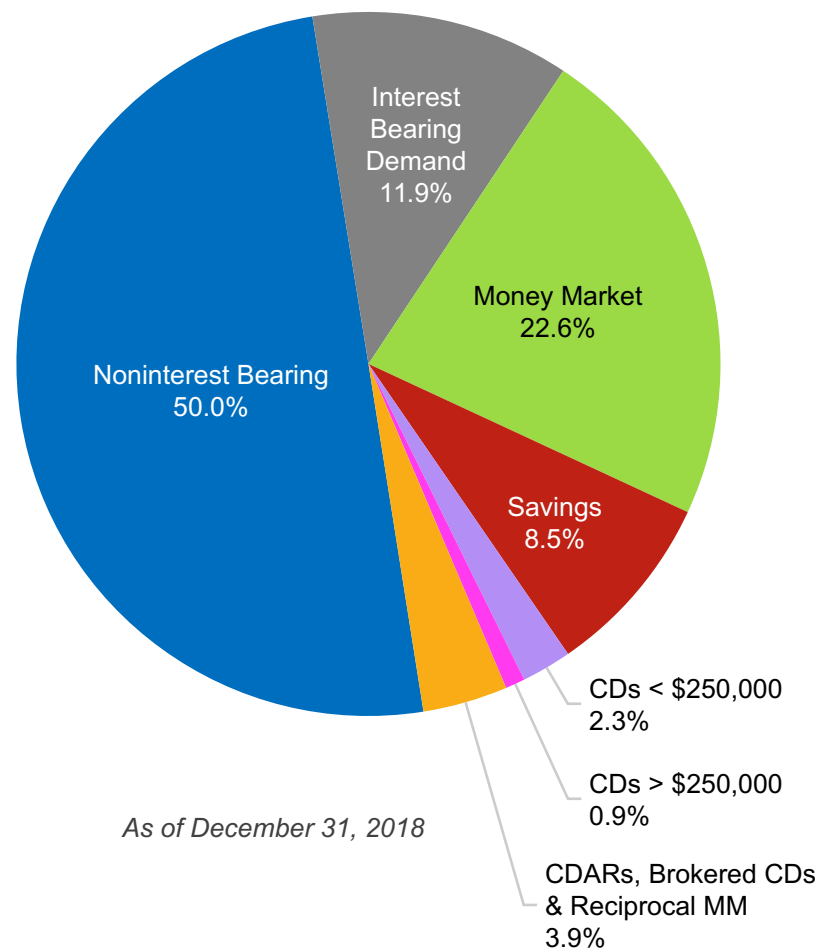
\*ROATCE and Tangible Common Equity ratios are non-GAAP measures. Refer to end of presentation for additional information.

# Diversified, Relationship Centered Deposit Base

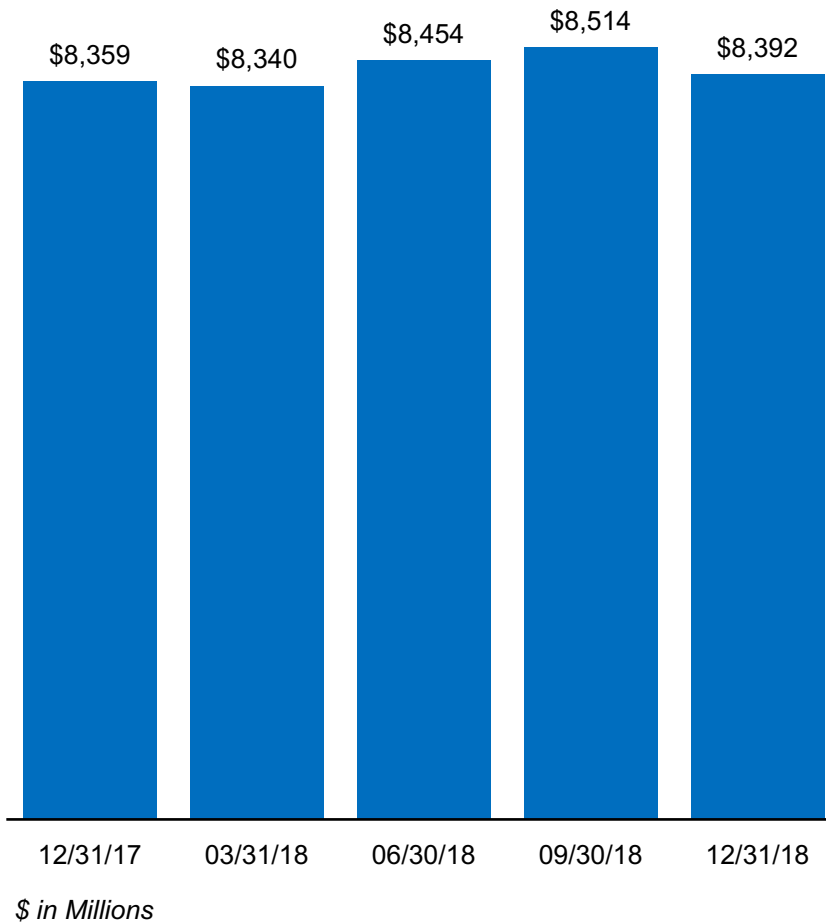


## Total Deposits \$10.5 billion

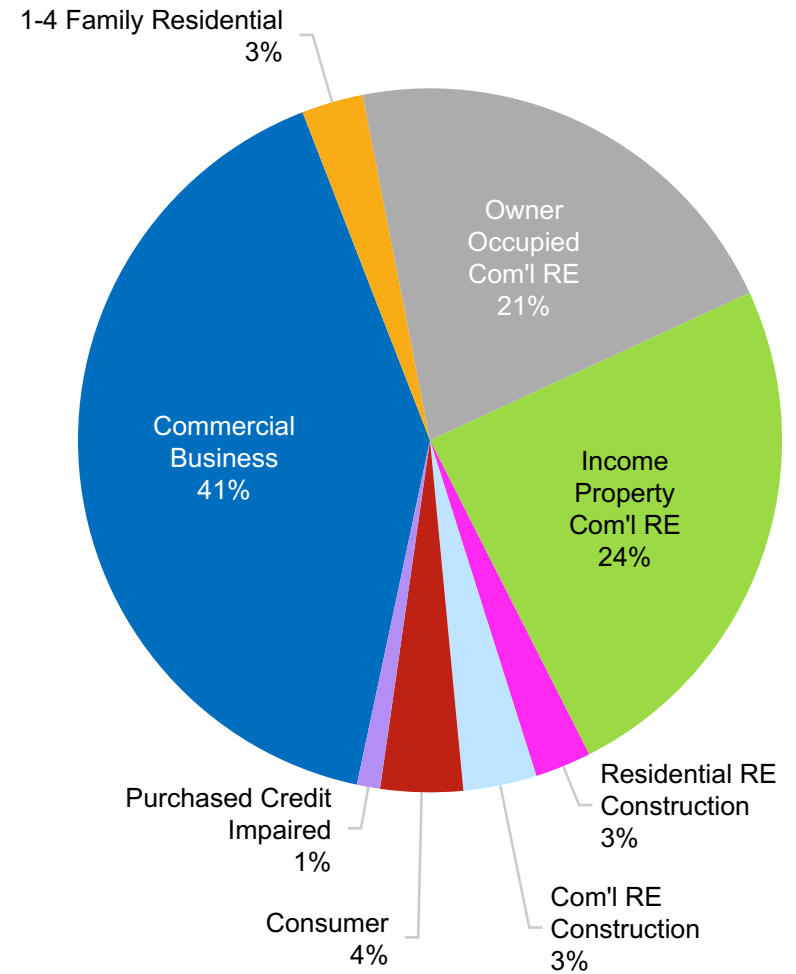
58% Business & 42% Consumer  
Core deposit ratio = 95%



# Total Loans, Net of Unearned Income



**Total Loans = \$8.4 billion**

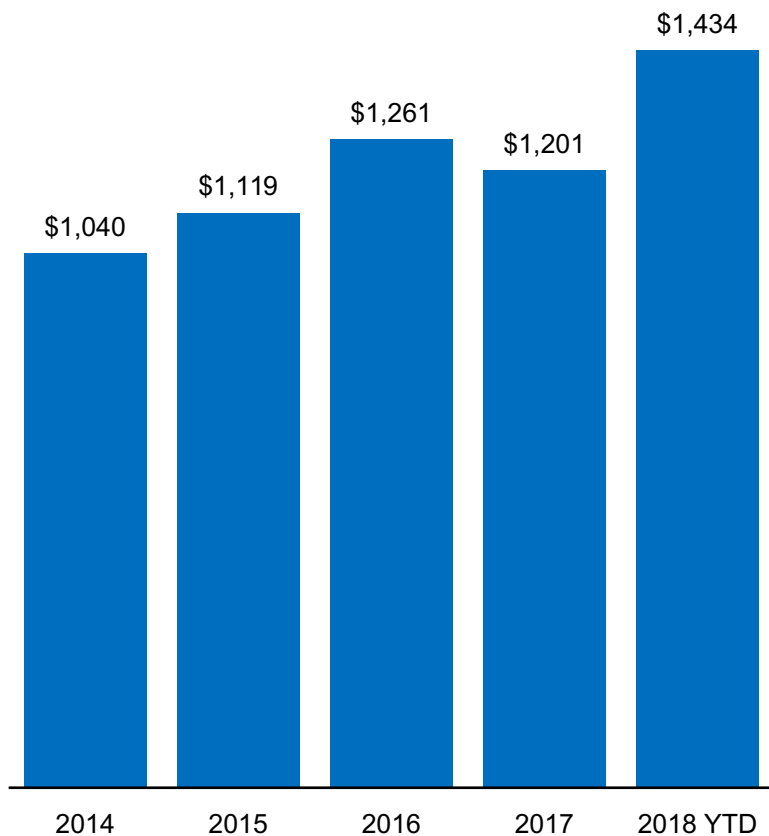


As of December 31, 2018

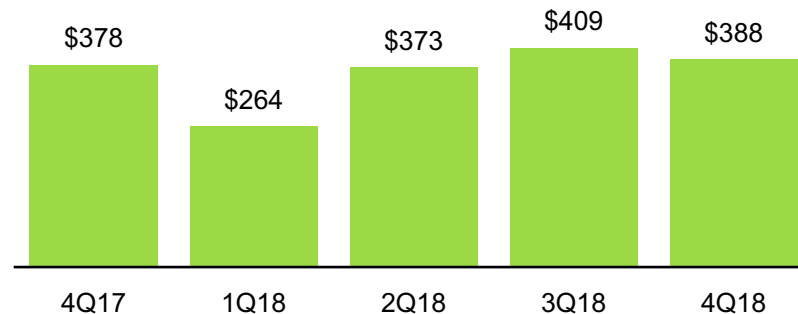
# Record Annual Loan Production



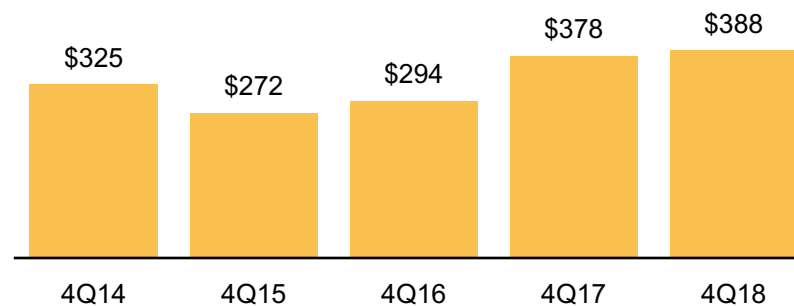
## Annual Loan Production



## Rolling 5 Quarter Loan Production



## 4th Quarter Loan Production

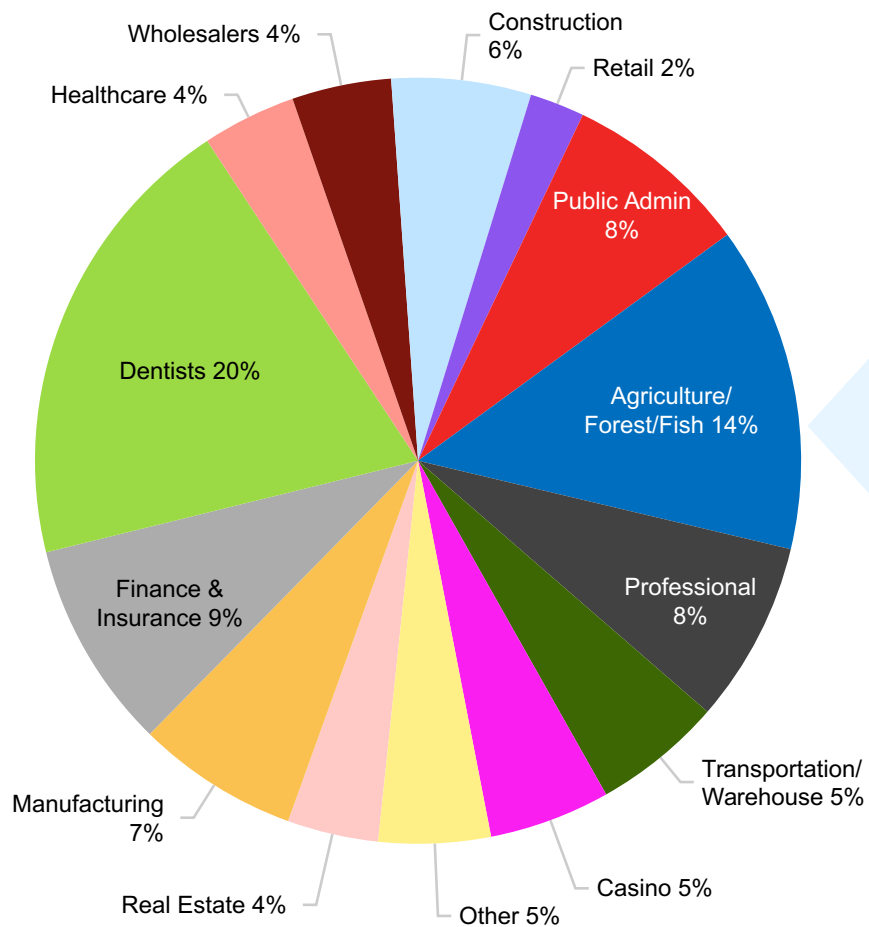


\$ in Millions

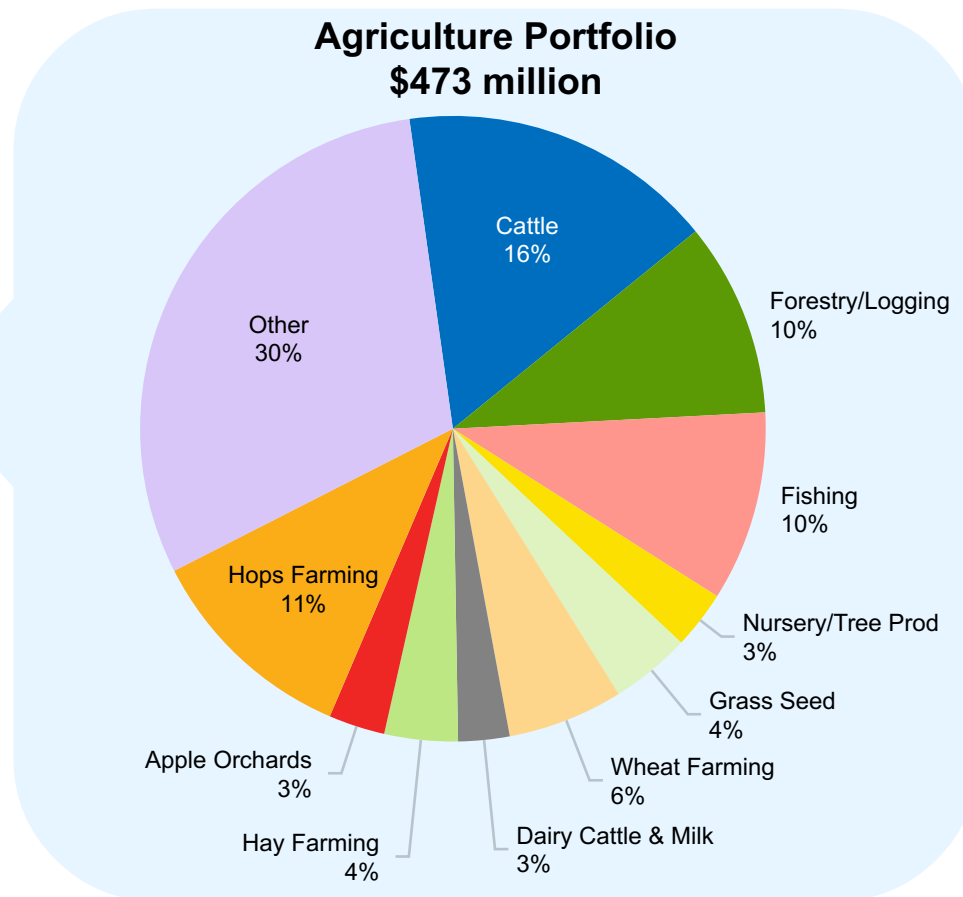
# Well Diversified C&I and Agriculture Loan Portfolios



**C&I Portfolio \$3.4 billion**



**Agriculture Portfolio \$473 million**



As of December 31, 2018

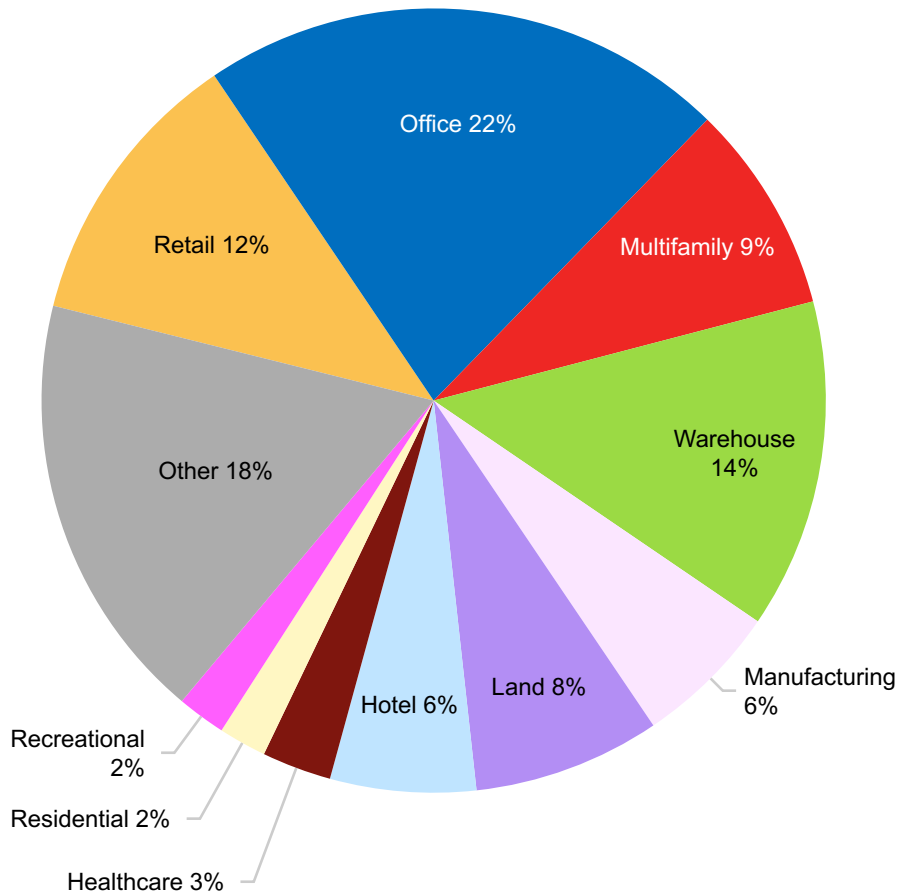


# Balanced CRE Loan Portfolio



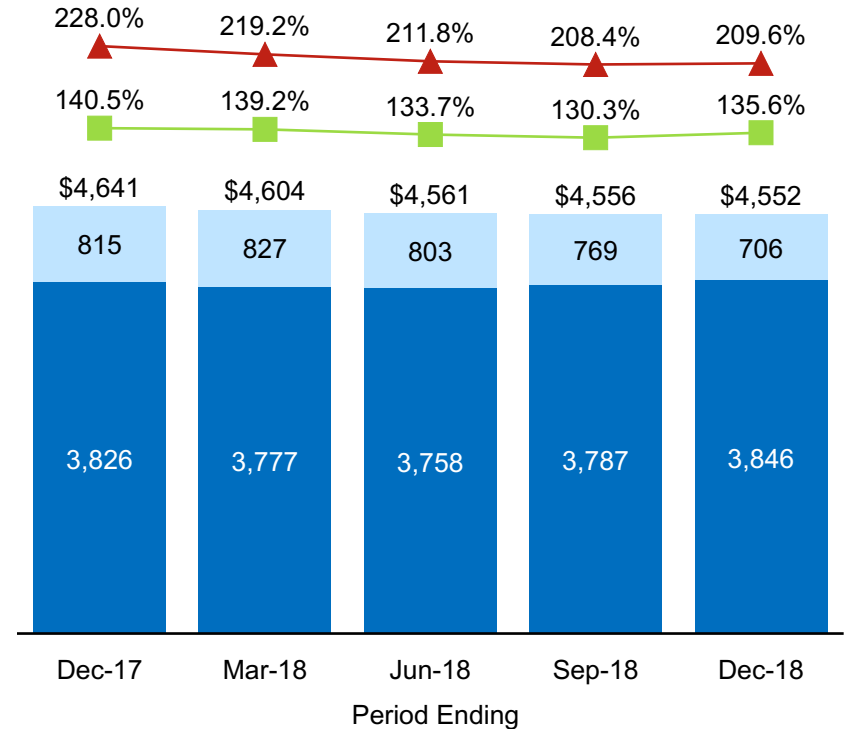
## CRE Portfolio \$3.8 billion

Balanced with 54% Income Property and 46% Owner-occupied



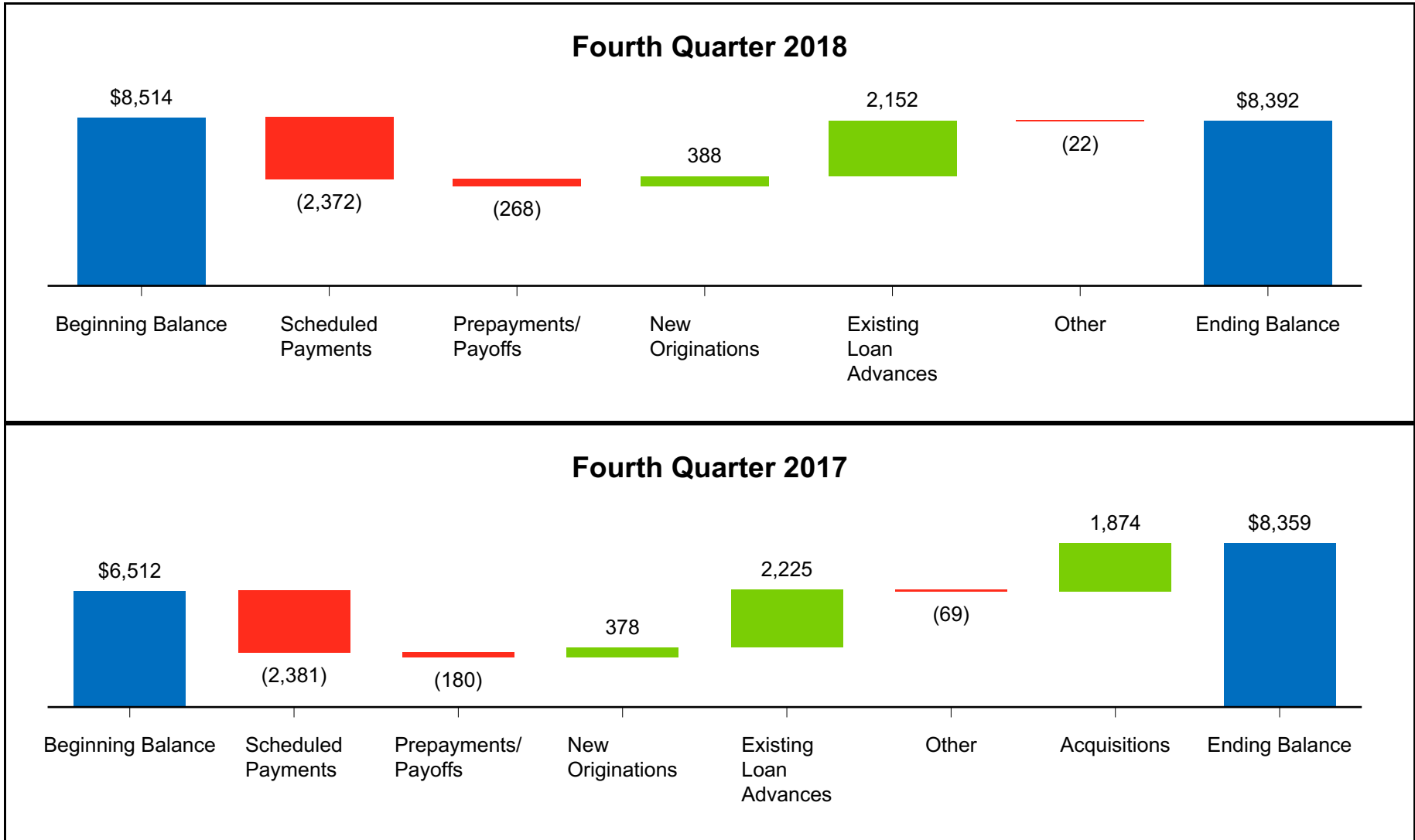
As of December 31, 2018

## Consistent CRE Coverage

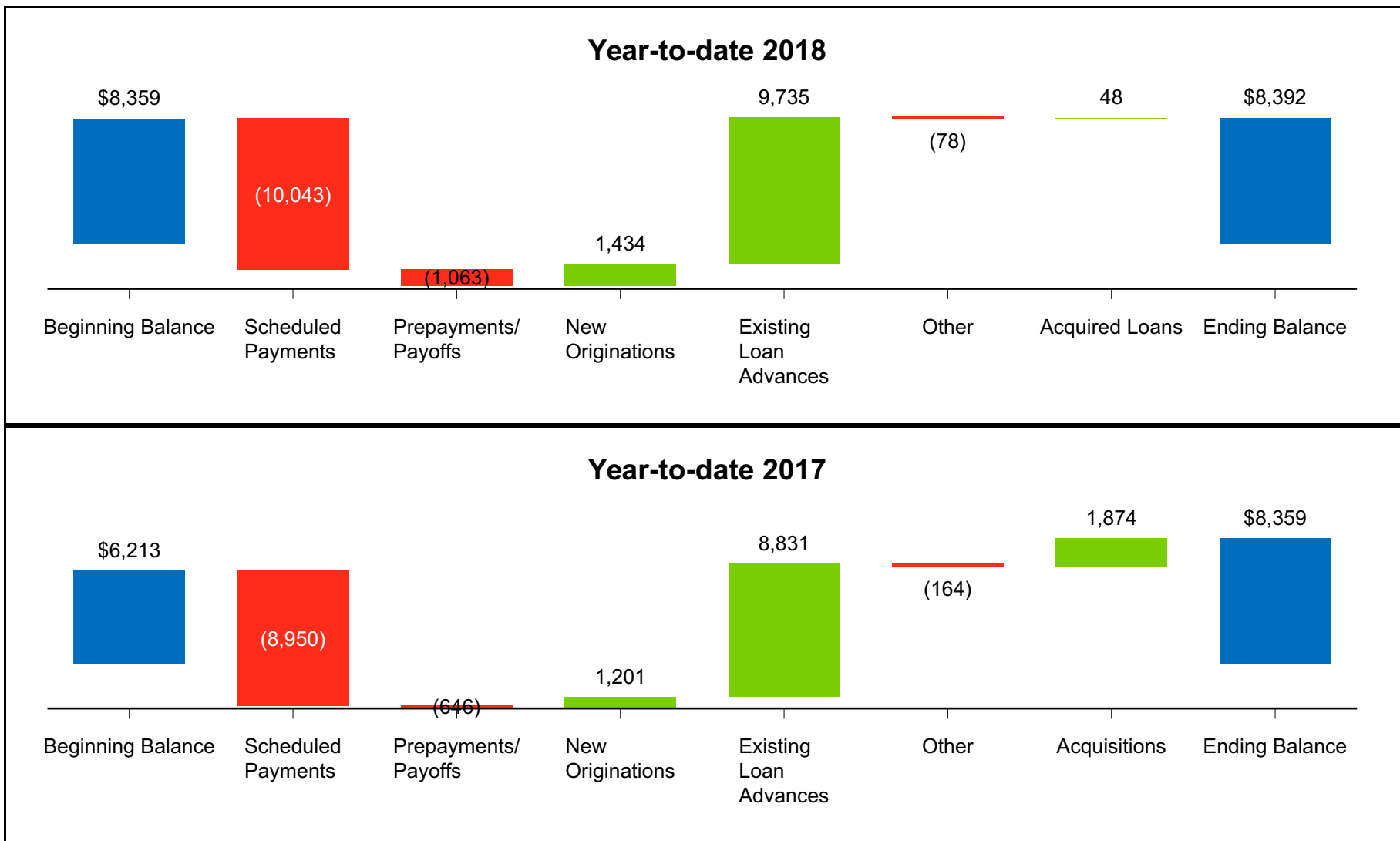


- CRE Loans
- Unfunded CRE Commitments
- ▲ NOO CRE as a % of Reg Capital
- OO CRE as a % of Reg Capital

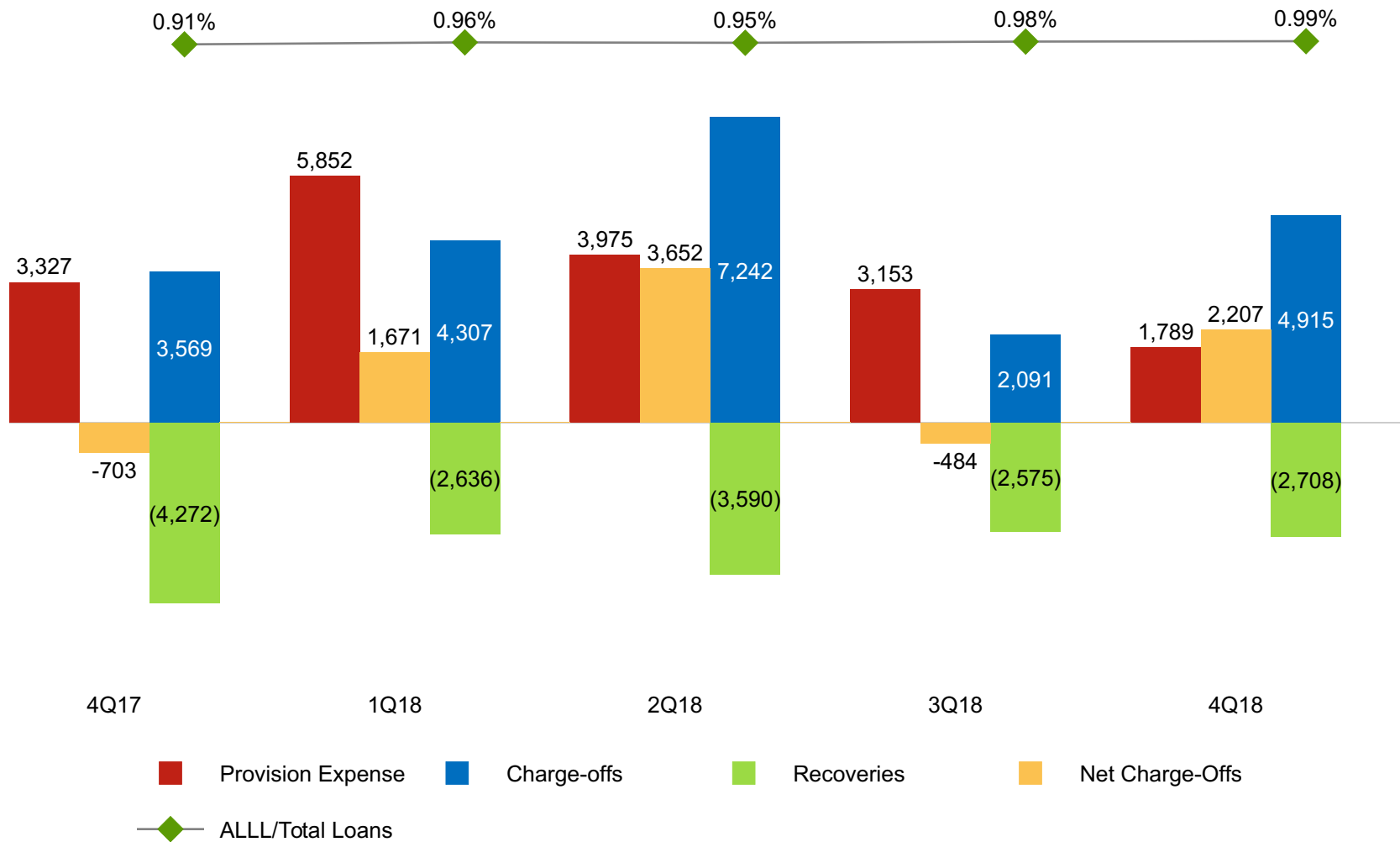
# Components of Fourth Quarter Change in Loans



# Components of Year-to-Date Change in Loans

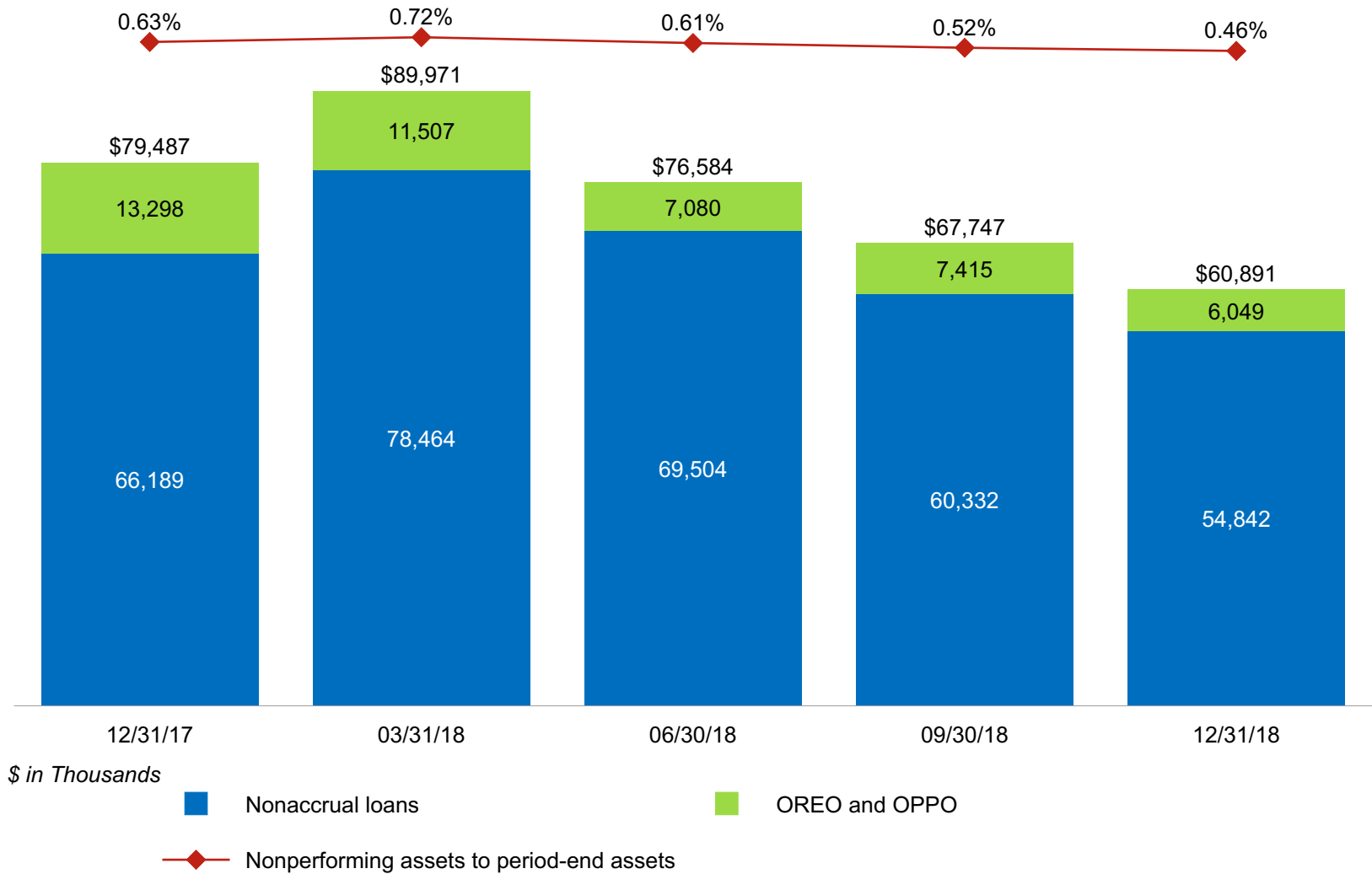


# ALLL Components



■ Provision Expense   
 ■ Charge-offs   
 ■ Recoveries   
 ■ Net Charge-Offs  
◆ ALLL/Total Loans

# Nonperforming Assets



# Attractive Northwest Markets



		✓ Better Than or Equal to U.S. Average	Seattle- Tacoma- Bellevue	Portland- Vancouver	Boise	Washington	Oregon	Idaho	United States
Demographics	Population Increase (2010 – 2018)		12.96%✓	11.34%✓	15.44%✓	10.73%✓	8.95%✓	9.58%✓	5.76%
	Projected Population Change (2018-2023)		6.74%✓	6.59%✓	7.31%✓	6.04%✓	5.84%✓	5.57%✓	3.50%
	Projected HH Income Change (2018-2023)		11.99%✓	13.76%✓	7.48%	9.79%✓	12.46%✓	7.86%	8.86%
Economics	Unemployment Rate <sup>(1)</sup> (Dec 2018, MSA's Nov 2018)		4.2%	4.1%	2.5%✓	4.3%	4.1%	2.5%✓	3.9%
	Home Price Index Change 12 months ending Oct 2018		7.3%✓	4.9%	n/a	n/a	n/a	n/a	6.0%
	24 months ending Oct 2018 Low in 1Q12 – Oct 2018		20.9%✓ 92.0%✓	12.3%✓ 78.1%✓	n/a	n/a	n/a	n/a	11.9% 53.8%

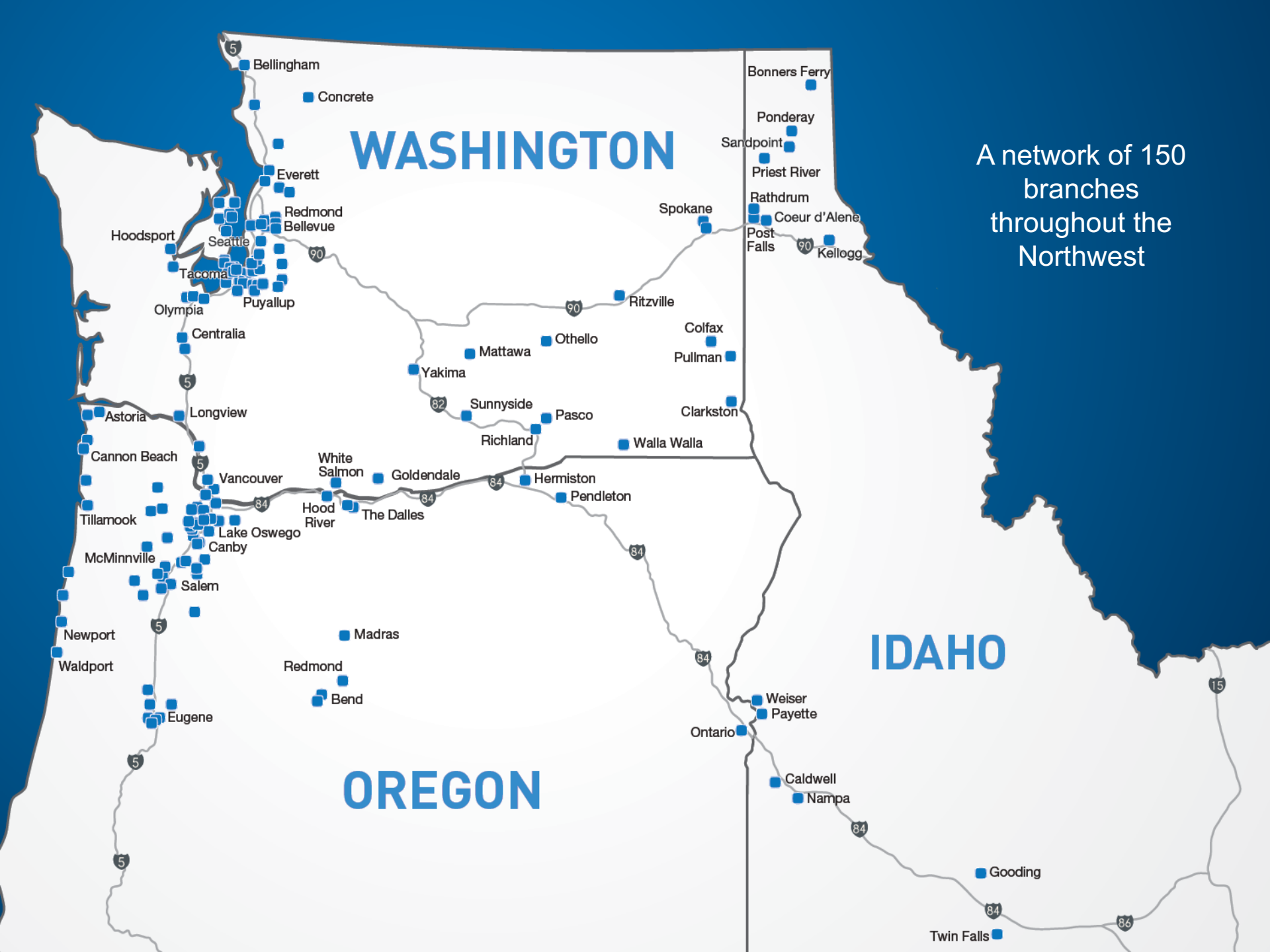
<sup>(1)</sup> MSA unemployment rates are not seasonally adjusted. State and US rates are seasonally adjusted.  
Sources: Bureau of Labor Statistics, S&P-Case Schiller, SNL Financial

# WASHINGTON

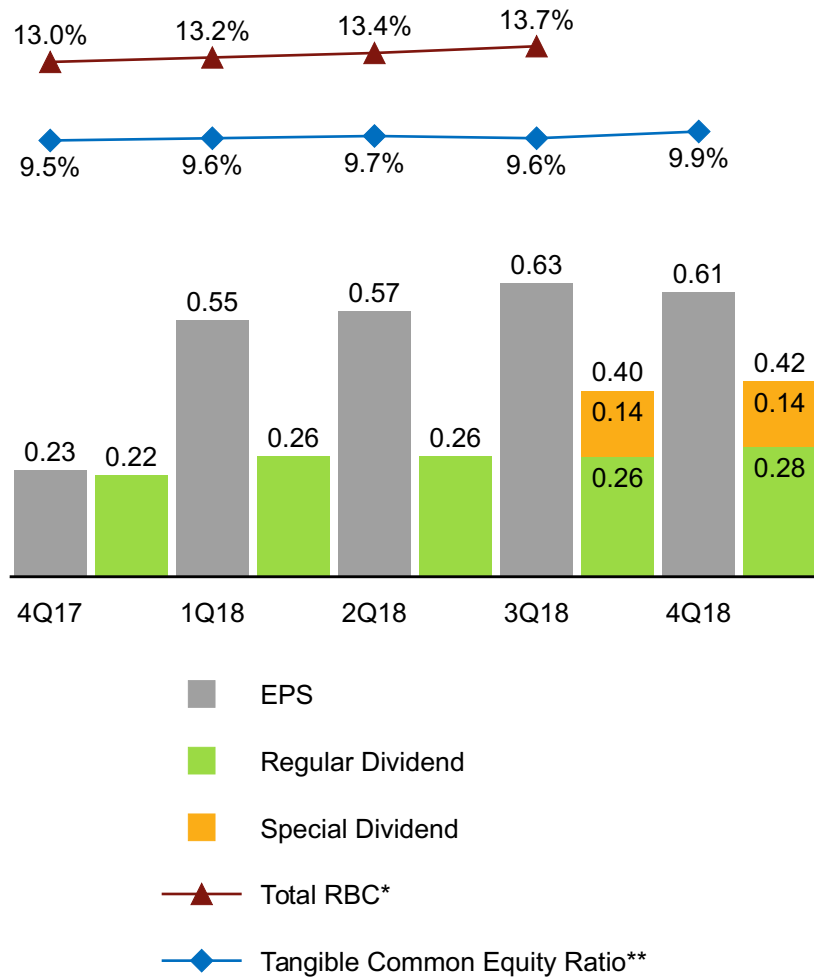
# IDAHO

# OREGON

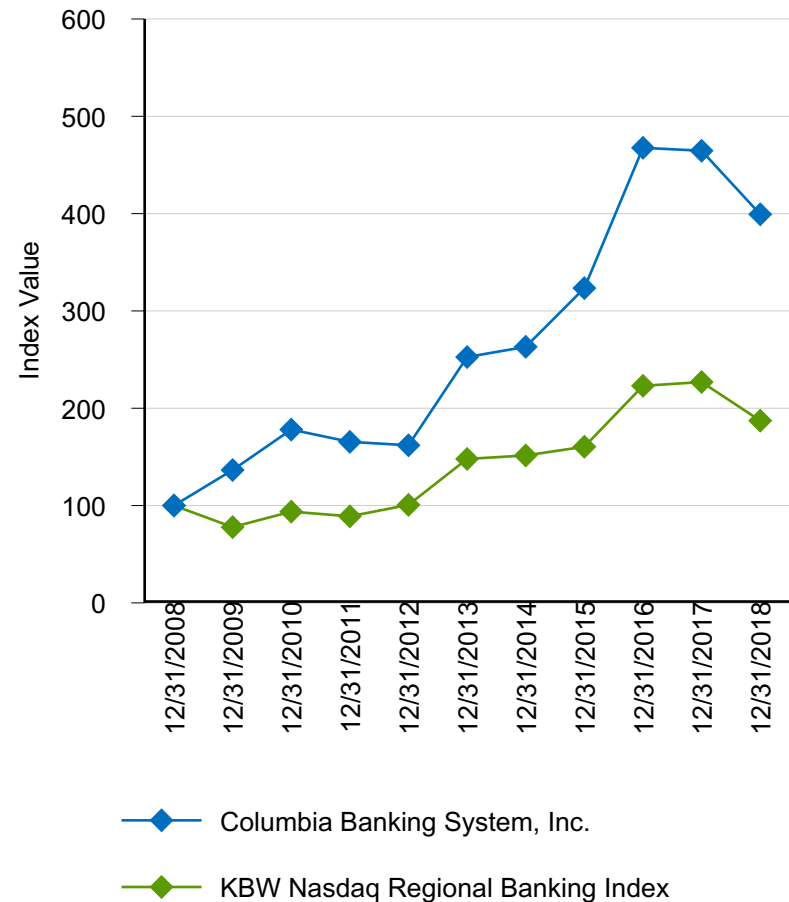
A network of 150 branches throughout the Northwest



# Strong Capital, Dividend Payouts & Total Return



## 10 Year Total Return Performance



\*The RBC ratio as of 12/31/2018 has not yet been filed.

\*\*Tangible Common Equity Ratio is a non-GAAP measure. Refer to end of presentation for additional information.



# Columbia – An Award-Winning Company



PUGET SOUND BUSINESS JOURNAL



2018 WASHINGTON'S  
BEST WORKPLACES

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# Non-GAAP Financial Measures



Net Interest Margin \$ in Thousands	2014	2015	2016	2017	2018	4Q17	1Q18	2Q18	3Q18	4Q18
Net interest income (tax equivalent) (1)	\$312,146	\$334,548	\$344,425	\$380,107	\$486,667	\$109,627	\$117,359	\$118,602	\$124,789	\$125,917
Adjustments to arrive at operating net interest income (tax equivalent):										
Incremental accretion income on FDIC purchased credit impaired	(20,224)	(9,096)	(5,972)	(4,107)	(1,635)	(265)	(329)	(326)	(585)	(395)
Incremental accretion income: Other FDIC acquired loans (2)	(484)	(234)	—	—	—	—	—	—	—	—
Incremental accretion income on other acquired loans	(21,093)	(17,862)	(11,983)	(8,689)	(10,921)	(2,482)	(3,370)	(2,690)	(2,643)	(2,218)
Premium amortization on acquired securities	7,123	10,217	7,738	6,636	7,736	1,978	2,075	2,131	1,859	1,671
Correction of immaterial error - securities premium amortization	(2,622)	—	—	1,771	—	1,771	—	—	—	—
Interest reversals on nonaccrual loans	1,291	1,713	1,072	1,766	1,564	443	417	253	477	417
<b>Operating net interest income (tax equivalent) (1)</b>	<b>\$276,137</b>	<b>\$319,286</b>	<b>\$335,280</b>	<b>\$377,484</b>	<b>\$483,411</b>	<b>\$111,072</b>	<b>\$116,152</b>	<b>\$117,970</b>	<b>\$123,897</b>	<b>\$125,392</b>
<b>Average Earning Assets</b>	<b>6,561,047</b>	<b>7,685,734</b>	<b>8,363,309</b>	<b>9,098,276</b>	<b>11,241,321</b>	<b>10,453,097</b>	<b>11,122,753</b>	<b>11,052,807</b>	<b>11,326,629</b>	<b>11,458,470</b>
<b>Net Interest Margin (tax equivalent)</b>	<b>4.76%</b>	<b>4.35%</b>	<b>4.12%</b>	<b>4.18%</b>	<b>4.33%</b>	<b>4.20%</b>	<b>4.22%</b>	<b>4.29%</b>	<b>4.41%</b>	<b>4.40%</b>
<b>Operating Net Interest Margin (tax equivalent)</b>	<b>4.21%</b>	<b>4.15%</b>	<b>4.01%</b>	<b>4.15%</b>	<b>4.30%</b>	<b>4.25%</b>	<b>4.18%</b>	<b>4.27%</b>	<b>4.38%</b>	<b>4.38%</b>

(1) Tax-exempt interest income has been adjusted to a tax equivalent basis.

(2) Effective 1/1/2016, incremental accretion income on other FDIC acquired loans is no longer considered significant and is no longer tracked for non-GAAP financial measures.

NIE/Average Assets \$ in Thousands	2014	2015	2016	2017	2018 YTD	4Q17	1Q18	2Q18	3Q18	4Q18
<b>Reported Noninterest Expense</b>	<b>\$239,286</b>	<b>\$266,149</b>	<b>\$261,142</b>	<b>\$291,017</b>	<b>\$340,490</b>	<b>\$85,627</b>	<b>\$85,987</b>	<b>\$84,643</b>	<b>\$82,841</b>	<b>\$87,019</b>
- FDIC Clawback (Expense)/Recap <sup>(3)</sup>	(294)	(979)	(280)	54	—	—	—	—	—	—
- Acquisition Related Costs	(9,432)	(10,917)	(2,727)	(17,196)	(8,661)	(13,638)	(4,265)	(2,822)	(1,081)	(493)
- Net OREO/OPPO Exp <sup>(3)</sup>	1,182	1,724	(544)	(466)	—	(46)	—	—	—	—
- Term of FDIC Loss Sharing Agreement	—	—	—	(2,409)	—	—	—	—	—	—
<b>Core Noninterest Exp</b>	<b>\$230,742</b>	<b>\$255,977</b>	<b>\$257,591</b>	<b>\$271,000</b>	<b>\$331,829</b>	<b>\$71,943</b>	<b>\$81,722</b>	<b>\$81,821</b>	<b>\$81,760</b>	<b>\$86,526</b>
<b>Average Assets</b>	<b>7,468,091</b>	<b>8,655,243</b>	<b>9,311,621</b>	<b>10,134,306</b>	<b>12,725,086</b>	<b>11,751,049</b>	<b>12,603,144</b>	<b>12,529,540</b>	<b>12,805,131</b>	<b>12,957,754</b>
Noninterest Expense/Average Assets	3.20%	3.08%	2.80%	2.87%	2.68%	2.91%	2.73%	2.70%	2.59%	2.69%
<b>Core NIE/Average Assets</b>	<b>3.09%</b>	<b>2.96%</b>	<b>2.77%</b>	<b>2.67%</b>	<b>2.61%</b>	<b>2.45%</b>	<b>2.59%</b>	<b>2.61%</b>	<b>2.55%</b>	<b>2.67%</b>

(3) Effective January 1, 2018 Core NIE excludes acquisition expenses and other one-time non-recurring items. Prior to that, Core NIE also excluded the change in the FDIC Clawback liability and net OREO/OPPO expense.

Tangible Common Equity \$ in Thousands	4Q17	1Q18	2Q18	3Q18	4Q18
Total Shareholders' Equity	1,949,922	1,947,923	1,964,881	1,981,395	2,033,649
- Preferred Equity	—	—	—	—	—
- Goodwill	(765,842)	(765,842)	(765,842)	(765,842)	(765,842)
- Other Intangible Assets, net	(58,173)	(54,985)	(51,897)	(48,827)	(45,937)
<b>Tangible Common Equity</b>	<b>\$1,125,907</b>	<b>\$1,127,096</b>	<b>\$1,147,142</b>	<b>\$1,166,726</b>	<b>\$1,221,870</b>
Total Assets	12,716,886	12,530,636	12,628,586	12,956,596	13,095,145
Goodwill	(765,842)	(765,842)	(765,842)	(765,842)	(765,842)
- Other Intangible Assets, net	(58,173)	(54,985)	(51,897)	(48,827)	(45,937)
<b>Tangible Assets</b>	<b>\$11,892,871</b>	<b>\$11,709,809</b>	<b>\$11,810,847</b>	<b>\$12,141,927</b>	<b>\$12,283,366</b>
<b>Tangible Common Equity Ratio</b>	<b>9.47%</b>	<b>9.63%</b>	<b>9.71%</b>	<b>9.61%</b>	<b>9.95%</b>

ROATCE \$ in Thousands	4Q17	1Q18	2Q18	3Q18	4Q18
<b>Net Income</b>	<b>\$ 15,728</b>	<b>\$ 39,970</b>	<b>\$ 41,749</b>	<b>\$ 46,415</b>	<b>\$ 44,748</b>
- Preferred Dividends	—	—	—	—	—
<b>Net Inc Applicable to Common Shareholders + Amortization of Intangibles</b>	<b>15,728</b>	<b>39,970</b>	<b>41,749</b>	<b>46,415</b>	<b>44,748</b>
- Tax Effect on Intangible Amort	(891)	(669)	(649)	(645)	(607)
<b>Adjusted Net Inc</b>	<b>17,384</b>	<b>42,489</b>	<b>44,188</b>	<b>48,840</b>	<b>47,031</b>
<b>Avg Shareholders' Equity</b>	<b>1,754,745</b>	<b>1,949,275</b>	<b>1,954,552</b>	<b>1,983,317</b>	<b>1,988,981</b>
- Avg Preferred Equity	—	—	—	—	—
- Average Intangibles	(662,815)	(822,376)	(819,211)	(816,128)	(813,145)
<b>Adjusted Avg Common Shareholders' Equity</b>	<b>1,091,930</b>	<b>1,126,899</b>	<b>1,135,341</b>	<b>1,167,189</b>	<b>1,175,836</b>
<b>Return on Average Tangible Common Shareholders' Equity</b>	<b>6.37%</b>	<b>15.08%</b>	<b>15.57%</b>	<b>16.74%</b>	<b>16.00%</b>

# Non-GAAP Financial Measures



Operating Efficiency Ratio \$ in Thousands	4Q17	1Q18	2Q18	3Q18	4Q18	2017	2018
Noninterest expense (numerator A)	\$ 85,627	\$ 85,987	\$ 84,643	\$ 82,841	\$ 87,019	\$ 291,017	\$ 340,490
Adjustments to arrive at operating noninterest expense:							
Acquisition-related expenses	(13,638)	(4,265)	(2,822)	(1,081)	(493)	(17,196)	(8,661)
Net benefit (cost) of operation of OREO and OPPO	(46)	4	(758)	(485)	(23)	(466)	(1,262)
FDIC clawback liability recovery	—	—	—	—	—	54	—
Loss on asset disposals	(56)	—	(1)	(110)	(166)	(70)	(277)
Termination of FDIC loss share agreements charge	—	—	—	—	—	(2,409)	—
State of Washington Business and Occupation ("B&O") taxes	(1,167)	(1,317)	(1,459)	(1,478)	(1,410)	(4,326)	(5,664)
Operating noninterest expense (numerator B)	\$ 70,720	\$ 80,409	\$ 79,603	\$ 79,687	\$ 84,927	\$ 266,604	\$ 324,626
Net interest income (tax equivalent) (1)	\$ 109,627	\$ 117,359	\$ 118,602	\$ 124,789	\$ 125,917	\$ 380,107	\$ 486,667
Noninterest income	23,581	23,143	23,692	21,019	20,402	109,642	88,256
Bank owned life insurance tax equivalent adjustment	741	379	455	373	390	2,897	1,597
Total revenue (tax equivalent) (denominator A)	133,949	140,881	142,749	146,181	146,709	492,646	576,520
Operating net interest income (tax equivalent) (1)	111,072	116,152	117,970	123,897	125,392	377,484	483,411
Adjustments to arrive at operating noninterest income (tax equivalent):							
Investment securities losses, net	\$ 11	\$ (22)	\$ 33	\$ 62	\$ 16	\$ 11	\$ 89
Gain on asset disposals	(34)	(35)	(47)	(29)	(30)	(357)	(141)
Mortgage loan repurchase liability adjustment	—	—	—	—	—	(573)	—
Change in FDIC loss-sharing asset	—	—	—	—	—	447	—
Gain on sale of merchant card services portfolio	—	—	—	—	—	(14,000)	—
Operating noninterest income (tax equivalent)	24,299	23,465	24,133	21,425	20,778	98,067	89,801
Total operating revenue (tax equivalent) (denominator B)	\$ 135,371	\$ 139,617	\$ 142,103	\$ 145,322	\$ 146,170	\$ 475,551	\$ 573,212
Efficiency ratio (tax equivalent) (numerator A/denominator A)	63.93%	61.04%	59.29%	56.67%	59.31%	59.07%	59.06%
Operating efficiency ratio (tax equivalent) (numerator B/denominator B)	52.24%	57.59%	56.02%	54.83%	58.10%	56.06%	56.63%

Non-interest Expense net of Acquisition Related Expense					
\$ in Thousands	4Q17	1Q18	2Q18	3Q18	4Q18
Compensation & Employee Benefits	\$ 50,473	\$ 50,570	\$ 48,949	\$ 49,419	\$ 51,261
less: Related Acquisition Expense	(8,011)	(1,556)	(931)	(923)	(210)
Compensation & Employee Benefits net of ARC's	\$ 42,462	\$ 49,014	\$ 48,018	\$ 48,496	\$ 51,051
Occupancy, Equipment & Depreciation	\$ 9,554	\$ 10,121	\$ 9,276	\$ 8,321	\$ 8,858
less: Related Acquisition Expense	(967)	(1,004)	(586)	(29)	—
Occupancy, Equipment & Depreciation net of ARC's	\$ 8,587	\$ 9,117	\$ 8,690	\$ 8,292	\$ 8,858
Total Noninterest Expense	\$ 85,627	\$ 85,987	\$ 84,643	\$ 82,841	\$ 87,019
-Compensation and employee benefits	(50,473)	(50,570)	(48,949)	(49,419)	(51,261)
-Occupancy, Equipment & Depreciation	(9,554)	(10,121)	(9,276)	(8,321)	(8,858)
Other Noninterest Expense	25,600	25,296	26,418	25,101	26,900
less: Related Acquisition Expense	(4,660)	(1,705)	(1,305)	(129)	(283)
Other Noninterest Expense net of ARC's	\$ 20,940	\$ 23,591	\$ 25,113	\$ 24,972	\$ 26,617
Total Acquisition Related Expense	\$ 13,638	\$ 4,265	\$ 2,822	\$ 1,081	\$ 493